

# **Audit Committee**

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**Thursday 14 July 2016 at 5.00 pm**

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

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

## **Membership**

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Councillors Josie Paszek (Chair), Penny Baker, Dianne Hurst, Bob Johnson and Paul Scriven.

## **Independent Co-opted Members**

Liz Stanley

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## **PUBLIC ACCESS TO THE MEETING**

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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](http://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](mailto:dave.ross@sheffield.gov.uk).

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## **FACILITIES**

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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.

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**AUDIT COMMITTEE AGENDA  
14 JULY 2016**

**Order of Business**

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- 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** (Pages 5 - 12)  
To approve the minutes of the meetings of the Committee held on 14 April and 18 May 2016.
- 6. Annual Governance Statement 2015/16** (Pages 13 - 24)  
Report of the Director of Legal and Governance.
- 7. Summary of the Statement of Accounts 2015/16** (Pages 25 - 48)  
Report of the Interim Executive Director, Resources.
- 8. Progress on High Opinion Audit Reports** (Pages 49 - 80)  
Report of the Interim Head of Finance.
- 9. Work Programme** (Pages 81 - 86)  
Report of the Director of Legal and Governance.
- 10. Dates of Future Meetings**  
To note that meetings of the Committee will be held at 5.00 p.m. on:-
  - 15 September 2016
  - 16 November 2016
  - 8 December 2016 (additional meeting if required)
  - 12 January 2017
  - 16 February 2017 (additional meeting if required)
  - 9 March 2017 (additional meeting if required)
  - 27 April 2017
  - 13 July 2017

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## ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

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

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

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

You **must**:

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

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

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

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

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

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

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

You have a personal interest where –

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

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

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

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

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

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

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Audit Committee

Meeting held 14 April 2016

**PRESENT:** Councillors Steve Jones (Chair), Tony Damms, Rob Frost, Dianne Hurst, Joe Otten and Josie Paszek.

Co-opted Independent Members

Rick Plews and Liz Stanley.

Officers in attendance

Eugene Walker (Interim Executive Director, Resources)  
Dave Phillips (Interim Director of Finance)  
Kayleigh Inman (Senior Finance Manager, Internal Audit)  
Stephen Bower (Finance Manager, Internal Audit)  
John Curtis (Head of Information and Knowledge Management)  
Trevor Rees (Director, KPMG)  
Alison Ormston (Senior Manager, KPMG)  
Gillian Duckworth (Director of Legal and Governance)  
Dave Ross (Principal Committee Secretary)

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**1. MR RICK PLEWS**

1.1 Councillor Steve Jones (Chair of the Committee) reported that Rick Plews was attending his last meeting of the Committee as an Independent Co-opted Member as his term of office expired on 17 May 2016 and thanked him for his valuable contribution to the work of the Committee.

1.2 The Interim Executive Director, Resources commented that Rick Plews was one of two Co-opted members that were first appointed to the Committee in 2011. He considered that the independent members were an important part of the Committee with a non-partisan approach and he highlighted Mr Plews' effective contribution.

1.3 Mr Plews thanked the Committee and stated that he had found it an interesting experience, had enjoyed his time on the Committee and would miss being involved.

1.4 **Resolved:** That the Committee places on record its thanks and appreciation to Rick Plews for his contribution to the work of the Committee and offers him its best wishes for the future.

**2. APOLOGIES FOR ABSENCE**

2.1 There were no apologies for absence.

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

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

### **4. DECLARATIONS OF INTEREST**

- 4.1 There were no declarations of interest.

### **5. MINUTES OF PREVIOUS MEETING**

- 5.1 The minutes of the meeting of the Committee held on 14 January 2016 were approved as a correct record.

### **6. UPDATE ON THE INFORMATION COMMISSIONER'S OFFICE CONSENSUAL AUDIT**

- 6.1 The Head of Information and Knowledge Management introduced a report of the Interim Executive Director, Resources on a follow-up data protection audit report from the Information Commissioner's Office (ICO). This followed a consensual audit undertaken by the ICO in March 2015 and which was reported to the meeting of this Committee on 24 September 2015.

- 6.2 The consensual audit had reviewed Freedom of Information, Subject Access Requests and Information Sharing and made 69 recommendations from areas such as providing training to staff to updating policies and procedures. The follow-up report from the ICO indicated that progress had been made in all the areas. Internal Audit would review progress made against those recommendations that were partially completed.

- 6.3 It was noted that in terms of the completion target being a minimum of 95% and not set at 100%, there was a need to factor in how a performance indicator can be smarter, challenging and be met. Sheffield was leading the way in terms of the Core Cities in this area.

- 6.4 The ICO was pleased with the progress that the City Council had made to date and that areas would be prioritised to continue to meet all the initial recommendations.

- 6.5 **Resolved:** That the Committee notes the contents of the Information Commissioner's Office follow-up audit report and the progress made.

### **7. CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2014/15**

- 7.1 The Senior Manager, KPMG introduced the Annual Report for the certification work KPMG had undertaken on the Council's grants claims and returns for 2014/15 in relation to the Housing Benefit Subsidy Claim (completed under the Public Sector Audit Appointment certification arrangements), Pooling Capital Receipts and the Teachers' Pension return. The recommendations from the Annual Report had been accepted by the Council.

7.2 In response to a question from a member of the Committee on the prior year recommendations, the Senior Manager indicated that she was satisfied with the action taken.

7.3 **Resolved:** That the Committee notes the report.

## **8. EXTERNAL AUDIT PLAN 2015/16**

8.1 The Senior Manager, KPMG introduced the External Audit Plan for 2015/16 that described the audit of the Council's financial statements, the value for money arrangements work and other areas of audit focus that included the new Fair Value Measurement (IFRS 13) and the Better Care Fund.

8.2 Officers responded to questions from members of the Committee and indicated that:-

(a) the value for money work did not comment on whether value for money was achieved but considered the arrangements. It also took account of other inspections and there had been strengthening of those inspections.

(b) although some additional work had been identified as part of the audit, no major issues had emerged from the work undertaken.

8.3 **Resolved:** That the Committee notes the report.

## **9. ANNUAL AUDIT FEE LETTER 2016/17**

9.1 The Committee received the Annual Audit Fee Letter that set out the audit work and fee that KPMG proposed for the Council for 2016/17. Trevor Rees, Director, KPMG, referred to the payment that Public Sector Audit Appointments Limited (PSAA) had received in respect of the Audit Commission's retained earnings following completion of the Commission's 2014/15 accounts and that this would be distributed to local authorities by the PSAA and was likely to be approximately 15% of the audit fee.

9.2 **Resolved:** That the Committee notes the Annual Audit Fee Letter for 2016/17.

## **10. INTERNAL AUDIT PLAN 2016/17**

10.1 The Senior Finance Manager (Internal Audit) introduced a report that set out the Internal Audit planning methodology and programme of work for 2016/17. This focussed on areas of high-risk activity in order to provide assurance that risk and internal control systems were being properly managed by Directors in service areas. The planning process was based on perceived areas of risk and emerging issues.

10.2 Officers responded to questions from members of the Committee and indicated that the Better Care Fund and a review of the new financial system were included in the Plan. On the concern raised on the level of resources available to Internal

Audit, it was noted that the Team had not reduced in size.

10.3 **Resolved:** That the Committee:-

- (a) in respect of the provision of the statutory Internal Audit function and in order to comply with best professional practice, including the Public Sector Internal Audit Standards, endorses the programme of work for 2016/17 set out in the appendix to the report now submitted; and
- (b) requests the Senior Finance Manager (Internal Audit) to include in the Internal Audit Annual Report to be submitted to the meeting of the Committee in September 2016, the impact of any additional fraud work on other areas of the Internal Audit Plan.

**11. INTERNAL AUDIT ANNUAL FRAUD REPORT**

- 11.1 The Finance Manager (Internal Audit) introduced a report of the Interim Director of Finance informing the Committee of Internal Audit's work on fraud and corruption and the outcomes of the work from its investigations and the National Fraud Initiative. He referred to the 15 investigations undertaken by Internal Audit that had been reported by management and added that they also gave advice on a further 20 cases where investigations remained with management. Appended to the report was the Governance Checklist for Fraud 2015/16 for those responsible for governance and this highlighted the Council's processes compared to best practice. CIPFA were developing a new process that would be used for this exercise in future years.
- 11.2 This was the first report since the creation of the Single Fraud Investigation Service that now investigated housing benefit fraud and which was previously the largest element of fraud investigation undertaken by the Council. Following the closure of the Audit Commission, two bodies came forward to undertake the survey on fraud previously undertaken by the Commission called Protecting the Public Purse. It was decided not to take part in either exercise in 2015 due to the short notice and the work involved.
- 11.3 Officers responded to questions from members of the Committee. The Interim Executive Director, Resources indicated that it was everyone's responsibility to fight fraud.
- 11.4 **Resolved:** That the Committee notes the contents of the report and the completed Checklist for Fraud for those responsible for governance appended to the report.

**12. PUBLIC SECTOR INTERNAL AUDIT STANDARDS EXTERNAL ASSESSMENT PROCESS 2016/17**

- 12.1 The Senior Finance Manager (Internal Audit) introduced a report presenting the proposed approach to the Public Sector Internal Audit Standards (PSIAS) requirement for an external assessment of the Internal Audit service. This was required to be undertaken once every five years by a qualified independent

assessor or assessment team. The purpose of the external assessment was to help improve delivery of the audit service and establish whether governance requirements relating to provision of the service are embedded.

- 12.2 **Resolved:** That the Committee approves participation by the Council in the peer review process developed by the Core Cities' Chief Internal Auditors' Group which would address the requirement for an external assessment using a validated self-assessment approach, as set out in the report.

### **13. COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS**

13.1 The Interim Director of Finance submitted a report indicating that as part of the International Auditing Standards (IAS) there was a requirement for those charged with governance (for the Council this was the Audit Committee) to formally demonstrate that they have exercised adequate oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control. For the past few years similar reports have been produced for the Audit Committee to enable it to demonstrate that it has taken the appropriate overview of the entire governance framework of the Council and have therefore exercised the necessary oversight to meet the requirements of the IAS.

13.2 In response to a question from a member of the Committee, the Director KPMG indicated that this information was taken into account when undertaking the external audit.

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

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

### **14. REVISED TERMS OF REFERENCE**

14.1 Further to a request at the last meeting of the Committee, the Director of Legal and Governance submitted a report containing a number of proposed revisions to the Committee's terms of reference and asking members to consider if any additional amendments should be included.

14.2 A member of the Committee suggested the inclusion of (a) the Committee's Annual Report, (b) an annual meeting with the Internal and External Auditors without management present, prior to a Committee meeting and (c) the ability for the Internal and External Auditors to raise matters informally with the Committee.

14.3 **Resolved:** That the Committee:-

- (i) approves the changes to the Committee's terms of reference as set out in the report with the addition of the production of an Annual report;

- (ii) requests the Director of Legal and Governance to make the necessary changes to the Council's Constitution; and
- (iii) requests the Director of Legal and Governance to make arrangements for members of the Committee to meet privately with the Internal and External Auditors, prior to meetings of the Committee and for the Internal and External Auditors to be able to raise matters informally with the Committee.

## **15. WORK PROGRAMME**

- 15.1 The Committee considered a report of the Director of Legal and Governance setting out an outline work programme for 2016/17.
- 15.2 A member of the Committee referred to the large number of items for the July meeting and asked if there was any scope for any of the items to be deferred.
- 15.3 **Resolved:** That the Committee:-
  - (a) approves the outline work programme for 2016/17 and requests the Director of Legal and Governance to review the items for the July meeting and if any items can be deferred to a later meeting; and
  - (b) requests the Director of Legal and Governance to make arrangements for members of the Committee to meet privately with the External Auditor prior to the September Audit Committee meeting that will consider the Statement of Accounts and the external audit of the Accounts.

## **16. DATES OF FUTURE MEETINGS**

- 16.1 It was noted that the next meeting of the Committee would be held on Thursday 14 July 2016 at 5.00 p.m. and that meeting dates for 2016/17 were being arranged.

## **17. COUNCILLOR STEVE JONES**

- 17.1 The Interim Director of Finance reported that Councillor Steve Jones was attending his last meeting of the Committee, prior to standing down from the Council in May 2016.
- 17.2 Councillor Jones stated that he had enjoyed chairing the Committee and working with the members and officers and had found the meetings interesting.
- 17.3 **Resolved:** That this Committee places on record its thanks and appreciation to Councillor Steve Jones as Chair of the Committee and offers him its best wishes for the future.

**SHEFFIELD CITY COUNCIL**

**Audit Committee**

**Meeting held 18 May 2016**

**PRESENT:** Councillors Josie Paszek (Chair), Penny Baker, Dianne Hurst,  
Bob Johnson and Paul Scriven.

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**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Isobel Bowler.

**2. APPOINTMENT OF CHAIR AND DEPUTY CHAIR**

**Resolved:** That Councillor Josie Paszek be appointed as Chair of the Committee.

**3. DATES AND TIMES OF MEETINGS**

**Resolved:** That the meetings of the Committee be held on dates and times to be determined by the Chair.

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## Audit Committee Report

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

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**Date:** 14 July 2016

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**Subject:** Annual Governance Statement 2015/16

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

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

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### 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.

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### Background Papers:

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**Category of Report:** Open

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\* Delete as appropriate

## Statutory and Council Policy Checklist

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

## **SHEFFIELD CITY COUNCIL**

### **ANNUAL GOVERNANCE STATEMENT**

#### **THE POSITION FOR THE FINANCIAL YEAR 2015/16**

##### **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 Regulations 2015, regulation 6(1), 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 2016 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 2016 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 Executive 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 developed its Corporate Plan 2015 – 2018 (agreed by Cabinet on 18 March 2015) which sets out its vision and corporate priorities. 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 continues 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 Leadership Teams. 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](http://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 his 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 currently 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 1998.

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 needs to make well informed decisions through business intelligence to enable us to make changes to the right things in the right way.

The Corporate Plan 2015 – 2018 acknowledges that it's more important than ever to make the best use of public money. The Council needs to make sure we prioritise our efforts and resources for the greatest impact and plans to have an agreed, prioritised set of strategic changes that we will make, to achieve our long term goals by 2017. (2.19 – 2.23 of the Corporate Plan 2015 - 2018)

#### **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' Annual 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. 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.

For the period of this Statement, the Council operated an Individual Performance Review (IPR) framework which scored individual staff and managers against the Council's Imperatives, set at Leadership, Service and Individual level. These scores enabled 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 were collated by HR who gathered information which was then used to identify and consolidate good performance and identify where there was less than optimum performance. Development interventions were provided to support improvements, where necessary. Whilst the IPR framework has recently been replaced by Personal Development Reviews (PDRs), the focus on performance development will continue.

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.

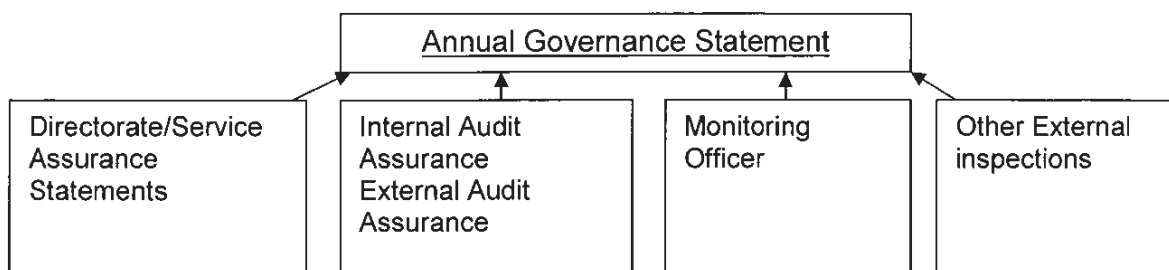
The Council also has a training programme in place, which is specifically tailored to the needs of elected Members in fulfilling their roles and responsibilities, including an induction programme for newly-elected Members.

### **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 Senior Finance Manager (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 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 2015/16 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 the financial year 2015/16 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, issued an unqualified opinion on 24 September 2015 regarding the Council's Accounts for 2014/15.

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

<b>Service</b>	<b>Inspection</b>	<b>Date carried out - result</b>
Capital Delivery Service	Renewal of ISO 9001 Accreditation	16/17 March 2015  New Service Management System accredited and new ISO 9001 Certification Issued.
All Council	External Audit - Statutory Accounts 2014/15	July-September 2015 – unqualified opinion & certificate issued
Revenues & Benefits	External Audit – Housing Benefits	August – November 2015 – qualified opinion and certificate issued
CYP	External Audit – Teachers Pensions	November 2015 – Assurance Letter issued
Housing	External Audit – Pooling of Housing Capital Receipts	November 2015 – Assurance Letter issued
CYP	External Audit – Skills Funding Agency	January 2016 – Assurance Letter issued
All Council	External Audit - Statutory Accounts 2015/16	Interim Audit (part-year)
Sheffield City Council	Information Commissioner's Office Consensual Audit	March 2015 – ICO consensual audit in March 2015.  69 recommendations were made, all of which were accepted.  Significant progress has been made in relation to these recommendations around Freedom of Information, Subject Access and Information Sharing. Further work is ongoing to ensure that these recommendations are completed.  The initial report from the ICO and follow up report were presented to the Audit Committee. The ICO was pleased with progress that had been made to date.
Sheffield City Council	Public Services Network Cabinet Office	Currently Ongoing  As part of our annual accreditation with the cabinet office, we are currently going through this year's accreditation. This accreditation enables SCC to use services and

		products such as GCSX. It provides a secure data exchange so that information can be provided across public authorities (central and local) so that services can be provided.
Sheffield City Council	IG Toolkit	<p>March 2016</p> <p>As part of our annual accreditation, we have gained compliance to the IG toolkit with health. This enables for example SCC to receive datasets from health which helps in particular public health, communities and CYPF (Children Young People and families).</p> <p>We achieved a satisfactory score level 2.</p>

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, and are incorporated within twice yearly reports on Risk Management Updates to the Audit Committee. Ensuring that appointed Members receive appropriate officer support remains an important area of activity.

## **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 2015/16, 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.

## **Significant Governance Issues**


It is felt that no significant control weaknesses have been identified through the Annual Governance process.

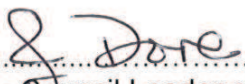
## **Statement**

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: 21/6/16  
Eugene Walker – Interim Executive Director of Resources (Section 151 Officer)

Signed:  Date: 16/6/16  
John Mothersole - Chief Executive on behalf of Sheffield City Council

Signed:  Date: 16/6/16  
Julie Dore - Council Leader on behalf of Sheffield City Council



## Audit Committee Report

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**Report of:** Eugene Walker

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**Date:** 14 July 2016

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**Subject:** 2015/16 Statement of Accounts

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**Author of Report:** David Phillips

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### Summary:

The purpose of this report is to provide Members of the Audit Committee with a summary of the 2015/16 Statement of Accounts and explain the core statements and a number of the key notes to the accounts.

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### Recommendations:

The Audit Committee is asked to note the core statements and the key notes to the Statement of Accounts for 2015/16.

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**Background Papers:** None

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**Category of Report:** OPEN

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## Statutory and Council Policy Checklist

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

# AUDIT COMMITTEE – 14 JULY 2016

## STATEMENT OF ACCOUNTS 2015/16

### Purpose of the Report

1. The purpose of this report is to provide Members of the Audit Committee with a summary of the 2015/16 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 [Statement of Accounts 2015/16](#). A full set of the final audited accounts will be presented to the Audit Committee on 15 September 2016.
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 2015 sets out the procedures for certification, approval and publication of the Statement of Accounts. The approval process is as follows:
  - 30 June 2016 – Unaudited accounts to be certified by the Executive Director of Resources. In 2017/18 the statutory deadline moves forward to 31 May; in preparation, the 2015/16 timetable achieved the earlier deadline for the first time, with the accounts certified on 27 May 2016.
  - June to September 2016 – 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 (Monday 13 June 2016 to Friday 22 July 2016).
  - No later than 30 September 2016 – Accounts to be re-certified by the Executive Director of Resources. In 2017/18 the statutory deadline moves forward to 31 July.

- No later than 30 September 2016 – Audit Committee considers and approves the statement of accounts. Following approval, the Chair of the Audit Committee signs and dates the Statement of Accounts. In 2017/18 the statutory deadline moves forward to 31 July, requiring the accounts to be certified in future at the July Audit Committee.
- No later than 30 September 2016 – Publish, on the Council’s website, the audited statement of accounts together with any certificate, opinion or report issued by the auditor. In 2017/18 the statutory deadline moves forward to 31 July.

## **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 the revenue impact of capital in line with IFRS on the face of the Comprehensive Income and Expenditure Statement (CIES). This means including figures relating to movements in the value/cost of assets, including depreciation, revaluation, disposal and impairment. These “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 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 the entries are reversed out, and replaced by the cash contributions to the Pension Scheme, in an adjustment between accounting basis and funding basis under regulation.



9. The report on the Council's Revenue Outturn position at the end of the 2015/16 financial year was approved by Cabinet on 22 June 2016. This reported that there was an overall surplus on the General Fund of £561k, before carry forward requests and movements on reserves.
10. In contrast to this surplus, the CIES reports a surplus of £153.7m. The inclusion of items relating to capital and pensions is the major reason for this difference. The table below shows the reconciliation from the outturn position to the eventual CI&ES surplus:

	<b>£000</b>
<b>Surplus on General Fund Revenue Account (per outturn report)</b>	<b>(561)</b>
Net contributions to revenue reserves	(55,584)
Surplus / Deficit on Housing Revenue Account	0
Surplus on Schools' Accounts	1,878
<b>Total Contribution to Reserves</b>	<b>(54,267)</b>
Removal of debt charges	(30,474)
Removal of pension contributions	(31,352)
<i>Items that do not affect Council Tax:</i>	
Inclusion of accounting charges for depreciation, impairment, holiday pay, PFI, etc.	94,796
Gains and losses on Revaluation of Non-Current Assets, Pension Assets and other items	(132,442)
<b>Surplus on Income &amp; Expenditure Statement</b>	<b>(153,739)</b>

11. 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**

12. 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.
13. 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.
14. 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**

15. 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.
16. 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**

17. The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

18. Reserves are reported in two categories:

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

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

19. The Cash Flow statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents.
20. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority.

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

21. 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.
22. Attached at Appendix 5 are some of the key notes to the accounts, including the note on Officers' Remuneration (note 35). 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.
23. The Council's outturn position for 2015/16 reported a net surplus of £561k 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 31) – 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 - £561k general fund surplus;

Parts 2 and 3 reconcile the £561k outturn to the two key sub-totals in the CIES, by detailing the adjustments made to arrive at the £443.1m sub-total Cost of Services and subtotal for the Deficit on Provision of Services £21.3m;

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 £153.7m surplus on the CIES.

#### Housing Revenue Account (HRA) – Appendix 6

24. 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.
25. Authorities charge rents to cover expenditure in accordance with regulations, which may be different from the accounting cost.

#### Collection Fund – Appendix 7

26. 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 2015/16

### *Net worth*

27. The Council's net worth, as shown on the Balance Sheet (**Appendix 3**), has increased by the surplus from the CIES £153.7m (or 25%) in 2015/16; the major factors being:
- A decrease in the Council's pensions' liability of £60.4m following the annual review by the actuary. As confirmed with the actuary the decrease is the result of actuarial assumptions (discount factor);
  - A net increase in the Council's fixed assets of £100.4m, due to revaluations, offset by;
  - An increase in the council's liabilities with respect to Private Finance Initiatives of £32.1m,

### *Usable Reserves*

28. As shown in the Movement in Reserves Statement (**Appendix 1**), during the year, total usable reserves increased by £56.4m. The key reasons for the increase in this category of reserves are as follows:
- Earmarked General Fund Reserves increased by £53.2m during the year, largely due to a £25m transfer in to the Major Sporting Facilities Reserve, following a correction to prior year accounts (see below), with the remainder mainly the result of the re-payment of £24.7m, which was borrowed from reserves in 2014/15 that was used to make an early pension deficit payment.
  - Reserves used to fund capital expenditure on assets increased by £5.4m
  - The Council's usable reserves also includes £12.6m of Unallocated Reserves or General Fund Balances, which increased by £1.4m in 2015/16.
  - A draw on HRA reserves reduced the balances by £3.6m.

### *Prior Year Adjustments*

29. Following discussions with the Council's External Auditors KPMG, there has been a change to the accounting treatment for repayments of the bond

financing for the Major Sporting Facilities (MSF). The transactions to amend the accounting, from revenue to capital, are detailed in the notes to the accounts *Prior Year Adjustments* (note 5).

### **Financial Implications**

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

### **Equal Opportunities Implications**

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

### **Property Implications**

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

### **Recommendations**

33. The Audit Committee is asked to note the core statements and the key notes to the Statement of Accounts for 2015/16.

## APPENDIX 1 – MOVEMENT IN RESERVES STATEMENT

2015/2016											
		General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Earmarked Housing Revenue Account Reserve £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Note		26	26	26	26	26	26	26		27	
<b>Balance at 31 March 2015</b>		<b>(11,183)</b>	<b>(110,865)</b>	<b>(12,841)</b>	<b>(2,643)</b>	<b>(71,851)</b>	<b>(36,977)</b>	<b>(26,055)</b>	<b>(272,415)</b>	<b>(349,251)</b>	<b>(621,666)</b>
<b>Movement in reserves during 2015/16:</b>											
(Surplus) / deficit on provision of services	CI&ES	(10,058)	0	(11,239)	0	0	0	0	(21,297)	0	(21,297)
Other Comprehensive (Income) and Expenditure	CI&ES	0	0	690	0	0	25	0	715	(133,157)	(132,442)
<b>Total Comprehensive (Income) and Expenditure</b>		<b>(10,058)</b>	<b>0</b>	<b>(10,549)</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>0</b>	<b>(20,582)</b>	<b>(133,157)</b>	<b>(153,739)</b>
Adjustments between accounting basis and funding basis under regulations	9	(46,423)	0	(7,613)	0	21,780	(7,377)	1,960	(37,673)	37,673	0
<b>Net (increase) / decrease before transfers to earmarked reserves</b>		<b>(56,481)</b>	<b>0</b>	<b>(18,162)</b>	<b>0</b>	<b>21,780</b>	<b>(7,352)</b>	<b>1,960</b>	<b>(58,255)</b>	<b>(95,484)</b>	<b>(153,739)</b>
Transfers (to) / from earmarked reserves	10	55,065	(53,226)	22,827	(1,070)	(21,756)	(651)	651	1,840	(1,840)	0
<b>(Increase) / decrease in year</b>		<b>(1,416)</b>	<b>(53,226)</b>	<b>4,665</b>	<b>(1,070)</b>	<b>24</b>	<b>(8,003)</b>	<b>2,611</b>	<b>(56,415)</b>	<b>(97,324)</b>	<b>(153,739)</b>
<b>Balance at 31 March 2016</b>		<b>(12,599)</b>	<b>(164,091)</b>	<b>(8,176)</b>	<b>(3,713)</b>	<b>(71,827)</b>	<b>(44,980)</b>	<b>(23,444)</b>	<b>(328,830)</b>	<b>(446,575)</b>	<b>(775,405)</b>

## APPENDIX 2 – COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15 Restated								2015/16		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000				
<b>Continuing Operations:</b>										
188,868	(60,122)	128,746		201,550	(65,099)	136,451				
487,506	(362,250)	125,256		445,226	(345,987)	99,239				
48,663	(5,334)	43,329		50,060	(5,573)	44,487				
36,828	(11,724)	25,104		40,830	(11,445)	29,385				
92,966	(15,743)	77,223		90,406	(14,643)	75,763				
67,854	(159,676)	(91,822)		137,590	(161,071)	(23,481)				
212,836	(204,510)	8,326		217,556	(201,560)	15,996				
30,780	(20,535)	10,245		24,864	(12,016)	12,848				
20,015	(8,649)	11,366		19,411	(9,171)	10,240				
48,193	(4,784)	43,409		50,857	(11,534)	39,323				
0	0	0		0	0	0				
29,431	(29,835)	(404)		31,477	(28,605)	2,872				
<b>1,263,940</b>	<b>(883,162)</b>	<b>380,778</b>		<b>1,309,827</b>	<b>(866,704)</b>	<b>443,123</b>				
<b>(Surplus) / Deficit on Continuing Operations</b>										
		68,467				49,255				
		97,178	11			74,293				
		(613,019)	12			(587,968)				
		<b>(66,596)</b>	13			<b>(21,297)</b>				
<b>(Surplus) / Deficit on Provision of Services</b>										
		(39,088)				(33,688)				
		204,881				(99,469)				
		13				715				
		<b>165,806</b>				<b>(132,442)</b>				
		<b>99,210</b>				<b>(153,739)</b>				
<b>Other Comprehensive (Income) and Expenditure</b>										
<b>Total Comprehensive (Income) and Expenditure</b>										

\* On the 1 October 2015 0-5 years Healthy Child (Health Visiting) transferred to Local Authorities. See Note 8 for details.



### APPENDIX 3 – BALANCE SHEET

As at 1 April 2014 Restated	As at 31 March 2015 Restated		Notes	As at 31 March 2016
£000	£000			£000
2,336,467	2,369,956	Property, Plant and Equipment	14	2,497,196
62,754	62,769	Heritage Assets	15	63,064
1,489	1,495	Investment Properties	16	21,555
234,824	223,945	Long term Debtors	19	211,352
<b>2,635,534</b>	<b>2,658,165</b>	<b>Long Term Assets</b>		<b>2,793,167</b>
60,000	45,000	Short Term Investments	17	15,000
125	157	Inventories		182
83,451	103,088	Short Term Debtors	20	128,253
32,802	58,722	Cash and Cash Equivalents	17 / 21	83,914
10,856	29,541	Assets Held for Sale	22	17,259
<b>187,234</b>	<b>236,508</b>	<b>Current Assets</b>		<b>244,608</b>
(36,717)	(12,488)	Short Term Borrowing	17	(25,786)
(135,704)	(152,444)	Short Term Creditors	23	(130,078)
(38,920)	(24,349)	Short Term Provisions	24	(23,162)
(8,312)	(11,444)	PFI / PPP Finance Lease Liability	17 / 43	(13,838)
(20,702)	(23,519)	Capital Grants Receipts in Advance	39	(22,377)
<b>(240,355)</b>	<b>(224,244)</b>	<b>Current Liabilities</b>		<b>(215,241)</b>
(666,613)	(681,517)	Long Term Borrowing	17	(729,208)
(9,458)	(6,900)	Long Term Provisions	24	(7,951)
(327,293)	(351,668)	PFI / PPP Finance Lease Liability	17 / 43	(381,391)
(697,558)	(856,407)	Net Pension Liability	46	(795,982)
(146,865)	(133,329)	Other Long Term Liabilities	25	(118,833)
(13,750)	(18,942)	Capital Grants Receipts in Advance	39	(13,764)
<b>(1,861,537)</b>	<b>(2,048,763)</b>	<b>Long Term Liabilities</b>		<b>(2,047,129)</b>
<b>720,876</b>	<b>621,666</b>	<b>Net Assets</b>		<b>775,405</b>
(217,280)	(272,415)	Usable Reserves	26	(328,830)
(503,596)	(349,251)	Unusable Reserves	27	(446,575)
<b>(720,876)</b>	<b>(621,666)</b>	<b>Total Reserves</b>		<b>(775,405)</b>

## APPENDIX 4 – CASH FLOW STATEMENT

2014/15			2015/16
£000		Notes	£000
<b>Restated</b>			
66,595	Net surplus or (deficit) on the provision of services		21,297
90,842	- Adjustment to surplus or (deficit) on the provision of services for non-cash movements	28	164,530
(81,665)	- Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	28	(6,321)
<b>75,772</b>	<b>Net cash flow from operating activities</b>		<b>179,506</b>
(26,479)	Investing activities	29	(178,899)
(23,373)	Financing activities	30	24,585
<b>25,920</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>25,192</b>
32,802	Cash and cash equivalents at 1 April	21	58,722
<b>58,722</b>	<b>Cash and cash equivalents at 31 March</b>	21	<b>83,914</b>

## **APPENDIX 5 – KEY NOTES TO THE CORE FINANCIAL STATEMENTS**

### **Note 35 – Officers’ Remuneration**

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

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

The second section must include a disclosure of the numbers of other staff whose total remuneration (i.e. salary plus overtime and allowances, etc.) is above £50,000.

The remuneration paid to the Council’s senior employees is shown in the table below.

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%.

<b>2015/16</b>						
<b>Post Holder Information</b>	<b>Note</b>	<b>Salary - including Fees and Allowances</b>	<b>Expenses Allowances</b>	<b>Total Remuneration excluding Pension Contributions</b>	<b>Pension Contributions</b>	<b>Total Remuneration including Pension Contributions</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive - John Mothersole		184,588	0	184,588	34,701	219,289
Executive Director - Communities (Interim)		132,293	0	132,293	24,846	157,139
Executive Director -Resources (Interim)		119,984	0	119,984	22,008	141,992
Executive Director - Place		126,142	598	126,740	23,690	150,430
Executive Director - Children Young People and Families		119,984	233	120,217	22,534	142,751
Director of Public Health	1	7,491	0	7,491	1,071	8,562
Director of Public Health – (Interim) Stephen Horsley	2	165,371	0	165,371	0	165,371
Director of Public Health (2)	3	11,216	0	11,216	1,585	12,801
Director of Policy and Performance		81,267	9	81,276	15,263	96,539
<b>Total</b>		<b>948,336</b>	<b>840</b>	<b>949,176</b>	<b>145,698</b>	<b>1,094,874</b>
<b>Notes:</b>						
<b>1</b>	The Director of Public Health left the position as of 20th April 2015.					
<b>2</b>	Interim Director of Public Health was in post 29/04/2015-29/02/2016.					
<b>3</b>	Director Public Health (2) took up position with effect from 22/02/2016.					

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

2014/15			Remuneration Band	2015/16		
Teachers	Other	Total		Teachers	Other	Total
60	38	<b>98</b>	£50,000 - 54,999	45	33	<b>78</b>
42	34	<b>76</b>	£55,000 - 59,999	51	48	<b>99</b>
32	9	<b>41</b>	£60,000 - 64,999	23	10	<b>33</b>
20	13	<b>33</b>	£65,000 - 69,999	23	12	<b>35</b>
13	3	<b>16</b>	£70,000 - 74,999	14	4	<b>18</b>
5	9	<b>14</b>	£75,000 - 79,999	8	3	<b>11</b>
2	5	<b>7</b>	£80,000 - 84,999	4	14	<b>18</b>
4	2	<b>6</b>	£85,000 - 89,999	2	4	<b>6</b>
2	1	<b>3</b>	£90,000 - 94,999	1	2	<b>3</b>
0	0	<b>0</b>	£95,000 - 99,999	1	2	<b>3</b>
0	0	<b>0</b>	£100,000 - 104,999	0	0	<b>0</b>
2	0	<b>2</b>	£105,000 - 109,999	3	0	<b>3</b>
1	0	<b>1</b>	£110,000 - 114,999	0	0	<b>0</b>
0	0	<b>0</b>	£120,000 - 124,999	1	1	<b>2</b>
1	1	<b>2</b>	£125,000 - 129,999	0	0	<b>0</b>
0	1	<b>1</b>	£145,000 - 149,999	0	0	<b>0</b>
<b>184</b>	<b>116</b>	<b>300</b>	<b>Total</b>	<b>176</b>	<b>133</b>	<b>309</b>
<b>184</b>	<b>110</b>	<b>294</b>	<b>Total Excluding redundancies</b>	<b>176</b>	<b>114</b>	<b>290</b>

## Note 9 – Adjustments Between Accounting Basis and Funding Basis Under Regulations

	General Fund Balance £000	Housing Revenue Account Balance £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Reversal of items debited or credited to the CI&amp;ES:</b>								
Depreciation of Non-current assets	(46,319)	0	(17,500)	0	0	(63,819)	63,819	0
Impairment losses charged to the CI&ES	0	0	0	0	0	0	0	0
Revaluation losses charged to the CI&ES	(20,975)	(31,365)	0	0	0	(52,340)	52,340	0
Movements in fair value of Investment Properties	20,060	0	0	0	0	20,060	(20,060)	0
Capital grants and contributions credited to the CI&ES	76,220	0	0	0	(2,013)	74,207	(74,207)	0
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve	0	0	0	0	3,973	3,973	(3,973)	0
Revenue expenditure funded from capital under statute	(8,549)	0	0	0	0	(8,549)	8,549	0
Costs of disposal funded from capital receipts	(573)	0	0	573	0	0	0	0
Net gain / (loss) on sale of non-current assets	(46,092)	1,469	0	(27,114)	0	(71,737)	71,737	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	(148)	954	0	0	0	806	(806)	0
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(70,396)	0	0	0	0	(70,396)	70,396	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	(8,015)	0	0	0	0	(8,015)	8,015	0

	General Fund Balance £000	Housing Revenue Account Balance £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Amount by which officer remunerations costs calculated in accordance with the code are different from the amount of costs calculated in accordance with statutory requirements	1,142	0	0	0	0	1,142	(1,142)	0
<b>Insertion of items not debited or credited to the CI&amp;ES:</b>								
Statutory provision for repayment of debt (MRP)	29,296	0	0	0	0	29,296	(29,296)	0
Voluntary provision for repayment of debt (VMRP)	118	27	0	1,032	0	1,177	(1,177)	0
Revenue Contribution to Major Repairs Reserve	0	21,302	(21,302)	0	0	0	0	0
Capital expenditure charged to the General Fund and HRA	0	0	0	0	0	0	0	0
Transfer of Capital Receipts (<£10k) to the General Fund and HRA	(143)	0	0	143	0	0	0	0
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(3,406)	0	0	3,406	0	0	0	0
Employer's contribution to pension scheme	31,357	0	0	0	0	31,357	(31,357)	0
<b>Capital Financing:</b>								
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	14,583	0	14,583	(14,583)	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	60,582	0	0	60,582	(60,582)	0
<b>Other:</b>								
Mortgages transferred from Deferred Capital Receipts Reserve	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
<b>Total</b>	<b>(46,423)</b>	<b>(7,613)</b>	<b>21,780</b>	<b>(7,377)</b>	<b>1,960</b>	<b>(37,673)</b>	<b>37,673</b>	<b>0</b>

## Note 31 - 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 2016 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	(84,176)	(11,169)	(20,526)	(2,518)	(198,866)	0	(317,255)	(12)	(317,267)
Other reimbursements and contributions	(1,222)	(2,396)	(11,099)	(117)	(621)	0	(15,455)	(1,046)	(16,501)
Sales	(2,511)	(1,154)	(87)	0	(26)	0	(3,778)	(2,992)	(6,770)
Fees and charges	(26,117)	(27,958)	(27,096)	(536)	(26,775)	(421)	(108,903)	(3,369)	(112,272)
Other Income	(1,573)	(8,654)	(19,180)	(975)	(4,546)	3,098	(31,830)	(163,188)	(195,018)
Recharges	(16,338)	(12,461)	(4,498)	(1,611)	(72,670)	(7,236)	(114,814)	(372)	(115,186)
<b>Total Income</b>	<b>(131,937)</b>	<b>(63,792)</b>	<b>(82,486)</b>	<b>(5,757)</b>	<b>(303,504)</b>	<b>(4,559)</b>	<b>(592,035)</b>	<b>(170,979)</b>	<b>(763,014)</b>
Employees	61,764	37,551	50,765	4,300	44,723	0	199,103	27,682	226,785
Premises	2,910	9,366	2,255	79	55,398	3	70,011	47,266	117,277
Transport	5,806	1,966	1,267	38	1,837	0	10,914	834	11,748
Supplies and services	51,197	52,514	15,352	3,023	16,542	33,173	171,801	48,665	220,466
Third party payments	55,016	116,193	161,810	551	207	0	333,777	1,779	335,556
Transfer payments	920	0	5,419	0	190,711	0	197,050	0	197,050
Support Services	32,000	11,240	9,264	983	51,017	1	104,505	12,579	117,084
Other	78	830	0	0	1,087	(497,682)	(495,687)	32,174	(463,513)
<b>Total Expenditure</b>	<b>209,691</b>	<b>229,660</b>	<b>246,132</b>	<b>8,974</b>	<b>361,522</b>	<b>(464,505)</b>	<b>591,474</b>	<b>170,979</b>	<b>762,453</b>
<b>Net Expenditure</b>	<b>77,754</b>	<b>165,868</b>	<b>163,646</b>	<b>3,217</b>	<b>58,018</b>	<b>(469,064)</b>	<b>(561)</b>	<b>0</b>	<b>(561)</b>



## 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.

2014/15		2015/16
£000		£000
<b>(648)</b>	<b>Net Expenditure in the Portfolio Analysis</b>	<b>(561)</b>
(90)	Additional segments not included in the analysis	1,878
(103,694)	Amounts not included in the analysis but included in the CI&ES	5,253
485,210	Amounts included in the analysis but not included in the CI&ES	436,553
<b>380,778</b>	<b>Cost of Services in the CI&amp;ES</b>	<b>443,123</b>

## 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.

2015/16

	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	(445,492)	(224,767)	14,264	0	116,257	(539,738)	(14)	(539,752)
Interest and investment income	(255)	0	0	255	0	0	(1,177)	(1,177)
Income from Council Tax	0	0	0	0	0	0	(175,444)	(175,444)
Non Domestic Rates Distribution	0	0	0	0	0	0	(93,446)	(93,446)
Government grants and contributions	(317,267)	(2,497)	(7,202)	0	0	(326,966)	(319,078)	(646,044)
<b>Total Income</b>	<b>(763,014)</b>	<b>(227,264)</b>	<b>7,062</b>	<b>255</b>	<b>116,257</b>	<b>(866,704)</b>	<b>(589,159)</b>	<b>(1,455,863)</b>
Employee expenses	226,786	174,186	10,151	0	0	411,123	0	411,123
Other service expenses	503,896	54,956	(108,491)	449,296	0	899,657	0	899,657
Support service recharge	0	0	0	0	(116,257)	(116,257)	0	(116,257)
Depreciation, amortisation, and impairment	17,500	0	97,804	0	0	115,304	(20,327)	94,977
Interest payments	14,384	0	0	(14,384)	0	0	70,674	70,674
Precepts and levies	493	0	0	(493)	0	0	493	493
Payment to housing capital receipt pool	0	0	0	0	0	0	3,405	3,405
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	44,623	44,623
(Surplus) / deficit of trading undertakings or other operations	(606)	0	(1,273)	1,879	0	0	(1,661)	(1,661)
Pension interest cost, administration expenses and expected return on pension assets	0	0	0	0	0	0	27,532	27,532
<b>Total Expenditure</b>	<b>762,453</b>	<b>229,142</b>	<b>(1,809)</b>	<b>436,298</b>	<b>(116,257)</b>	<b>1,309,827</b>	<b>124,739</b>	<b>1,434,566</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>(561)</b>	<b>1,878</b>	<b>5,253</b>	<b>436,553</b>	<b>0</b>	<b>443,123</b>	<b>(464,420)</b>	<b>(21,297)</b>

## APPENDIX 6 – HOUSING REVENUE ACCOUNT

<b>Housing Revenue Account Income and Expenditure Statement</b>			
<b>2014/15</b>		<b>Note</b>	<b>2015/16</b>
<b>£000</b>			<b>£000</b>
	<b>Expenditure:</b>		
35,766	Repairs and maintenance		33,366
50,976	Supervision and management		52,189
1,048	Rents, rates, taxes and other charges		1,534
(21,839)	Depreciation and impairment / losses of non-current assets	8 / 9	49,151
236	Debt management costs		204
1,667	Movement in the allowance for Bad or Doubtful Debts		1,147
<b>67,854</b>	<b>Total Expenditure</b>		<b>137,591</b>
	<b>Income:</b>		
(148,956)	Dwelling rents	11	(150,987)
(1,517)	Non-dwelling rents - garages, garage sites, shops	11	(1,494)
(8,283)	Charges for services and facilities		(7,551)
(920)	Contributions towards expenditure		(1,039)
0	HRA subsidy receivable		0
<b>(159,676)</b>	<b>Total Income</b>		<b>(161,071)</b>
(91,822)	Net Income / Cost of HRA Services as included in the whole Council's Comprehensive Income and Expenditure Statement		(23,480)
470	HRA share of Corporate and Democratic Core		535
<b>(91,352)</b>	<b>Net Income / Cost of HRA Services</b>		<b>(22,945)</b>
	<b>HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Account:</b>		
(289)	(Gain) or loss on sale of HRA non-current assets		(1,469)
13,786	Interest payable and similar charges		13,430
(233)	Interest and investment income		(255)
0	Capital grants and contributions receivable		0
<b>(78,088)</b>	<b>(Surplus) / Deficit for the year on HRA services</b>		<b>(11,239)</b>

<b>Movement on the Housing Revenue Account Statement</b>			
<b>2014/15</b>		<b>Note</b>	<b>2015/16</b>
<b>£000</b>			<b>£000</b>
<b>(13,043)</b>	<b>Balance as at 1 April</b>		<b>(12,841)</b>
(78,088)	(Surplus) / Deficit on the HRA Income and Expenditure Statement		(11,239)
0	Other Comprehensive Income and Expenditure	1	690
76,718	Adjustments between accounting basis and funding basis under regulation	2	(7,613)
<b>(1,370)</b>	<b>Net (increase) / decrease before transfers to reserves</b>		<b>(18,162)</b>
1,572	Transfer to reserves	3	22,827
<b>202</b>	<b>(Increase) / decrease in year on the HRA</b>		<b>4,665</b>
<b>(12,841)</b>	<b>Balance as at 31 March</b>		<b>(8,176)</b>

## APPENDIX 7 – COLLECTION FUND

Non-domestic Rates £000	2014/15 Council Tax £000	Total £000	Notes	Non-domestic Rates £000	2015/16 Council Tax £000	Total £000
<b>Income</b>						
0	(202,215)	<b>(202,215)</b>		0	(209,295)	<b>(209,295)</b>
0	(202,215)	<b>(202,215)</b>	1	0	(209,295)	<b>(209,295)</b>
(209,795)	0	<b>(209,795)</b>		(213,882)	0	<b>(213,882)</b>
			2			
0	0	<b>0</b>		0	0	<b>0</b>
(209,795)	0	<b>(209,795)</b>		(213,882)	0	<b>(213,882)</b>
<b>(209,795)</b>	<b>(202,215)</b>	<b>(412,010)</b>		<b>(213,882)</b>	<b>(209,295)</b>	<b>(423,177)</b>
<b>Total Income</b>						
<b>Expenditure</b>						
Precepts and Demands:						
100,898	164,820	<b>265,718</b>		104,661	170,837	<b>275,498</b>
0	18,623	<b>18,623</b>		0	19,295	<b>19,295</b>
2,058	8,334	<b>10,392</b>		2,136	8,637	<b>10,773</b>
102,846	0	<b>102,846</b>		106,797	0	<b>106,797</b>
205,802	191,777	<b>397,579</b>		213,594	198,769	<b>412,363</b>
<b>Apportionment of Previous Years Surplus:</b>						
0	171	<b>171</b>		1,320	1,980	<b>3,300</b>
0	19	<b>19</b>		27	219	<b>246</b>
0	8	<b>8</b>		1,347	98	<b>1,445</b>
0	198	<b>198</b>		2,694	2,297	<b>4,991</b>
1,660	0	<b>1,660</b>		665	0	<b>665</b>
5,838	1,617	<b>7,455</b>		2,044	5,172	<b>7,216</b>
(2,394)	3,132	<b>738</b>	1	(636)	0	<b>(636)</b>
100	0	<b>100</b>		10,196	0	<b>10,196</b>
778	0	<b>778</b>		788	0	<b>788</b>
313	0	<b>313</b>		292	0	<b>292</b>
55	0	<b>55</b>		55	0	<b>55</b>
0	0	<b>0</b>		1,806	0	<b>1,806</b>
<b>212,152</b>	<b>196,724</b>	<b>408,876</b>		<b>231,498</b>	<b>206,238</b>	<b>437,736</b>
<b>2,357</b>	<b>(5,491)</b>	<b>(3,134)</b>		<b>17,616</b>	<b>(3,057)</b>	<b>14,559</b>
<b>(2,694)</b>	<b>(2,296)</b>	<b>(4,990)</b>		<b>(337)</b>	<b>(7,787)</b>	<b>(8,124)</b>
<b>(337)</b>	<b>(7,787)</b>	<b>(8,124)</b>		<b>17,279</b>	<b>(10,844)</b>	<b>6,435</b>



## Audit Committee Report

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**Report of:** Interim Director of Finance

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**Date:** 14 July 2016

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**Subject:** Progress on High Opinion Audit Reports

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**Author of Report:** Kayleigh Inman (0114 273 4435)

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**Summary:** The attached is the report of the Interim Director of Finance providing an updated position on implementation of recommendations contained in audit reports issued with a high opinion.

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**Recommendations:** That the Audit Committee notes the contents of the Report and agree to remove the audits highlighted from the tracker.

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**Background Papers:** None

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**Category of Report:** OPEN

**If Closed add – ‘Not for publication because it contains exempt information under Paragraph... of Schedule 12A of the Local Government Act 1972 (as amended).’**

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\* Delete as appropriate

## Statutory and Council Policy Checklist

<b>Financial Implications</b>
NO      Cleared by: K Inman
<b>Legal Implications</b>
YES/NO      Cleared by:
<b>Equality of Opportunity Implications</b>
YES/NO      Cleared by:
<b>Tackling Health Inequalities Implications</b>
YES/NO
<b>Human rights Implications</b>
YES/NO:
<b>Environmental and Sustainability implications</b>
YES/NO
<b>Economic impact</b>
YES/NO
<b>Community safety implications</b>
YES/NO
<b>Human resources implications</b>
YES/NO
<b>Property implications</b>
YES/NO
<b>Area(s) affected</b>
<b>Is the item a matter which is reserved for approval by the City Council?</b>
NO
<b>Press release</b>
YES/NO

# REPORT TO SHEFFIELD CITY COUNCIL AUDIT COMMITTEE

## 14<sup>th</sup> July 2016

### 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**

1. That the audit committee notes the content of the report.
2. That the audit committee agrees to the removal of the following reports from the tracker:
  - Outcome Planning (corporate review)
  - Activity Sheffield (pro-active fraud review) (Resources)
  - Petty Cash Controls (Resources)
  - Waste Management Contract (Place).
  - Parking Services (Place)

**Kayleigh Inman**  
**Senior Finance Manager, Internal Audit.**

**SHEFFIELD CITY COUNCIL  
UPDATED POSITION ON HIGH OPINION AUDIT REPORTS AS AT JULY 2016**

**1. Payroll Pension Arrangements** (issued to audit committee 21.6.2016)

**As at July 2016**

**Internal Audit:** This report was issued to management on the 14.4.2016 with the latest agreed implementation date of 1.7.2016. Due to the timescales for completion of this report, an update on progress with recommendation implementation will be included in the next tracker report.

**2. Delivery of Capital Schemes and Capital Gateway Approvals (Place)** (issued to audit committee 19.4.2016)

**As at July 2016**

**Internal Audit:** This report was issued to management on the 29.03.16 with the latest agreed implementation date of 31.12.16. An update on progress with recommendation implementation will be included in the next tracker report.

**3. Deprivation of Liberties Safeguards (DOLS) (Communities)** (issued to the audit committee 15.4.2016)

**As at July 2016**

**Internal Audit:** This report was issued to management on the 21.03.16 with the latest agreed implementation date of 30.9.2016. An update on progress with recommendation implementation will be included in the next tracker report.

**4. Safeguarding administration and governance (Communities)** (issued to the audit committee 15.4.2016)

**As at July 2016**

**Internal Audit:** This report was issued to management on the 21.03.16 with the latest agreed implementation date of 31.03.17. An update on progress with recommendation implementation will be included in the next tracker report.

**5. Mailroom processes (pro-active fraud review) (Resources)** (issued to the audit committee 18.4.2016)

**As at July 2016**

**Internal Audit:** This report was issued to management on the 19.02.16 with the latest agreed implementation date of 1.06.16.

Page 52

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position - provided by Head of Service, Facilities Management.



5.1	<p>A review should be undertaken of the procedures for processing incoming recorded mail and special deliveries, to include deliveries made by non-Royal Mail couriers.</p> <p>Corporate Mail staff should be made aware of the new procedures and implement the changes.</p>	High	Mark Cummins, Facilities Manager, Kier	31.10.15	<p><b>Action complete</b></p> <p>New Standard Operating Procedure (SOP), including non-Royal Mail courier deliveries, is in place and implemented by Corporate Mail staff.</p> <p><b>Internal Audit comment</b> Evidence has been seen my internal audit to confirm new SOP.</p>
5.2	<p>Management in P&amp;FM should work with Corporate Mail and Kier management to review and agree all Standard Operating Procedures to ensure they are fit for purpose and relevant to the service being housed at Moorfoot, prior to the transfer of the service to SCC.</p>	High	Nathan Rodgers, Head of Service, Facilities Management	<p>1.6.2016</p> <p>Revised implementation date 31.7.16</p>	<p><b>Action ongoing</b></p> <p>The Kier and Client Team have investigated recent incidents and identified the following changes</p> <ul style="list-style-type: none"> <li>• Implementation of revised processes for recorded, signed for mail and travel ticket to ensure a more secure and robust audit trail to the requesting customer- <b>Completed Jan 16</b></li> <li>• Implementation of revised staff process to ensure recorded, signed for and travel tickets are passed to the appropriate person in a timely manner <b>Completed Jan 16</b></li> <li>• Implementation of revised Mail Room reception activities to ensure mail room security, customer</li> </ul>

					<p>service interaction is improved and support revised processes -  <b>Completion date 31<sup>st</sup> July 16.</b></p> <p>In addition SCC Business Analysis were requested to review the current Kier process as part of the insourcing project. This review included the requirements of this Audit report and identify if any changes were recommended. This report did not identify any issues with current or recently revised processes. It did make some technical or IT replacement suggestion which will be resolve via the insourcing project after July 16.</p>
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#### 6. Activity Sheffield (pro-active fraud review) (Resources) (issued to the audit committee 18.4.2016)

##### As at July 2016

**Internal Audit:** This report was issued to management on the 19.02.16 with the latest agreed implementation date of 30.04.16. The update below was established as evidence of implementation was provided to Internal Audit following issue of the final report.

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position - provided by Head of Physical Activity.
6.1	All staff should use myView to record annual leave. It is understood that management need an accessible overview of all staff leave for work planning / cover requirements and should therefore ensure that the Activity Sheffield Outlook calendar is maintained and kept up to date.	High	Jo Pearce, Operations Manager Lisa Bows, Community Activity Team Leader	30.4.2016	<b>Action complete</b> Use of MyView is compulsory for all staff from 1.4.16
6.2	Management should undertake a review of attendance to sessions on a quarterly basis and adjust the	High	Jo Pearce, Operations	30.4.2016	<b>Action complete</b> No longer applicable – no direct

	offer/approach accordingly to ensure that take up of the target group is optimised in relation to the equalities targeted and the cost of the service.		Manager Lisa Bows, Community Activity Team Leader		delivery
6.3	Management should undertake regular and timely reviews of the banking records (red book) in conjunction with Community Activity Delivery Officer (CADO) work programmes to ensure banking is taking place within 5 days of a session being run, in line with the Cash Handling policy v2.	High	Jo Pearce, Operations Manager Lisa Bows, Community Activity Team Leader  Diana Radford, Head of Physical Activity	31.10.2015  31.12.2015	<b>Action complete</b> Spot checks are completed weekly by Team Leaders.  <b>Action complete</b> Checkpoint reporting has been designed and implemented.
6.4	Management should ensure all staff are aware that use of correction fluid is not permitted in financial records. For clarity, any errors should be simply crossed through and the correct entry made in the next available space.	Medium	Lisa Bows, Community Activity Team Leader	31.12.2015	<b>Action complete</b>
6.5	Management should implement a review process which would include checking the number of activity attendees from the registers, to the number of attendees recorded on the system, to the amount of money banked in the red book. To ensure the money collected at the activity is accurately recorded and subsequently banked.	High	Jo Pearce, Operations Manager Lisa Bows, Community Activity Team Leader	31.10.2015	<b>Action complete</b> Spot checks are completed weekly by Team Leaders by cross checking registers with Information Management System.
6.6	Management should ensure that all staff are aware of the Filing Retention & Disposal Policy and that registers are retained accordingly.	High	Jo Pearce, Operations Manager Lisa Bows, Community Activity Team Leader	31.10.2015	<b>Action complete</b> Central electronic file identified and communicated. <b>Action complete</b> Policy recirculated.
6.7	All Activity Sheffield policies and procedures should be reviewed and updated to ensure robust version control.	High	Jo Pearce, Operations Manager Lisa Bows,	31.10.2015	<b>Action complete</b> Review approach refined.

			Community Activity Team Leader		
6.8	All acknowledgement forms signed by staff on receipt of a policy to confirm their understanding should contain not only the title of the policy but also the version number and / or date of the policy. This will ensure clarity regarding what information staff have received and acknowledged that they understand.	High	Jo Pearce, Operations Manager Lisa Bows, Community Activity Team Leader	31.10.2015	<b>Action complete</b>

**Internal Audit proposes to remove this item from the tracker**

**7. Highways Maintenance Client Monitoring Arrangements (Place)** (issued to audit committee 5.1.2016)

**As at July 2016**

**Internal Audit:** This report was issued to management on the 15.12.15 with the latest agreed implementation date of 31.3.2016. A follow-up audit was undertaken in March 2016 and an update on progress made with recommendation implementation is included below.

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position - internal audit follow-up review undertaken in March 16.
7.1	Internal Audit supports the on-going review of the monitoring requirements. In order to ensure that appropriate levels of assurance are provided by the Contractor's self-monitoring regime, all monitoring requirements set out for each contractual Method Statement/Performance Monitoring Requirement Table should be systematically reviewed and revised where necessary.  Appropriate timescales should be set for the completion of the exercise and the agreement with the contractor for the implementation of any revised requirements.	Medium	Head of Highways Maintenance	31/03/2016  Revised Implementation date 31.5.16	<b>Partially complete</b>  Regular service improvement meetings are taking place with the contractor. These meetings feed into the Service Operations Board where escalations from those meetings are discussed as a standing agenda item. The Monitoring plan isn't in place as yet, although discussions are ongoing on specific issues.  <b>Internal Audit comment</b> On-going process was demonstrated but impacted by the vacancy situation and need

					<p>to respond to the tree campaign.</p> <p>The revised Monitoring Plan remains outstanding. Updated deadline for the production of the revised Monitoring Plan.</p> <p><b>Audit Opinion</b> Agreed actions partially implemented. New target date set as above.</p>
7.2	The Client Team should carry out a periodic review of the interface between the two partners' management systems so as to ensure that Performance Requirements are being accurately transferred and reported as part of the assurance process.	Medium	Head of Highways Maintenance	31/03/2016 Revised Implementation date 31.5.16	<p><b>Partially complete</b></p> <p>The review of the interface between the two systems is going well. In total, 233 errors have been identified. The two parties have now agreed all but 13 lines (we need to finalise the wording that accompanies the coding). Once this has been done, these will be passed to Capita for implementation.</p> <p>This issue is discussed regularly at Change Board. The next Board meeting is expected to confirm implementation of the amendments. Because this work is still not fully completed, we have not yet carried out an annual review but we will do so each year, on or about the anniversary of the final sign off.</p> <p><b>Internal Audit comment</b> Some elements of the agreed action remain outstanding at the time of the follow-up due to the</p>

					impact of the trees campaign on staff workloads.
7.3	<p>Management should continue to review the situation and consider the on-going impact of staff vacancies on the effectiveness of the Client Team and the operational performance of the contract.</p> <p>Consideration should be given to alternative recruitment strategies.</p>	High	Head of Highways Maintenance	31/12/2015	<p><b>Partially complete</b></p> <p>The vacancies have been approved for filling and recruitment is underway.</p> <p>Further work on the Activity List has been delayed due to the amount of work needed to address the tree issue (including dealing with an injunction and a Judicial Review).</p> <p><b>Internal Audit comment</b> Action has been taken to address the vacancy situation. However, the Activity Review has been delayed due to the impact of other, exceptional, issues. The nature of these issues prevented the Head of Highways committing to revised target date for the completion of the Activity Review.</p>
7.4	<p>Management should consider:</p> <ul style="list-style-type: none"> <li>• Removing the requirements for duplicated testing of the monthly non-core charges; &amp;</li> <li>• The merits of transferring responsibility for the validation of the monthly contract payments to the Commercial Services Team in the light of the vacant posts in the Operational Processes Team and that team's increased responsibilities for performance monitoring and assurance.</li> </ul>	Medium	Head of Highways Maintenance	31/12/2015	<p><b>Action complete</b></p> <p>The duplication of the validation work carried out by Client and Commercial Services staff has been address. Over and above this Commercial Services now accept the validity of the Completion Certificates produced by Client technical officers.</p> <p><b>Internal Audit comment</b> The recommendation as it</p>

					stands has been implemented. As previously noted, the Activity Review has not been completed; but this was over and above the Audit Recommendation.
7.5	Place management should continue to work towards the identification and implementation of contract budget savings.  Account should be taken of the impact of Department for Transport and Amey entitlement to any of the savings identified.	Critical	Head of Highways Maintenance	31/3/2016	<p><b>Action complete</b></p> <p>The 2015/16 targets have now been replaced – the savings shortfall in 2015/16 formed part of Place budget outcome and there are new targets for the 2016/17 budget. The budget savings required for 2016/17 have now been agreed and implementation plans are in place.</p> <p>As a consequence the risk has been de-escalated from the EMT Risk Register.</p> <p><b>Internal Audit comment</b> The recommendation was effectively dealt with at the point of original reporting – confirmed cash limit agreement for 2015/16 with Director of Finance &amp; Exec Director, Place.</p>

#### 8. Petty Cash Controls (Resources) (Issued to the audit committee 5.11.2015)

##### As at January 2016

This report was issued to management on the 27.8.15 with the latest agreed implementation date of 31.10.15. Management provided an updated position. In addition, EMT has commissioned a review to challenge the continued use of petty cash to support service delivery.

##### As at July 2016

**Internal Audit:** Since the last update, the Cashiers Service has been moved in-house and is now part of Customer Services. As a result the original responsible officer has changed. The Head of Customer Services was contacted and the following update of progress with the 5 recommendations

outstanding is provided below. It should be noted that Internal Audit are currently conducting a further review of Cashier Service which will include the review of new processes and procedures.

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position - provided by Visiting Team Manager, Capita 9.5.16
8.1	Petty cash reimbursement procedures should be documented and periodically reviewed to ensure they are fit for purpose. Procedures should include all aspects of petty cash reimbursements including but not exclusively, the process of paying out (including identification verification), retention of authorised documents and collation of year end data.	High	Andy Jarvis, Capita Contract Manager  Hayley Dolling, Financial System Support Group	31.10.15 – originally Capita Contract Manager.  Revised implementation date : 31.3.16	<b>Action complete</b>  New procedures have been documented.
8.2	The Cashiers service should collate and maintain a list of petty cash floats held for every portfolio throughout the Council, including value, nominated float holder name and Finance Business Partner. The list should also be updated when a float is repaid and no longer used.	High	Andy Jarvis, Contract Manager	30.09.15  Revised implementation date : 31.3.16	<b>Action complete</b>  A petty cash float holder audit has been undertaken and a new petty cash float holder spreadsheet created. The returned completed forms detailing monies held by float holders have been sent to the relevant Finance Business Partners.
8.3	To ensure consistency and completeness the Cashiers service should issue, co-ordinate and collate the year end petty cash returns for all portfolios.	Medium	Andy Jarvis, Contract Manager Hayley Dolling, Financial System Support Group	31.10.15  Revised implementation date 30.4.16	<b>Action complete</b>  Year-end petty cash float audit completed.
8.4	Capita should instigate and co-ordinate a review of petty cash authorisation.  An exercise to review and update the electronic lists of the names of the authorised signatures should be undertaken by all services who have a petty cash float to ensure all leavers are deleted.	High	Andy Jarvis, Contract Manager  Progress monitored and completion	30.09.15  Revised implementation date : 31.10.16	<b>Action ongoing</b>  Since the last update a new process has been outlined to replace the old existing signatory list and the need for signed signature forms to be replaced



	<p>New authorised signature lists should be completed and then submitted to Heads of Service for authorisation.</p> <p>Capita should create new electronic lists of the names of the authorised signatures for every portfolio and file the corresponding authorised signature lists.</p> <p>An email should be issued to all business unit managers to remind them that it is their responsibility to inform Cashiers of any leavers.</p> <p>Cashiers should delete leavers from the list as and when notifications are received.</p> <p>Cashiers should undertake an annual review of the lists.</p>		verified by John Squire, Finance Manager, Revenues & Benefits		<p>using Org Plus as a means of identifying petty cash authorising officers and collecting petty cash officers.</p> <p>The proposed process will be assessed by Internal Audit during the current Cashiers Service audit.</p>
8.5	Heads of Service to ensure all authorised signature lists are correctly completed and authorised before submitting them to Cashiers.	2 - High	Relevant Head of Service  Hayley Dolling, Financial System Support Group	31.10.15  Revised implementation date : 31.10.16	<p><b>Action ongoing</b></p> <p>Since the last update a new process has been outlined to replace the old existing signatory list and the need for signed signature forms to be replaced using Org Plus as a means of identifying petty cash authorising officers and collecting petty cash officers.</p> <p>The proposed process will be assessed by Internal Audit during the current Cashiers Service audit.</p>

**Internal Audit proposes to remove this item from the tracker**

## 9. Outcome planning (corporate review)

### As at January 2016

**Internal Audit:** The outcome planning review was a corporate review. The report was discussed with the Chief Executive as well as the appropriate senior officers. It was issued to management on the 03.02.15. It was agreed that the report gave an accurate reflection of the current position. The recommendations were also agreed as a positive way forward. The issues raised were not confined to simple process changes and many of the recommendations required a cultural shift within the organisation. These recommendations will therefore in some instances take a longer period to fully embed. The Chief Executive has agreed to produce an annual report in June to the audit committee on the progress made in this area. This report will be timetabled into the work plan for the committee. It is therefore proposed not to update on this report in detail as part of this tracker.

### As at July 2016

**Internal Audit:** A report is on the agenda for today's meeting to outline progress made in this area.

**Internal Audit proposes to remove this item from the tracker, as progress is being monitored via alternative methods.**

## 10. Transitions – governance arrangements (Communities) (Issued to the audit committee 27.04.15).

### As at July 2015

**Internal Audit:** This report was issued to management on the 17.04.15 with the latest agreed implementation date of 30.09.15. Therefore an update will be provided in the next high opinion update report.

### As at January 2016

An internal audit follow-up review was scheduled for quarter 3 of 2015/16. A new Head of Service (Andrew Wheawall) in Communities was appointed in Oct 2015 and this has led to slippage in the original agreed implementation dates. He provided a management update on progress.

### As at July 2016

**Internal Audit:** An update of progress with the 11 recommendations outstanding in the last report is provided below. It should be noted that the findings from this review are being addressed as part of a wider corporate project establishing integrated transition arrangements.

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position - provided by Phil Holmes, Director of Adult Services, Communities and Christine Bennett, Assistant Director of Children and Families, CYPF (17.6.2016)
10.1	Service Plans should include clear objectives for the Transitions service, which includes targets to be met for improvement of the service, and timescales and monitoring arrangements for this. Plans should be in line with Corporate and legislative objectives, be consistent within CYPF and Communities, and	3 - Medium	Anne Flanagan, Interim Head of LD. Dorne Collinson,	30/06/2014  Revised implementation date : 30/9/2016	<b>Action ongoing</b>  Service Plans are currently being developed that will fully incorporate recommendation 10.1. Joint objectives will

	should be agreed by management from both portfolios.		Director, Children and Families.		incorporate the requirements of the Children and Families Act, SEND reforms and Care Act that have all become live since the audit first reported, and provide a clear framework to bring CYPF and Communities much closer together.
10.2	There should be a clear and consistent operational plan in place for the Transitions service which details the objectives of the service, and shows clear pathways for the transition from children's to adult social care. The operational plan should be in line with portfolio service plans, and include details of roles and responsibilities of portfolios and partnerships involved in transitions work, detailed performance targets and timescales and arrangements for monitoring these. Progress against the plan should be monitored and reported to senior management on a regular basis.	2 - High	Anne Flanagan, Interim Head of LD. Dorne Collinson, Director, Children and Families.	30/06/2015  Revised implementation date : 30/9/2016	<p><b>Action ongoing</b></p> <p>This plan is being developed with the oversight of the Inclusion Board chaired by the Executive Director of CYPF and attended by the Director of Adults Services.</p> <p>The plan is rooted in the new legal requirement for Education, Health and Care Plans and formal arrangements within those plans that enable smooth transition to adulthood no later than the young person's 25<sup>th</sup> birthday.</p> <p>The operational plan also has full input from the CCG to address health aspects. CYP, Adults and SEN colleagues are currently agreeing performance management targets and timescales, which will be routinely reported.</p> <p>Both Childrens' and Adults Safeguarding Boards will also have oversight of this important area of work. The Independent Chair, who covers both Boards, is keen for transition to be a priority.</p>

10.3	Performance monitoring should include specific outcomes for which performance can be measured against; for example number of days it should take to complete an initial assessment against actual time taken. Outcomes should be set by management, monitored at least quarterly and used to inform service improvement and staff training and development. Results of performance monitoring, and any action taken to improve this should be reported to senior management.	2 - High	Anne Flanagan, Interim Head of LD. Dorne Collinson, Director, Children and Families.	30/06/2015  Revised implementation date : 30/9/2016	<b>Action ongoing</b>  A jointly owned integrated performance management framework is being developed as above, underpinned by an integrated governance structure.  The Inclusion Board already receives regular formal reporting in relation to young people going through transition which combines hard data (e.g. volume of demand, time taken) with discussion and actions in relation to workforce development.
10.4	There should be a risk management plan in place for the Transitions Team which identifies key risks that affect the service and its partners/stakeholders. The plan should be in line with corporate requirements and include actions to be taken to mitigate risks, timescales and monitoring arrangements. The plan should be reviewed for adequacy at least quarterly.	3 - Medium	Anne Flanagan, Interim Head of LD. Dorne Collinson, Director, Children and Families.	30/06/2015  Revised implementation date : 30/9/2016	<b>Action ongoing</b>  The Inclusion Board operates a risk log and reports on a highlight / exception basis to enable clear escalation of issues and development of remedial plans.  The integrated performance management framework described above will also incorporate a more detailed risk log with risk mitigation actions.
10.5	There should be documented processes and procedures in place which detail the different pathways for service users transitioning to adult social care. This should include roles and responsibilities of each partner and portfolio, how each service interacts with each other and the service user, and timescales for each stage of the process. Procedures should be reviewed by the Transitions Working Group (or similar multi-agency group) to ensure consistency across portfolios. As transitions staff work with children's and adult social	1 - Critical	Anne Flanagan, Interim Head of LD. Dorne Collinson, Director, Children and Families.	30/09/2015  Revised implementation date : 31/12/2016	<b>Action outstanding</b>  This is accepted. The introduction of new legislative requirements (as referred to in 10.1) has delayed this piece of work while strategy and performance management framework are being put into place.  The clear mandate from the

	care systems, a training and development plan should also be considered to ensure that information is recorded appropriately.				Inclusion Board is to develop a 0-25 Service with an appropriate degree of integration between CYPF and Communities. This will be underpinned by single processes and procedures.
10.6	The service responsible for agreeing costs that are generated from transitions activity should ensure that arrangements for financial management and responsibility are documented and agreed by management. This includes identifying responsible officers, and budget monitoring arrangements.	2 - High	Anne Flanagan, Interim Head of LD. Dorne Collinson, Director, Children and Families.	31/03/2015  Revised implementation date : 30/9/2016	<b>Action ongoing</b>  This is currently implemented through the Adult LD resource panel, where all young people over the age of 18 are presented regardless of whether they have not come across to be case managed by Adult LD.  Further work is underway to review Panel processes and more fully incorporate SEN, Education and CCG into the current Joint Commissioning Panel arrangements.  This will also include cross-cutting finance and administrative support to record, monitor and review packages effectively.
10.7	There should be an agreed procedure in place for identifying and monitoring spend on service users with a transitional support plan. This can be used to identify and monitor impact on the adult social care purchasing budget.	2 - High	Anne Flanagan, Interim Head of LD. Dorne Collinson, Director, Children and Families.	31/03/2015  Revised implementation date : 30/9/2016	<b>Action ongoing</b>  CYPF and Communities now share an Assistant Head of Finance who is well-positioned to provide this overview.  The focus of joint work between Communities and CYPF is on developing the right practice in line with national legislation and guidance to maximise both independence and opportunity.

10.8	Transitions management should undertake long-term financial forecasting of service users care needs. This would assist in giving a picture of who is likely to use the transitions service in the future, and aid with financial planning of the service.	2 - High	Anne Flanagan, Interim Head of LD. Dorne Collinson, Director, Children and Families.	30/06/2015  Revised implementation date : 30/9/2016	<b>Action ongoing</b>  Joint commissioning arrangements between, Health, CYP, Education and Communities are incorporating this approach and will include support from finance colleagues who, as above, cover both CYP and Adults.
10.9	A communication plan should be developed which identifies key partners and stakeholders and how the service work with them. The plan should identify what meetings take place and how often, officers responsible for communication, and types of communication that take place. The plan should be reviewed periodically to ensure adequacy.	3 - Medium	Anne Flanagan, Interim Head of LD. Dorne Collinson, Director, Children and Families.	30/06/2015  Revised implementation date : 30/9/2016	<b>Action ongoing</b>  The Inclusion Board is comprised of a wide range of stakeholders, including from within CYPF, Communities, the NHS, schools and other involved bodies. The Inclusion Board is developing a communication plan that reaches the wider populations that Board Members represent.  The Inclusion Board has recognised that more needs to be done to engage with young people and family members, and is developing plans to do this.  At a casework level, a significant number of young people have recently transitioned to the adults service with clear communication to support this. However more work needs to be done on further communication to underpin the new policies and ways of working described above.
10.10	Results of feedback from service users and other stakeholders should be collated and reported to management. Any actions taken to inform service	2 - High	Anne Flanagan, Interim Head	30/06/2015  Revised implementation date :	<b>Action ongoing</b>  Complaints from young people

	planning, or staff training and development as a result of feedback should be documented and agreed.		of LD. Dorne Collinson, Director, Children and Families.	30/9/2016	and their families involved in transition have dropped over recent times. This reflects some of the recent improvements in this area. However further work is required to ensure that feedback from young people and their families is systematically gathered, listened to and drives improvements as part of a "you said, we did" culture.  Communities have developed Service Improvement Forums for both family carers and people with a learning disability. These forums are chaired by service users or carers and run to their agendas. Feedback about transitions has already featured on both these agendas.
10.11	Processes and procedures for recording information for service users transitioning from children's to adult social care should be documented and reviewed by management from both portfolios for adequacy and consistency. It should be ensured that all transitions staff are adequately trained in using Carefirst and Careassess for recording information in both children and adult social care capacities.	2 - High	Anne Flanagan, Interim Head of LD. Dorne Collinson, Director, Children and Families.	30/06/2015  Revised implementation date : 31/12/2016	<b>Action ongoing</b>  Communities and CYPF are currently expanding this training due to changes in the structure of both services that have increased the number of people involved. This is positive in terms of increasing the number of staff who are engaged in transitions work, and is being accompanied by appropriate training and support.  The Council will be tendering to replace the current systems in operation. CYPF and Communities are working together on this. The new system

					will be jointly designed and greatly enhance the success of an integrated approach to transitions.
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**11. External Funding (corporate review)** (Issued to the audit committee 01.06.15).

**As at July 2015**

**Internal Audit:** This report was issued to management on the 07.05.15, with the latest agreed implementation date of 30.09.15. Therefore an update will be provided in the next high opinion update report.

**As at January 2016**

An internal audit follow-up review is scheduled for quarter 1 of 2016/17. A key challenge with regard to external funding is getting managers across portfolios to comply with the process, this has resulted in slippage in some of the original implementation dates. An update was provided by service management.

**As at July 2016**

**Internal Audit:** An update of progress with the 6 recommendations outstanding in the last report is provided below.

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position - provided by External Funding Manager 31.5.16
11.1	<p>It is recommended that where appropriate approval has not been sought for external funding and where there is a lack of clarity with regards to the key funding arrangements (including match funding arrangements), this is clearly detailed and escalated to the relevant Executive Director/Director for information and appropriate action to be taken (where necessary).</p> <p>The External Team should continue to publicise the process across the Council with periodic updates placed on the intranet.</p>	High	Finance Manager, External Funding	Management actions in progress at the time of the discussion meeting. Actions to be confirmed as satisfactory at the time of the follow-up review.	<p><b>Action ongoing</b></p> <p>Budget holders requiring grant sign off at a late stage with no grant report are refused and required to produce a report before sign off is undertaken. If the grant is time critical and there is a risk of the grant being lost then External Funding will review the grant terms and conditions and advise the applicant accordingly and point out the risks of sign up without approval with the requirement for a retrospective report if needed.</p>



				<p>Where necessary excessive delays in Leader's scheme reports are progressed with the appropriate level of management (Example DFE S31 Innovation grant and DCLG S31 Roma Grant).</p> <p>Some grant offers still continue to arrive in External Funding requiring a very quick turnaround from funders. External Funding manage to review these ensuring compliance with the Leader's Scheme, but this often means having to delay/ reschedule planned work to avoid losing a grant offer (example CYPF :Make, Learn, Share EU grant)</p> <p>An External Funding presentation on the operation of the Leader's Scheme has been developed for senior management training.</p> <p>Revised implementation date 31.10.16 for training to all Executive Directors and Directors</p> <p>Wider roll-out of the presentation to be reviewed in 30.8.2016.</p>	<p>In February 2016 changes to the Leaders' Scheme approvals process began and were approved in May 2016. These changes mean that Cabinet Members will take over Cabinet's role when approving grant offers. Whilst awaiting the results of the scheme changes the training sessions have been delayed. The presentations have now been adapted and the training programme can recommence across Portfolio Leadership Teams and the wider Council.</p>
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				Revised implementation date : 30.11.16	The External Funding team have worked with Legal to develop and implement proposals to make decision making more efficient and simpler for all parties.  Intranet updates are under review and are something that External Funding will be looking into during 2016/17 as part of the wider process review. During 2015 the External Funding team experienced a high level of staff turnover which impacted on the capacity to undertake process reviews.
11.2	<p>A timescale should be set for the implementation of the use of SharePoint for recording all key grant funding information.</p> <p>A review should be taken on legacy arrangements across the Council and how these can potentially be included on SharePoint using a cost benefit analysis to assess the cost of doing this with potential claw back etc.</p>	High	Finance Manager, External Funding	<p>September 2015</p> <p>Revised implementation date : Resource levels to be reviewed July 2016.</p>	<p><b>Action outstanding</b></p> <p>High staff turnover in the External Funding team along with increased workloads have meant that SharePoint was not able to be implemented during 2015/16. External funding is committed to the development of Share Point and work will recommence when time, work load and resources allow.</p>
11.3	<p>Going forward, grant claims should not be signed off by any party where there is any doubt regarding the supporting evidence. In the case of any loss of funding, the service area should make a provision for this.</p> <p>A grant authorisation checklist should always be present when a claim is signed off. If this has not been completed, the claim should be sent back to the project manager for completion.</p> <p>Grant claims should be submitted in such a time as to</p>	High	Finance Manager, External Funding	<p>Management actions in progress at the time of the discussion meeting. Actions to be confirmed as satisfactory at the time of the follow-up review.</p> <p>Revised implementation date : 31.12.15</p>	<p><b>Action complete</b></p> <p>All grant claims are reviewed and checked first by Finance Business Partner and then by External Funding. The External Funding team will not sign off weak claims and will delay submission where there are significant errors.</p> <p>Where grant submissions do not have the correct documentation or</p>

	<p>allow for appropriate checking. If a claim is submitted late or with little or no time for appropriate checking; again, the Service should make provision for this. Lack of time cannot be a reason to sign off a claim without the appropriate supporting evidence. Where appropriate, it is the project manager's responsibility to agree a time extension with the funder to allow for verification to take place.</p> <p>Going forward, consideration should be given to whether the External Funding Team should re-charge for their time spent on grant funding claims - if verification and checking work goes beyond the level normally expected.</p>				evidence to support the budget holder is informed and the claim is delayed until the evidence requirements are met.
11.4	<p>In the interests of the Council, Internal Audit recommends that an email is sent to the CCG specifying the conditions under which the Council are operating/will operate until the Memorandum of Understanding is signed off.</p>	High	Finance Manager, External Funding	<p>Note – Compensating Controls</p> <p>Revised implementation date : 30.4.16</p>	<p><b>Action complete</b></p> <p>All memoranda are now signed off by SCC and the NHS for 2015/16. For 2016/17, External Funding will confirm with the CCG that they will operate under the previous year's conditions until the 16/17 memoranda are received and signed up to.</p>
11.5	<p>It is recommended that Project Managers charged with managing external funding sign to confirm that they understand their roles and responsibilities in relation to the external funding scheme at the start of the process when they take on their role.</p> <p>Project Managers who have failed in their duty to administer/manage external funding appropriately should not be permitted to continue in their role until they have received appropriate training. In serious cases, it may be necessary to remove them from managing the external funding schemes completely. Where officers have failed in their duties, this should be reported to the relevant Director/Executive Director (as this is either a capability or a disciplinary issue).</p>	High	Finance Manager, External Funding	<p>September 2015</p> <p>Revised implementation date : 31.12.16</p>	<p><b>Action outstanding</b></p> <p>Clarification and documentation of Project Manager roles is being reviewed as part of External Funding's process reviews and will be developed further by December 2016.</p> <p>A pilot of a new grant template where the specific roles of each party are more clearly defined has been tested with some Place grants. The results of this will be reviewed and adaptations made to the form where needed prior to</p>

					wider usage across all Portfolios.  Where there have been problems with the management and administration of the grant then External Funding have intervened and advised Project Managers where necessary to ensure the grant terms are adhered to (e.g. Autism Grant).
11.6	It is recommended that a notice is included on the grant claim authorisation checklist (which the project manager must sign off) that states that if an officer knowingly completes a claim which contains false information; this can potentially be treated as a fraud matter. It should be stated that it is the manager's responsibility to obtain, read and comply with all the grant conditions. Where they cannot provide this assurance, they should seek advice immediately from the External Funding Team.	2 - High	Finance Manager, External Funding	June 2015  Revised implementation date : 31.8.16	<b>Action outstanding</b>  The wording of the grant checklist will be adapted once the finalised version of the template is agreed.

## 12. Statutory Responsibilities Health Check (Resources). (Issued to the audit committee 14.01.15).

### As at July 2015

**Internal Audit:** This report was issued to management on the 12.01.15, with the latest agreed implementation date of 31.03.15. An update of progress to date is provided below from the interim director of Legal and Governance. A follow up will be undertaken as part of the 15/16 audit plan.

### As at January 2016

An Internal Audit follow-up review was undertaken in October 2015. 2 of the 8 recommendations have been actioned and the remaining 6 are ongoing for completion as part of the Annual Governance Statement production for 2015/16.

### As at July 2016

**Internal Audit:** An update of progress with the 6 recommendations stated as being 'on-going' in the last report is provided below.

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Update provided from Director of Legal & Governance as at 6.6.16
12.1	<p>Individual service managers should be required to carry out an annual refresh of the data bases as part of each year's AGS process. This requirement should be incorporated in to the AGS Guidance issued by the interim director of Legal &amp; Governance.</p> <p>This will ensure that the data bases remain contemporaneous in relation to current legislation, organisational structure and the appropriate assignment of lead officer responsibilities and can be used as the basis for the corporate-based confirmation processes raised at finding 3.1 in this report.</p>	Medium	<p>Interim Director of Legal &amp; Governance</p> <p>(Initially - with individual directors subsequently picking up responsibility for their own registers).</p>	<p>31.03.15</p> <p>Revised implementation date 31.03.16</p>	<p><b>Action complete</b></p> <p>Implemented as part of the AGS process for 2015/16</p> <p>The information is held in Sharepoint with a requirement to update with the submission of each AGS.</p> <p><b>Internal Audit comment</b> Validation of implementation confirmed through involvement in production of the AGS statement.</p>
12.2	<p>The interim director of Legal &amp; Governance should take forward the agreed actions from the deputy chief executive's original report and work with individual executive directors to ensure their implementation. In doing so, however, internal audit further recommends that guidance should be issued by the director of Legal &amp; Governance as to:</p> <ul style="list-style-type: none"> <li>• The levels of assurance required by portfolio management from the respective lead officers;</li> <li>• The consideration of statutory responsibilities as part of the service business planning process, budget setting and performance monitoring procedures across all portfolios;</li> <li>• The systematic risk review of all statutory responsibilities to determine the potential impacts of non-compliance (particularly where statutory responsibilities are delivered externally to the service) and their inclusion on service risk management plans where considered significant. Consideration should then be given</li> </ul>	High	Interim Director of Legal & Governance	<p>31.03.15</p> <p>Revised implementation date 31.03.16</p>	<p><b>Action complete</b></p> <p>See above.</p> <p>The reference to statutory responsibilities has been incorporated into the corporate business planning process.</p> <p>The Council Risk Management team have been involved in the implementation of the new process.</p>

	to the escalation of significant risks as and where necessary.				
12.3	<p>Up to date and accurate registers of statutory responsibility should be maintained at portfolio and service level ensuring that all relevant responsibilities have been identified and assigned. These should then be used as the foundation for monitoring compliance.</p> <p>The registers should be updated to account for new legislation and be reviewed on an annual basis to ensure that they remain up to date (ideally in conjunction with the service business planning process).</p>	High	<p>All Executive Directors</p> <p>Initial agreement with Interim Director of Legal &amp; Governance with individual directors subsequently picking up responsibility for their own registers.</p>	<p>31.03.15</p> <p>Revised implementation date 31.03.16</p>	<p><b>Action complete</b></p> <p>There will be an annual review with the AGS process but issues should also be brought to the fore as and when they arise if these are properly considered by services as part of business planning.</p> <p>Internal Audit comment. Validation of implementation confirmed through involvement in production of the AGS statement.</p>
12.4	<p>Corporate service business planning guidance should be revised so as to explicitly require business plans to outline the range of statutory responsibilities anticipated to impact on resource allocation, as well as the actual allocation of resources in ensuring compliance.</p> <p>Business plans should be used to set out management's strategies in addressing its statutory responsibilities including the risks and impact of planned partial or non-compliance.</p> <p>Directors should ensure that all statutory responsibilities have been accounted for before signing-off individual business plans (with reference to the registers of statutory responsibility).</p>	High	Director of Policy, Performance and Communications	31.03.15	<p>Director of Policy, Performance and Communications response as at 09.06.16</p> <p><b>Action completed</b></p> <p>Statutory responsibilities are included in the service planning guidance for 2015-17 Service planning guidance.</p>
12.5	Having established registers of statutory responsibility, directors should ensure that these are considered as part of the monthly governance arrangements. Compliance with statutory responsibilities should be incorporated in to the framework of governance meetings covering service managers, heads of service and their respective directors.	High	All executive directors	<p>31.03.15</p> <p>Revised implementation date 31.07.16</p>	<p><b>Action ongoing</b></p> <p>The new guidance has been drafted and consultation is being undertaken with the Director of Policy, Performance and Communications, the Director of Commercial Services and the Director of ICT about if and</p>

12.6	<p>All portfolios and services should monitor compliance with statutory responsibilities in the context of staff changes and reduced funding levels. This should incorporate:</p> <ul style="list-style-type: none"> <li>• As part of the annual service business planning process, identifying the service costs required to ensure compliance;</li> <li>• The consideration of alternative strategies for delivering compliance;</li> <li>• The use of appropriate performance indicators where applicable to aid monitoring; &amp;</li> <li>• Incorporation of compliance monitoring in to the monthly governance framework;</li> </ul> <p>Over and above this, executive directors should report to EMT annually at the culmination of the service business planning process, setting out the impact of reduced resources on compliance with statutory responsibilities.</p>	High	All executive directors	<p>31.03.15</p> <p>Revised implementation date 31.07.16</p>	<p>when this is being published.</p> <p><b>Action ongoing</b></p> <p>To form part of guidance detailed at 13.5 above.</p>
12.7	<p>Guidance for the completion of the 2014/15 AGS should be more explicit in requiring service managers to declare all issues of non-compliance with statutory responsibilities. Service managers should be required to include in the declaration details of any risk/impact assessment and mitigation strategies as a means of evaluating the significance of the non-compliance. This is particularly pertinent where the AGS is to be used as the platform for the annual monitoring of compliance with statutory responsibilities. The AGS guidance package should require the submission of registers of statutory responsibility to the director of Legal &amp; Governance. These should be signed-off where appropriate by the relevant service manager and director as formal confirmation of compliance, or cross-reference to the appropriate declaration in the service AGS. This will enable the director of Legal &amp; Governance to provide EMT with an annual report on compliance with statutory responsibilities when reporting on AGS.</p>	High	Interim Director of Legal & Governance	<p>31.03.15</p> <p>Revised implementation date part 30.09.15 and fully 31.03.16</p>	<p><b>Action complete</b></p> <p>Implemented as part of the AGS process for 2015/16.</p> <p>The information is held in Sharepoint with a requirement to update and report non-compliances with the submission of each AGS.</p> <p>Director Legal Services attends EMT with a list of non-compliances annually.</p> <p><b>Internal Audit comment.</b> Validation of implementation confirmed through involvement in production of the AGS statement.</p>

**13. Waste Management Contract (Place).** (Issued to the audit committee 15.08.14).**As at January 2015**

**Internal Audit:** This report was issued to management on the 04.06.14, with the latest agreed implementation date of 31.03.15. Therefore an update will be provided in the next high opinion update report.

**As at July 2015**

Internal Audit undertook a follow up review in February 2015, the results are reproduced below.

**As at January 2016**

An update on progress implementing the actions outstanding at July was requested from management. 3 recommendations were outstanding and management have now confirmed that 2 have been actioned (evidence to support this was provided to internal audit) and implementation of the final recommendation is expected by the end of April 2016.

**As at July 2016**

A management update has been provided for the final outstanding recommendation, this is included below:

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position provided by Head of Waste Management 18.5.2016
13.1	Both partners should consider all options in relation to lifecycle maintenance accounts. The assistant director of finance (project & commercial) should be included in any discussions and consulted on the decisions taken regarding these funds. Any decisions taken should be formally documented and ratified by both parties.	High	Head of Waste Management & Senior Commercial Manager	31.03.15 Revised implementation date 30.04.16	<b>Action complete</b>  Project finance and contract management have resolved terms and access to lifecycle maintenance account.

**Internal Audit proposed to remove this item from the tracker.**

**14. Car Parking Services (Place).** (Issued to the audit committee 23.09.14).**As at January 2015**

**Internal Audit:** This report was issued to management on the 23.09.13, with the latest agreed implementation date of 31.03.14. Following a piece of follow up work by internal audit in September 14, the director of regeneration and development services attended the November audit committee meeting and provided an update against the outstanding recommendations. At this meeting it was agreed that a further piece of follow up work would be undertaken by Internal Audit.

Because of timing issues, internal audit agreed to obtain evidence for those actions stated as having been completed in the November update – with further



updates being provided in the next tracker against actions noted as still being 'in progress'. It was stated that these in progress actions were to be completed by the end of December 2014.  
Internal audit were provided with sufficient evidence to confirm that the 8 recommendations stated as being 'complete' in November had all been actioned and these were reported in the previous high opinion report.

**As at July 2015**

Progress against the remaining outstanding actions was reported to the committee.

**As at January 2016**

A management update was provided for the 3 outstanding recommendations.

**As at Jul 2016**

A management update has been provided for the final outstanding recommendation, this is included below:

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position - provided by Transport, Traffic & Parking Services Business Manager February 2016.
14.1	Consideration should be given to whether restricted authorisation levels should be incorporated in to the parking gateway system for cancellation of penalty charge notices (PCN). Alternatively consideration should be given to the potential for management to review a daily log of cancellations processed to confirm legitimacy and correct application of the enforcement policy.	Medium	TT&PS Business Manager	31.10.14  Revised implementation date 31.12.14  Revised implementation date 31.07.15	<b>Action complete</b>  The benchmarking data from other Core City Authorities on cancellation checking levels (supplied) show that levels of checking vary between one or two monthly per officer (Bristol), up to 5%. (for experienced staff in Newcastle).  Parking Services check up to 10 cancellations per officer (evidence has been supplied to Internal Audit) which broadly equates to up to 10% of cancellations being already checked (average 673 per month with 7FTE processing staff). Managers continue with the monthly quality checks (of which cancellations are only one part) and these are discussed with the member

					<p>of staff in monthly 1:1 meetings. No suggestion of any fraudulent activity has been detected to date.</p> <p><b>Internal Audit comment</b> Adequate sample checking of cancellations is now being undertaken.</p>
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**Internal Audit proposed to remove this item from the tracker.**

**15. Delivery of Highways Schemes (Place)** (Issued to the audit committee 08.04.14).

**As at 25<sup>th</sup> November 2014**

**Internal Audit:** This report was issued to management on the 19.03.14, with the latest agreed implementation date of 30.09.14. The Director of Regeneration and Development Services, Dave Caulfield, provided an updated position against the recommendations and this is provided below.

Additionally, he wished it to be recorded that a firm of consultants, Turner & Townsend, were appointed by Sheffield City Council in August 2014 to undertake a review of the council's approach to delivering its non-core transport capital programme (i.e. excluding the Streets Ahead PFI capital maintenance programme). This end to end review has just reported and a full change programme will be implemented over the next 6 months including picking up some early wins in the first three months. The remaining outstanding internal audit recommendations will be captured as part of implementing the change programme.

**As at March 2015**

A follow up audit was undertaken in March 2015. Internal audit was concerned that adequate progress had not been made against the original recommendations. The majority of the outstanding recommendations relate to the on-going change programme resulting from the independent review of the delivery of highways schemes. However, it should be noted that over and above this the following recommendations remained outstanding:

- The analysis of available and allocated funding,
- Forward programme capital approvals,
- The block procurement strategy and contract waiver and
- "Tracker" reporting to Commercial Services

Revised deadlines have been agreed with transport, traffic and parking services (TTPS) management for those outstanding recommendations.

Internal Audit met with the assistant director of finance on 14.05.15 to get a finance view. With regard to action no 14.3, it was stated that funding had been secured for the 15/16 projects but only after the intervention of finance.

**As at Jan 2016**

A management update has been provided for the 9 outstanding recommendations from the last report. Management stated that 6 had been actioned and evidence to support this was provided to internal audit. 3 actions are ongoing and are due for completion by the end of the financial year.

**As at Jul 2016**

A management update has been provided for the 3 outstanding recommendations from the last report. It should be noted that the findings raised in this review are being considered as part of the wider Business Like Place programme. The management update is included below:

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position from Head of TT&PS 18.5.2016
15.1	<p>The Information Commissioner should be invited to review the automated number plate recognition (ANPR) data-sharing arrangements prior to their implementation.</p> <p>Subject to the Commissioner's approval, all of the parties (i.e the four south Yorkshire local authorities and South Yorkshire Police) should enter in to a formal arrangement reflecting the approved procedures for each authority.</p>	Medium	Highways Network Manager	<p>30.09.14</p> <p>Revised implementation date 31.07.16.</p>	<p><b>Action ongoing</b></p> <p>The Information Commissioner did not visit Sheffield and he has not rearranged the meeting. The data sharing has been taken forward as part of the SY Common Database project. The agreement is being scrutinised by the Interim Head of Place Strategy Team to confirm that it satisfies the requirements of the SCC Corporate data sharing protocol.</p>
15.2	TT&PS management should meet with the Commercial Services construction category manager to determine the levels and frequency of financial data to be provided to him. Once determined, arrangements should be put in place to allocate responsibility and set up timetables to facilitate this information.	Medium	Head of TT&PS	<p>31.05.14</p> <p>Revised implementation date 31.08.16.</p>	<p><b>Action ongoing</b></p> <p>Principal Engineer, Business Management has been working with The Category Manager and Project Planner to develop the financial data set.</p>
15.3	The previously recommended operational review (point 14.6) should consider the operational structures required for the effective delivery of highways schemes. Specifically, whether current structures provide the most effective model or whether these give rise to bottlenecks or un-necessary duplication.	Critical	Head of TT&PS	<p>30.06.14</p> <p>Revised implementation date 31.12.16.</p>	<p><b>Action outstanding</b></p> <p>The Director of RDS was obliged to prematurely terminate the Turner and Townsend programme</p>

	<p>Once the structure has been clarified, specific roles and responsibilities for all service areas and individual officers should be developed and issued, so as to avoid any ambiguity over those responsibilities or the expectations placed on individuals.</p>				<p>delivery review because of a lack of further funding. Consequently, the project was never formally "closed". TTAPS staff are now drafting an internal closure report that will summarise the progress made, specifically relating to removal of bottlenecks and duplication within the process. In parallel, the new Head of the Transport service is drafting proposals for restructuring the service – this activity will be ongoing over the next 4-6 months.</p>
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## Audit Committee Report

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

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**Date:** 14 July 2016

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**Subject:** Work Programme 2016/17

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**Author of Report:** Dave Ross, Democratic Services (0114 273 5033)

**Summary:**

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

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**Recommendations:**

That the Committee:-

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

(b) approves the work programme.

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**Background Papers:** None

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**Category of Report:** OPEN

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## Statutory and Council Policy Checklist

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

## **WORK PROGRAMME**

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

- 1.1 To consider an outline work programme for the Committee for 2016/17 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 Committee's 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 2016/17 is attached and Members are asked to identify any further items for inclusion.

### **3. Recommendation**

- 3.1 That the Committee:-

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

**Gillian Duckworth**  
**Director of Legal and Governance**

<b>Date</b>	<b>Item</b>	<b>Author</b>
15 September 2016	Report to Those Charged with Governance (ISA 260)	Tim Cutler/Alison Ormston (KPMG)
	Statement of Accounts	Dave Phillips (Interim Head of Finance)
	Internal Audit Annual Report	Kayleigh Inman (Senior Finance Manager)
	Arrangements for the Appointment of the External Auditor	Dave Phillips (Interim Head of Finance)
	Update on Strategic Outcome Planning	John Mothersole (Chief Executive)
	Audit Committee Annual Report	Dave Ross (Legal and Governance)
16 November 2016	Annual Audit Letter 2015/16	Tim Cutler/Alison Ormston (KPMG)
	Annual Ombudsman Report/General Complaints	Andrew Fellows (Customer Services Manager)
	Strategic Risk Management	Richard Garrad (Corporate Risk Manager)
8 December 2016	(Additional meeting if required)	
12 January 2017	Progress on High Opinion Audit Reports	Kayleigh Inman (Senior Finance Manager)
	Update on Arrangements for the Appointment of the External Auditor	Dave Phillips (Interim Head of Finance)
16 February 2017	(Additional meeting if required)	
9 March 2017	(Additional meeting if required)	
27 April 2017	Internal Audit Plan 2017/18	Kayleigh Inman (Senior Finance Manager)
	International Auditing Standards – Compliance with Internal Control/Counter Fraud	Dave Phillips (Interim Head of Finance)
	Certification of Claims and Returns Annual Report 2015/16	Tim Cutler/Alison Ormston (KPMG)
	External Audit Plan 2016/17	Tim Cutler/Alison Ormston (KPMG)
	Annual Audit Fee Letter 2017/18	Tim Cutler/Alison



		Ormston (KPMG)
13 July 2017	Summary of the Statement of Accounts	Dave Phillips (Interim Head of Finance)
	Annual Governance Statement	Gillian Duckworth (Director of Legal and Governance)
	Audit Committee Annual Report	Dave Ross (Legal and Governance)
	Progress on Reports with a High Opinion	Kayleigh Inman (Senior Finance Manager)

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