

Audit and Standards Committee

Thursday 22 September 2022 at 5.00 pm

Town Hall, Sheffield, S1 2HH

The Press and Public are Welcome to Attend

Membership

Councillors Colin Ross (Chair), Ben Curran (Deputy Chair), Angela Argenzio, Simon Clement-Jones, Tom Hunt, Kevin Oxley and Garry Weatherall.

Independent Co-opted Members

Alison Howard.

PUBLIC ACCESS TO THE MEETING

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

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

A copy of the agenda and reports is available on the Council's website at <http://democracy.sheffield.gov.uk>. 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 meetings of the Committee under the direction of the Chair of the meeting. Please see the website or contact Democratic Services for details of the Council's protocol on audio/visual recording and photography at council meetings.

If you require any further information please contact Sarah Cottam in Democratic Services on 0114 273 5033 or email sarah.cottam@sheffield.gov.uk.

FACILITIES

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

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

**AUDIT AND STANDARDS COMMITTEE AGENDA
22 SEPTEMBER 2022**

Order of Business

- 1. Welcome and Housekeeping Arrangements**
- 2. Apologies for Absence**
- 3. Exclusion of the Press and Public**
To identify items where resolutions may be moved to exclude the press and public.
- 4. Declarations of Interest** (Pages 5 - 8)
Members to declare any interests they have in the business to be considered at the meeting.
- 5. Minutes of Previous Meeting** (Pages 9 - 14)
To approve the minutes of the meeting of the Committee held on 28 July 2022
- 6. External Audit Plan 2021/22** (To Follow)
Report of the External Auditors, Ernst & Young
- 7. Annual Internal Audit Report** (Pages 15 - 48)
Report of the Senior Finance Manager, Internal Audit
- 8. Formal Response to Audit (ISA 260) Recommendations** (Pages 49 - 62)
Report of the Director of Finance and Commercial Services
- 9. Interim Standards Complaints Report** (Pages 63 - 68)
Report of the Director of Legal and Governance
- 10. Annual Governance Statement** (Pages 69 - 82)
Report of the Director of Legal and Governance
- 11. Work Programme** (Pages 83 - 92)
Report of the Director of Legal and Governance.
- 12. Dates of Future Meetings**
To note that meetings of the Committee will be held at 5.00 p.m. on:-
20 October 2022
17 November 2022
22 December 2022
19 January 2023
16 February 2023
9 March 2023
13 April 2023

ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

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

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

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

You **must**:

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

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

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

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

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

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

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

You have a personal interest where –

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

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

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

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

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

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

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SHEFFIELD CITY COUNCIL

Audit and Standards Committee

Meeting held 28 July 2022

PRESENT: Councillors Colin Ross (Chair), Angela Argenzio, Simon Clement-Jones, Tom Hunt and Kevin Oxley

1. APOLOGIES FOR ABSENCE

- 1.1 Apologies for absence were received from Councillors Ben Curran and Garry Weatherall. An apology was also received from Alison Howard (Independent Co-opted Member).

2. EXCLUSION OF THE PRESS AND PUBLIC

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

3. DECLARATIONS OF INTEREST

- 3.1 There were no declarations of interest made at the meeting.

4. MINUTES OF PREVIOUS MEETING

- 4.1 The minutes of the meetings held on 16 June 2022 were agreed as an accurate record.
- 4.2 The Director of Legal & Governance, Gillian Duckworth, agreed follow up with the Senior Finance Manager on whether the Persons in Position of Trust training was requested to be mandated, as mentioned at 6.9 of the minutes.
- 4.3 The Director of Legal & Governance agreed to follow up on whether a supplier for the new housing system had been agreed, as mentioned at 7.4 of the minutes.

5. SUMMARY OF STATEMENT OF ACCOUNTS

- 5.1 The Committee received a report of the Director of Finance and Commercial Services, Ryan Keyworth which provided Members of the Committee with a summary of the 2021/22 Unaudited Statement of Accounts and explained the core statements and several of the key notes to the accounts.

- 5.2 The Director of Finance and Commercial Services explained that Local Authorities were required to submit their statement of accounts by the 31 July 2022. The accounts then go through an inspection period which lasted 6 weeks. It was anticipated that the accounts would be ready for sign off, by the Committee, at a later meeting in the year.
- 5.3 The Director of Finance and Commercial Services referred to the (Surplus) on Income and Expenditure Statement figure of £361,864. It was mentioned that this surplus figure was driven by changes in balance sheet valuations, primarily related to the Council's share of the South Yorkshire Pension Fund and changes in the valuations of land and property.
- 5.4 Members of the Committee asked questions and the following responses were provided: -
- 5.5 The Director of Finance and Commercial Services explained that due to the way the Council was funded, the Council tended to be very cash positive and funded ahead of time. It was added that this was different to how private sector organisations and Universities operated.
- 5.6 The Director of Finance and Commercial Services stated that as of the 31 March 2022, the Council had approximately £300m in reserves. The Budget report that was presented to Full Council in March set out the details of reserves in more depth.
- 5.7 The Director of Finance and Commercial Services explained that the cash flow statement was a critical compliant statement as it explained the movement in cash balance from one year to the next.
- 5.8 The Director of Finance and Commercial Services mentioned that Audit firms were having difficulty recruiting people due to the challenges of Local Government auditing.
- 5.9 The Director of Finance and Commercial Services agreed to provide a response on how the Housing Revenue Account expenditure was comparable to previous years.
- 5.10 The Director of Finance and Commercial Services informed the Committee that there was a high chance that the external audit will not be completed by the 30 November 2022 deadline. Although, he anticipated that this would not cause any significant impact.
- 5.11 **RESOLVED:** That the Audit & Standards Committee noted the core statements and the key notes to the Unaudited Statement of Accounts for 2021/22.

6. INTERNAL AUDIT ANNUAL FRAUD REPORT

- 6.1 The Committee received a report of the Senior Finance Manager (Internal Audit), Linda Hunter, which informed the Committee of the outcomes of the work undertaken by Internal Audit on fraud and corruption during 2021/22 and the proposed work for 2022/23.
- 6.2 The Senior Finance Manager, Stephen Bower, explained that the Council's fraud policies undertook annual reviews. It was added that no policy had a significant change although many had minor changes, following this year's review.
- 6.3 It was mentioned there was an increase in fraud in the public sector due to the amount of covid grants issued by the local government.
- 6.4 The Senior Finance Manager highlighted key points within the report and the Council's fraud policies for the Committee.
- 6.5 Appendix A to the report highlighted potential fraud in the authority and set out how the Council aimed to mitigate this.
- 6.6 Members of the Committee asked questions and the following responses were provided: -
- 6.7 The Senior Finance Manager believed that having yes or no options in the checklist was the easiest way to record answers. He mentioned that they previously trialled using percentages although that was more challenging.
- 6.8 The Senior Finance Manager explained that question 5 in the Governance Checklist for Fraud report was lifted from a CIPFA (The Chartered Institute of Public Finance and Accountancy) document. This was why the question referred to a single Councillor having portfolio responsibility for fighting fraud. The Director of Legal and Governance confirmed the question should refer to a Committee rather than a Councillor due to the Council's recent transition to a Committee System. The Senior Finance Manager agreed to amend future reports.
- 6.9 The Senior Finance Manager confirmed there was a procedure for reporting fraud. There was a document that outlined the procedure, which would be uploaded onto the Council's webpage after the meeting.
- 6.10 The Senior Finance Manager explained the review on Members Declaration of Interest forms was part of the National Fraud Initiative work. After reviewing Members Declaration of Interest forms, no significant issues were identified.
- 6.11 The Senior Finance Manager believed the service was adequately

resourced to deal with Fraud at a high standard.

- 6.12 The Senior Finance Manager stated that Sheffield City Council issued relatively lower fraud offences compared to other authorities during the pandemic.
- 6.13 The Senior Finance Manager informed the Committee that approximately £120m were issued in covid grants, approximately £680,000 were identified as errors, in which, approximately £300,000 had already been recovered with the remaining in the process of being recovered.
- 6.14 The Senior Finance Manager suggested that Fraud E-Learning be compulsory to all Council employees although that was not possible therefore it was agreed to be compulsory for Managers only.
- 6.15 The Senior Finance Manager confirmed there was adequate processes in place to protect whistle-blowers in the Council.
- 6.16 The Senior Finance Manager explained that National Fraud Initiative will produce a national report that outlined the amount of money recovered from covid grant fraud.
- 6.17 **RESOLVED:** That the Audit & Standards Committee **(1)** noted the content of this report; **(2)** noted that the Council's policies in relation to fraud and corruption have been reviewed and fulfil the required governance arrangements for the Council; and **(3)** noted the completed checklist for those responsible for governance.

7. ROLE OF THE AUDIT COMMITTEE AND TRAINING

- 7.1 The Committee received a report of the Director of Finance and Commercial Services. The report provided Members of the Committee with a summary of the newly published position statement from CIPFA on the role of the Audit Committees in Local Government, and recommended suitable committee-specific training for members of the Committee.
- 7.2 The Director of Finance and Commercial Services believed the Council was compliant with the statement provided by CIPFA.
- 7.3 The report proposed training for the Audit & Standards Committee to take within the remainder of 2022.
- 7.4 Members of the Committee asked questions and the following responses were provided: -
- 7.5 The Director of Finance and Commercial Services explained that the webinar training on the 14 September 2022 was facilitated by CIPFA

therefore a recording would be available to view after.

- 7.6 The Director of Legal and Governance explained that Strategy and Resources Policy Committee was not an executive committee therefore the Audit & standards Committee would be independent, as mentioned in the report.
- 7.7 The report stated that the Audit Committee should, at least annually, review and report on its own performance, including how it had complied with the principles of the position statement and how effectively it had engaged with the leadership team and those charged with governance. The Director of Finance and Commercial Services mentioned this would be good practice for the Committee to undertake.
- 7.8 The Director of Legal and Governance explained that the Governance Committee were content that the membership of the Audit & Standards Committee did not need changing. Therefore, it remained with 7 Members. A Member of the Committee added that 7 Members was good for this Committee and also suggested that more independent members be appointed.
- 7.9 The Director of Finance and Commercial Services agreed to feedback training dates to CIPFA, as it was mentioned that Introduction training takes place in September, several months after the first meeting of the Committee.
- 7.10 The Chair explained that the Committee undertook a closed meeting with the external auditors, Ernst & Young in July 2022. In that meeting the Committee agreed to carry out another closed session with the external auditors in the Autumn.
- 7.11 **RESOLVED:** That the Audit & Standards Committee noted and adopted the position statement and agreed a forward training programme to support Members of the Committee with their role.

8. WORK PROGRAMME

- 8.1 The Committee considered a report of the Director of Legal and Governance that outlined the work programme for the remainder of the municipal year. Members were asked to identify any further items for inclusion.
- 8.2 The Director of Legal and Governance referred to the work programme. It was proposed that the review of members code of conduct session in November 2022 be removed, and an external training session on lessons learnt from previous reports be included in September 2022. The Committee agreed to this proposal.

- 8.3 **RESOLVED:** - that **(1)** the work programme be noted; and **(2)** that an external training session be held on 22 September 2022.

9. DATES OF FUTURE MEETINGS

- 9.1 It was noted that the next meeting of the Committee would be held on 22 September 2022.



Audit and Standards Committee Report

Report of: Senior Finance Manager, Internal Audit

Date: 22nd September 2022

Subject: Internal Audit Annual Report 2021/22

Author of Report: Linda Hunter, Senior Finance Manager, Internal Audit

Summary: The purpose of this annual Internal Audit report to Members is to highlight the work that has been undertaken by Internal Audit during the year and supports the Council's Annual Governance Statement (AGS).

Recommendations:

Members are asked to:

Note the content of the report and the opinion of the Senior Finance Manager.

Background Papers:

Category of Report: Open

Statutory and Council Policy Checklist

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

REPORT TO SHEFFIELD CITY COUNCIL AUDIT AND STANDARDS COMMITTEE

22nd September 2022

Purpose of the Report

1. The purpose of this annual report to Members is to highlight the work that has been undertaken by Internal Audit during the year. The report provides a review of the performance of Internal Audit for the year 2021/22, gives an opinion on the adequacy of the Council's system of internal control, and supports the Council's Annual Governance Statement (AGS).

Introduction

2. It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that an annual report is produced on the work undertaken by the Internal Audit section. This report has been prepared by the Council's Senior Finance Manager (Internal Audit).
3. It is not the intention of this report to give a detailed summary of every audit that has been undertaken during the previous year, rather to give a broad review of the control arrangements.
4. The Executive Directors are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Services and Internal Audit assesses the adequacy of these arrangements. Internal Audit provides analyses, appraisals, recommendations, and advice concerning the activities reviewed.

Executive Summary of the Audit Opinion

5. From the work undertaken by Internal Audit during the year, I am satisfied that the risk management, governance and internal control framework are adequate to allow the Council to conduct its business appropriately.
6. No audit assignments were given an audit opinion of no assurance for the period 2021/22.
7. We prioritised our resources on supporting the Council and concentrating on emerging systems, procedures and risks. The continuing impact of Covid 19 on public services throughout 2021/22 has been considerable. As a result, the Internal Audit plan needed to be re-active and flexible and although this provided challenges at times, I am satisfied with the audit coverage and outputs.
8. From the routine planned internal audit work undertaken and reported upon during 2021/22, management's response to control issues arising from individual reviews has been positive overall, with actions to further enhance controls being agreed and formally accepted. Implementation of

agreed recommendations had improved during 2021/22 as reported to the Audit and Standards Committee.

9. Internal Audit carried out planned pro-active initiatives in areas of perceived high fraud risk to seek assurance that the selected processes contained robust counter fraud controls, and made recommendations where vulnerability was identified.
10. Internal Audit facilitated the distribution and review of data matches received, across numerous service areas, as part of the statutory biennial NFI (National Fraud Initiative) operated by the Cabinet Office.
11. Internal Audit has investigated or assisted service managers to investigate other allegations of irregularity and associated disciplinary procedures throughout council services (refer to para 47 to 49 for further details).
12. A detailed annual report on fraud and investigations was presented to the Audit and Standards Committee in July 2022.
13. The end of year opinion places reliance on assurance provided from other parties and processes, for example the Annual Governance Statement, Risk Management processes and assurance from the work of the External Auditors. This enables a broader coverage of risks and ensures that the totality of the audit, inspection and control functions deployed across the organisation are properly considered in arriving at the overall opinion.
14. Assurance has been taken from the certification of internal control completed by Directors of Service under the AGS arrangements. Legal Services co-ordinated the compilation of the AGS on behalf of the Council, whilst ensuring that responsibility for items included within the statement lies with the senior management of the Council.
15. The Council's Annual Governance Statement (presented to the Audit and Standards Committee meeting in September 2022) has no areas of significant control weakness. However, there are 2 themed areas (Human Resources and Information Governance) that the Leadership Team wished to monitor the arrangements across the Council (at the Performance and Delivery Board).
16. As the Senior Finance Manager (Internal Audit) I am not aware of any significant control weaknesses that should have been included within the Council's Annual Governance Statement.
17. The approach is to obtain sufficient assurance to support the annual opinion, considering both internal audit work and other sources of assurance. For 2021/22 these sources of assurance also include the attendance and review of minutes from the Information Governance board and Finance Design Assurance group. Through this involvement Internal Audit has an understanding of what the Council is doing to respond and

lead change activity; and the approach being taken all of which adds to this assurance assessment.

18. Extensive grant certification and assurance across a range of Covid related grants and other grant funding streams including the Covid Contain Outbreak Management Fund has been undertaken.
19. Effective communication has remained a key strength; both in engaging residents and businesses during the pandemic and in the engagement of staff. This approach has been sustained throughout the year with strong, active communication of public health messages and provision of online resources to support staff and managers. Communications have been supported through active face to face and virtual engagement and 2021/22 has seen the resumption of larger in-person events including acknowledgement and celebration of the achievements of teams and individuals from across the Council over the last 12 months.

Legislation Surrounding Internal Audit

20. Internal Audit is an independent appraisal function within the Council. The Internal Audit section is part of Finance and Commercial Services, which contributes to satisfying the Director of Finance and Commercial Services statutory responsibilities. There are two key pieces of legislation that impact upon Internal Audit in local authorities, these are:

Section 151 of the Local Government Act 1972 requires that “every local authority ... make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs”. The Council has designated the Director of Finance and Commercial Services as the Responsible Financial Officer in relation to this section and one of the ways he exercises responsibility for financial administration is through the work of Internal Audit.

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015 which state in respect of Internal Audit that:

“A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices”.

Professional Requirements

21. In addition to legislation, Internal Audit is governed by policies, procedures, rules and regulations established by Sheffield City Council (the Council). These include the Council’s constitution, financial regulations, standing orders, and conditions of service and codes of conduct for members and officers.
22. The Internal Audit section also has to meet the standards laid down by professional bodies such as CIPFA and the Chartered Institute of Internal

Auditors (CIIA). Refer to Appendix A (Internal Audit Charter) and Appendix B (Internal Audit Quality Assurance and Improvement Programme which outlines our mission, purpose and objectives.

23. The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013 and were updated in 2017. The PSIAS include key principles that public sector internal audit functions must follow, and cover a range of areas including governance, performance standards and reporting requirements. The PSIAS standards are now also supported by a CIPFA statement on the Role of the Head of Internal Audit.
24. PSIAS require that an external assessment of every local authority internal audit section is completed every five years. The opinion provided as part of this external assessment in November 2021 was that the Internal Audit section at SCC 'generally conforms', which means the assessor concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or element of the Code of Ethics in all material respects. This is the highest assessment opinion that can be given.
25. As part of the standards, Internal Audit is required to undertake regular self-assessments. As part of the external assessment November 2021 undertaken by Birmingham City Council, a self-assessment was completed. The self-assessment contained 115 questions and showed compliance with 89 of the standards and partial compliance to 14 of the standard's (noting 12 standards marked as not applicable). The external assessment report from Birmingham City Council did state 'Whilst the self-assessment did identify a number of partial compliance these were considered to have arisen due to the need to align audit practices with the organisation or not sufficiently significant to prevent achievement of the overriding standard'.
26. The results of the external assessment were reported to the December 2021 Audit and Standards Committee, highlighting only 8 minor recommendations. These recommendations formed part of the Quality and Improvement Programme for Internal Audit and all 8 recommendations have now been actioned. As a result of the External Assessment, a Quality Assessment Improvement Plan (QAIP) was produced and maintained. This document is reviewed regularly and an ongoing action is to identify training opportunities which align specifically with new and emerging challenges posed by changes within Council services and new ways of working, and which also support development needs of individual Internal Audit staff.
27. As part of the Public Sector Internal Audit Standards, it is recommended that the Chief Audit Executive (CAE) reports directly to a member of the Senior Management Team. In order for SCC Internal Audit Service to comply with the requirement, from January 2022, the Senior Finance Manager (who is classified as the CAE) now reports to a member of the Senior Management Team (Director of Finance and Commercial Services – S151 officer) and therefore this requirement has been complied with.

28. The Senior Finance Manager (SFM) does also have unrestricted access to other senior officers, including the Chief Executive and to the members of the Audit and Standards Committee, where required.
29. The SFM in Internal Audit has been given management oversight of Risk Management. The revised standards acknowledge that CAEs are often assigned other management areas, and so adequate safeguards need to be introduced to maintain objectivity and transparency. Arrangements to maintain independence and objectivity have been defined and documented for the Council and include measures such as amending the reporting arrangements for audits of the Risk Management function to ensure these audits are not reviewed/overseen by the SFM (designated CAE).
30. It should be noted that the Risk Management team is a compliance function designed to monitor the application of policies and procedures, and so the remit does not conflict with the role of Internal Audit.

Relationship with External Audit

31. The Senior Finance Manager (Internal Audit) attends the quarterly liaison meetings with external audit representatives to discuss and share work programmes, progress of work and key findings and recommendations.

Internal Audit Resources

32. Internal Audit had an agreed budget for 2021/22 as outlined in the table below, which also summarises the end of year budget position.

2021/22			
	<u>Outturn</u>	<u>Budget</u>	<u>Variance</u>
<u>Total</u>	<u>504,501</u>	<u>539,100</u>	<u>(34,599)</u>

33. The underspend for the financial year was as a result of a number of vacancies resulting from the delayed arrival of the appointed staff following the MER process.

Structure

34. The current establishment structure of the section (which includes Internal Audit and Risk Management) is shown in Appendix C to this report. The service currently has 9.19 FTE officers (in addition 1 FTE vacancy), plus 1 CIPFA trainees (placed with Internal Audit on a rotation basis and currently this post is vacant). A number of these officers have taken advantage of the Employee Led Scheme (ELS), buying additional leave or reducing their contracted hours.

35. The Internal Audit section strives to maintain high professional standards by employing and training appropriately qualified staff who are members of or actively studying for professional qualifications. All of the internal audit team are either professionally qualified or are actively studying for relevant qualifications. The section includes members of the Chartered Institute of Public Finance and Accountancy (CIPFA), Chartered Institute of Management Accountants (CIMA), Chartered Management Accountant (ACMA), Chartered Institute of Internal Auditors (CIIA), and Association of Accounting Technicians (AAT).

Planning Processes and Performance Monitoring

36. A report is submitted to the Audit and Standards Committee in April each year to outline how the annual plan is devised. The strategy for Internal Audit work is to focus on areas of high-risk activity in order to provide assurance that risk and internal control systems are being properly managed by Directors in service areas. Covid 19 restrictions have had a significant global impact. During the year it has been necessary to flex and reprioritise work in order to support the Council's response to the Covid 19 emergency and help ensure that proportionate controls are built within changing systems and procedures. Inevitably the pandemic has had an adverse impact on the delivery of services and Internal Audit. There is no doubt that the impact of the pandemic will continue to influence how the Council operates and the services it delivers to the communities and citizens of Sheffield for the foreseeable future.
37. Lessons learned from Covid 19 have been used to build back better and new arrangements for ways of working and organisational development. Whilst the legacy impact of Covid 19 continues to present a significant risk to residents and businesses across the city, the Council has stabilised core systems and processes and is in a strong position to respond to further change and challenge.
38. Management are asked to contribute to the planning process, however the plan and its contents are entirely the responsibility of Internal Audit.
39. The audit plan is discussed with senior managers and ultimately agreed with the Executive Director – Resources and the Director of Finance and Commercial Services (S151 officer).
40. The 2021/22 original plan contained 117 reviews. At the mid-year point 12 reviews were deferred or deleted. As this difference equated to less than 15% of the original plan, this did not constitute as a significant change and therefore was not reported to the Audit and Standards Committee.
41. The Internal Audit service uses a risk-based approach to audit; this is now used almost exclusively for our reviews. This requires closer working with management to identify the risks inherent in the council's activities and then to test the controls that are in place to mitigate these risks.

42. The audit plan delivery for 2021/22 is as follows:

Audit Area	Original plan	Revised plan	Completed	Deferred or Work in Progress (WIP)
Corporate	2	2	2	
City Futures and Operational Services	29	22	19	3 grants deferred
People	34	33	26	3 WIP 4 deferred (1 is a grant)
Resources and ICT	35	34	28	6 deferred (3 are grants)
Main Financial Systems	6	5	4	1 WIP
Benefits / Pro-active Work	11	9	7	2 Deferred
Total (Planned Reviews)	117	105	86	
Investigations undertaken directly			11	
Man't Investigations assisted			28	
Overall Total			125	

43. A total of 86 assurance reviews were completed out of a revised 21/22 plan of 105. The target for the year was to complete 94 reviews, which is the agreed 90% target of the planned 105 reviews. Some reviews were deferred or deleted due to issues that only became apparent towards the end of the year after the mid-year plan had been completed. Engagement of staff during this reporting period has been mixed with conflicting priorities for Portfolio staff. Also 7 deferred pieces of work related to grant work whereby the sign off date was extended by the funder, and therefore out of the control of the Internal Audit Section. Internal audit staff vacancies has also hindered the delivery of service audits.

44. For the audit plan period 21/22 we currently have slightly higher levels of work in progress compared to previous years due to the longer duration and increased time needed for some audits, and the impact of the Covid 19 pandemic and staff working at home arrangements.

45. The Internal Audit Section have been working virtually from home for the entirety of the year being reported upon. This position is currently changing with a 'hybrid' approach being adopted with an estimated 40% of the working week attending the office-based working. This 'hybrid' approach will enhance collaboration.

46. The 2021/22 allocation of resources for Business Partnering has been successfully utilised, and 23 reviews were undertaken at the request of senior managers from within the Council's portfolios.

47. Internal Audit conducted 10 re-active investigations and assisted managers with a further 16 re-active investigations which arose in 2021/22. Internal Audit also concluded investigation work on 1 re-active investigation and assisted managers with a further 12 investigations which had originated in 2020/21 (delayed due to covid). These cases were from all Council portfolios and included theft of cash or assets. These investigations led to a number of dismissals and other sanctions. The Police were notified and involved where appropriate. Guidance was also provided to management regarding any control weaknesses identified as present in processes or procedures at the time of the incident. A report of fraud-related activity conducted by Internal Audit was submitted to the Audit and Standards Committee in July 2022.
48. Internal Audit facilitated the distribution and review of data matches received, across numerous service areas, as part of the statutory biennial NFI (National Fraud Initiative) operated by the Cabinet Office. The latest data matches were received in February 2021. There were a number of areas which were insourced to the Council and have required additional support to undertake and record this work. Internal Audit monitored progress on investigating the data matching work, as well as spot checked the validity of the work and outcomes to ensure reasonable completion of the exercise. Additional work was also required to submit additional data sets and undertake checking, related to payments made under Covid 19 grants. Internal Audit reported on the outcomes of the fraud work as part of its annual report in this area.
49. Internal Audit ensured that SCC complied with the data privacy requirements and liaised with various SCC services and schools to ensure accurate data was submitted in advance of the NFI deadline. For the first time the Cabinet Office advised that they charge financial penalties to any Local Authority who either submitted poor quality data or submitted data after the given deadline. SCC met the data quality threshold and submitted the data in advance of the deadline, so were not penalised.
50. The Council's Internal Audit Section is a member of the South and West Yorkshire Internal Audit Groups. This facilitates comparisons and the sharing of best practice and includes groups for Heads of Internal Audit, Investigations, Contracts and Procurement, Children's Services, computer specialists and Adults' Services, all of which have continued to meet virtually over the past 30 months. In addition, the Senior Finance Manager (Internal Audit) is also a member of the Core Cities Heads of Internal Audit Group.

Audit Reporting

51. Internal Audit reports are typically made up of a number of findings and recommendations. Dependent upon the nature of these findings, the recommendations are given one of four categories – critical, high, medium or efficiency/effectiveness.
52. All Internal Audit reports are then given an overall opinion as to the likelihood of the service/system under review being able to meet its objectives.

53. The opinions are expressed as:

Overall Audit Assessment	
Substantial Assurance - There is an effective system of internal control in place designed to achieve the Service objectives with only minor issues being identified which require improvement.	
Moderate Assurance - There is a sound system of internal control in place with some weaknesses being present which may put some of the Service objectives at risk. Issues require management attention.	
Limited Assurance - The system of internal control in place has some major weaknesses which may put the achievement of the Service objectives at risk. Issues therefore require prompt management attention.	
No Assurance - There are significant weaknesses in the system of control which could result in failure to achieve the Service objectives. Immediate management action is therefore required.	

Organisational Impact	
Low	The issues identified have no corporate impact.
Medium	The issues identified have the potential to impact at a corporate level.
High	The issues identified are of high corporate importance. They are either of high financial materiality, present significant business or reputational risk to the Council, have a likelihood of attracting adverse media attention, are potentially of interest to elected representatives, or present a combination of two or more of these factors.

54. The opinions relate to the system at the time of the review and do not take into account the effects of the agreed recommendations. Internal Audit follow-up on the recommendations made, in a process that increases in relation to the significance of the opinion.
55. To give an indication of the risk profile results were:
- | | |
|-----------------------|------------|
| No assurance | 0 reports |
| Limited assurance | 12 reports |
| Moderate assurance | 15 reports |
| Substantial assurance | 8 reports |
56. A dashboard summary of the outcomes from the Main Financial Systems audits has also been produced. One of the eight systems reviewed were given a substantial assurance, four received a moderate assurance opinion and one (Creditors) received a limited assurance opinion. One review was not provided

with an option because this was a VFM piece of work in relation to different payment methods within the Council. The Payroll review is currently at the final stages (draft report stage) and therefore still classed as work in progress. Overall, the dashboard shows that the controls over the majority of the key systems are generally sound (Appendix D).

57. A summary of the key actions arising from all the limited assurance, medium impact reports, are included in Appendix E, as requested by Members.
58. In addition to the above, Internal Audit undertook 28 pieces of productive work across the Council that did not generate an opinion, and therefore does not appear in the breakdown above. These included 3 pieces of follow-up work, 18 grant sign-offs, 6 consultancy pieces of work/attendance at working groups, and the Statement of Financial Values Standards in schools (SFVS) which were collated during 2021/22.
59. A further 23 pieces of work resulted from the Business Partnering resource. A schedule has been included in Appendix F outlining the work undertaken.
60. It should be noted that although the vast majority of recommendations made by Internal Audit are agreed by management, there are occasions where recommendations are not agreed. In such instances Internal Audit outline the potential risks. A judgement is drawn by senior Internal Audit staff, and where the risk is significant this will always be escalated to senior management to ensure that they are aware of the decisions made. Ultimately non-agreement of recommendations can be reported to the Audit and Standards Committee to enable managers to justify their actions.
61. As the Senior Finance Manager, I am satisfied that the coverage undertaken of the Council's activity by Internal Audit in the past year has been sufficient for me to be able to give an overall opinion on the Council's internal control system/environment.

Annual Governance Statement

62. Under Regulation 4 of the Accounts and Audit (England) Regulations 2011, the Council is required to conduct a yearly review of our system of internal control. This review forms part of the Annual Governance Statement (AGS) that accompanies the accounts each year. Co-ordination of the AGS is undertaken by the Legal and Governance Service; however Internal Audit is actively involved in the review and shortlisting process. This provides an opportunity for the Senior Finance Manager to flag any control non-compliances that may not have been included on the service and portfolio returns.
63. In 2021/22, the AGS stipulated that there were no areas of significant control weakness. However, there are 2 themed areas (Human Resources and Information Governance) that the Leadership team wished to monitor the arrangements across the Council (at the Performance and Delivery Board).

64. Action to strengthen controls in these areas have been devised and agreed and the Monitoring Officer will continue to monitor and report on progress to the Leadership Boards and the Audit and Standards Committee.
65. As the Senior Finance Manager, Internal Audit, I am not aware of any significant control weaknesses that should have been included within the Council's Annual Governance Statement.

Reviewing the Service

66. The team has a number of performance indicators (PI's) which are used to monitor the service delivered.
67. In order to gauge client satisfaction, all audit reports are issued with a standard questionnaire which requests client feedback on a number of aspects of the audit process including usefulness and conduct of the audit. The questions are analysed and to make service improvements. Feedback continues to be very positive for example 'the auditor made the process effortless and straightforward. She asked the right questions and kept us in the loop along the way. It was a pleasure working with her during this audit' and 'the review was carried out in a very friendly and professional manner. The auditor showed a genuine interest in the service being delivered and I felt comfortable and at ease throughout the whole process. It gave me confidence that our risk management, governance, and internal control processes were operating in line with council policy'.
68. The achievement of the performance targets is shown in the table below:

	2021/22 Target	2021/22 Achievement	2020/21 Achievement
PERFORMANCE TARGETS			
• % of audit resource spent on productive activities	88%	88%	87%
• No of planned assurance reviews delivered	94	86	72*
• No of days of business partnering activity delivered by year end	442	471	408
• Conduct a minimum of 4 proactive fraud reviews	4	4 complete	5 complete
• Quality measures – average >85% scoring 4 or better on customer questionnaire (1 is poor – 5 is good)	85%	96%	70%

*NB the no of assurances reviews undertaken changes annually to reflect resources available in the plan.

- 69. The productivity PI shows the target has been met on staff productivity. Whilst the team have delivered some different workloads to that planned, it can be seen that the number of chargeable days has been maintained.
- 70. The delivery of the planned assurance reviews is below the target partly due to staff vacancies, availability of service staff (who had conflicting priorities) and also grant deferrals by the funder which were out of the control of the Internal Audit Section.
- 71. Customer satisfaction questionnaire scores are seen to be acceptable and excellent results.
- 72. Internal Audit managers review the performance indicators on a quarterly basis and determine what action can be taken. The performance indicators are also discussed with all audit staff at quarterly service planning meetings, to help identify ways of improving service delivery and performance targets. They are also discussed during the Performance Development Reviews (PDR's) with individuals.

Chief Audit Executive's (Senior Finance Manager's) Opinion

- 73. The Council has a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 74. With an organisation as large and complex as the Council, some controls will inevitably fail or some risk will materialise which could not reasonably be foreseen.
- 75. As noted elsewhere in the report, despite the challenges and changes to work undertaken by the Internal Audit team, I can confirm sufficient work has been carried out to be able to form an opinion.
- 76. From the work undertaken by Internal Audit during the year, I am satisfied that the risk management, governance and internal control framework are adequate to allow the Council to conduct its business appropriately.

FINANCIAL IMPLICATIONS

- 77. There are no direct financial implications arising from the report.

EQUAL OPPORTUNITIES IMPLICATIONS

- 78. There are no equal opportunities implications arising from the report.

RECOMMENDATIONS

79. That the Audit and Standards Committee notes the content of the report and the opinion of the Senior Finance Manager.

Linda Hunter

Senior Finance Manager

INTERNAL AUDIT CHARTER

Our mission

Our mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight to our clients.

We will achieve the mission statement through our overall delivery arrangements. This charter sets out how this is done.

Definition and Objectives

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Purpose, Authority and Responsibility

Internal Audit forms part of the Resources Portfolio. The Senior Finance Manager (Internal Audit) reports to the Director of Finance and Commercial Services (S151 Officer), who in turn reports to the Executive Director of Resources.

The Senior Finance Manager (SFM) is the designated 'Chief Audit Executive', as defined in the Public Sector Internal Auditing Standards. 'The Board' is defined as the Audit and Standards Committee and 'Senior Management' is defined as the Leadership Team.

The Director of Finance and Commercial Services and Senior Finance Manager report to the Audit and Standards Committee on at least a quarterly basis. There are a number of standard items reported including the annual audit plan, an annual opinion on the standard of internal control within the authority and regular updates on the implementation of high opinion audit report recommendations.

Independence and Objectivity

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner that facilitates impartial and effective professional judgements and recommendations. The internal audit and risk managers and internal auditors have no operational responsibilities. The Senior Finance Manager has management oversight of the Risk Management and adequate safeguards have been established to maintain independence and objectivity.

The Risk Management team are compliance functions designed to monitor and police the application of policies and procedures and so their remit does not conflict with the role of Internal Audit.

Should the need arise the SFM can report directly to the Executive Director Resources, or the Chief Executive. Reports can also be made to the Chair of the Audit and Standards Committee, or any Audit and Standards Committee member if required.

The SFM will confirm to the Audit and Standards Committee on an annual basis, within the Annual Report, the organisational independence of the Internal Audit Service.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance.

The scope for Internal Audit is the control environment comprising risk management, control and governance. This effectively includes all of the council's operations, resources, services and responsibilities in relation to other bodies. This description shows the very wide potential scope of Internal Audit. In order to turn this generic description into actual subjects for audit, a risk assessment methodology is applied that allows all high-risk subjects to be identified. The council's fundamental financial systems are subject to a degree of inspection on an annual basis, whilst Internal Audit also identifies other financial and non-financial systems and functions as important areas for review.

Internal auditors will maintain an impartial, unbiased attitude and avoid any conflicts of interest in the performance of audit assignments.

Accountability for the implementation of recommendations made by Internal Audit lies with management, who either accept and implement the advice or formally reject it. A report is made to the Audit and Standards Committee of any 'critical priority' or 'high priority' recommendations that have been rejected by management.

Code of Ethics

All our internal auditors must conform to the Code of Ethics. The code promotes an ethical culture in a profession founded on the trust placed in its objective assurance about risk management, control and governance.

The Code of Ethics includes 2 essential components – The Principles and Rules of Conduct (which are an aid to interpreting the principles into practical applications).

Statutory Role

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015, which state in respect of Internal Audit that:

“ A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices, and any officer or member of that body shall, if the body require:

- Make available such documents of the body which relate to its accounting and other records as appear to be necessary for the purpose of the audit; and
- Supply the body with such information and explanation as the body considers necessary for that purpose.”

The statutory role is recognised and endorsed within the council’s Financial Regulations, which provides the authority for access to officers, members, documents and records and to require information and explanation as necessary.

Internal Audit Standards

With effect from 1st April 2013, the CIPFA Code of Practice for Internal Audit was subsumed into the new Public Sector Internal Auditing Standards (PSIAS).

An external assessment of compliance with PSIAS is required as part of the standard, and the peer review (November 2021) concluded that SCC Internal Audit ‘generally conforms’. This means the assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or element of the Code of Ethics in all material respects. This is the highest assessment opinion that can be given.

Any areas of non-compliance are reported to the Audit and Standards Committee.

Internal Audit Resources

Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the standards. Internal auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

The Senior Finance Manager and Director of Finance and Commercial Services are responsible for appointing the staff of the Internal Audit section and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills.

The Director of Finance and Commercial Services is responsible for ensuring that the resources of the Internal Audit section are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby, he concluded that resources were insufficient, he must formally report to the Executive Director of Resources.

Engagement Planning

For each audit assignment, internal auditors will develop and document a plan including the objectives of the review, the scope, timing and resource allocations. In planning the assignment, auditors will consider, in conjunction with auditees, the objectives of the activity being reviewed, significant risks to the activity and the adequacy and effectiveness of the activity’s governance, risk management and control processes compared to a relevant framework or model.

Reporting Accountabilities

A written report will be prepared by the appropriate auditor for every internal audit review. The report includes an opinion on the adequacy of controls in the area that has been audited.

The draft report will be discussed with the auditees and a response obtained for each recommendation stating their agreement/ non agreement to each recommendation and timeframe for implementation. The draft final report will include these management responses and acceptance to the audit recommendations and will be issued to the auditee and relevant Director of Service for final agreement. The auditee and Director of Service have 7 days to reply to the draft final report before it is issued as final.

Internal Audit reports, assigned a no or limited assurance opinion are subject to a follow-up, arranged in order to ascertain whether the action stated by management and their response to the report has been implemented.

Fraud and Corruption

Managing the risk of fraud and corruption is the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Audit does not have responsibility for the prevention or detection of fraud or corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Arrangements are in place for Internal Audit to be informed of all suspected or detected fraud, corruption or improprieties. Internal Audit may be requested by management to assist with fraud related work.

Consultancy Activity

Within the risk-based annual audit plan, an allocation of resource is earmarked for Business Partnering activity. This resource enables Internal Audit to offer pro-active advice and guidance at the request of Portfolio management. The resource is available to assist services with change projects, system and process reviews or value for money exercises. Outputs from the Business Partnering resource are reported to the Audit and Standard Committee in the annual report.

Updated August 2022

Code of Ethics

1) Integrity

Principle

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct

Internal Auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility;
- 1.2 Shall observe the law and make disclosure expected by the law and the profession;
- 1.3 Shall not knowingly be a part to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2) Objectivity

Principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal auditors make a balance assessment of all the relevant circumstances and are not unduly influence by their own interest or by others in forming judgements.

Rules of Conduct

Internal Auditors;

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement;
- 2.3 Shall disclose all material facts know to then that, if not disclosed, may distort the reporting of activities under review.

3) Confidentiality

Principle

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Rules of Conduct

Internal auditors;

- 3.1 shall be prudent in the use and protection of information acquired in the course of their duties;
- 3.2 shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation;

4) Competency

Principle

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct

Internal auditors;

4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience;

4.2 Shall perform internal auditing services in accordance with the International Auditing Standards for the Professional Practice of Internal Auditing.

4.3 Shall continually improve their proficiency and effectiveness and quality of their service.

**Sheffield City Council
Internal Audit Quality Assurance and Improvement Programme**

Introduction

Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards (PSIAS), definition of internal auditing and code of ethics;
- Operates in an efficient and effective manner;
- Is adding value and continually improving internal audits' operation.

The Senior Finance Manager, Internal Audit, is ultimately responsible for the QAIP, which covers all types of internal audit activities. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least every 5 years.

Internal Assessments

Internal assessments are made up of both ongoing reviews and periodic reviews.

Ongoing Reviews

Ongoing assessments are conducted through:

- Supervision of each audit assignment;
- Regular, documented review of working papers during assignments by appropriate internal audit staff;
- Review of procedures used for each assignment to ensure compliance with the applicable planning, fieldwork and reporting standards as outlined in the quality procedures manual;
- Feedback from customer surveys on individual assignments;
- Analysis of key KPI's established to improve internal audit effectiveness and efficiency.
- Review and approval of all no assurance opinion draft and final reports by the Senior Finance Manager;
- Review and approval of all limited, moderate and substantial opinion draft reports by the Internal Audit and Risk Managers.

Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, the Definition of Internal Auditing, the Code of Ethics and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Period assessments will be conducted through:

- Quality audits undertaken on a scheduled basis for performance in accordance with Internal Audit's Quality Procedures Manual;

- Review of internal audit performance KPI's by the Audit Management Team on a quarterly basis;
- Quarterly performance reporting to the Director of Finance and Commercial Services and annual reporting to the Audit and Standards Committee;
- Annual benchmarking exercise with core city authorities on cost and productivity;
- Annual self-reviews of conformance with the Public Sector Internal Auditing Standards.

Any resultant action plans will be monitored by the Senior Finance Manager (Internal Audit) on a quarterly basis.

External Assessment

External assessments will appraise and express a judgement about Internal Audits' conformance with the standards, definition of internal auditing and include action for improvement, as appropriate.

An external assessment will be conducted every 5 years by a qualified, independent assessor from outside the council. The assessment will be in the form of a self-assessment with independent external validation. The format of the external assessment will be discussed with the Audit and Standards Committee.

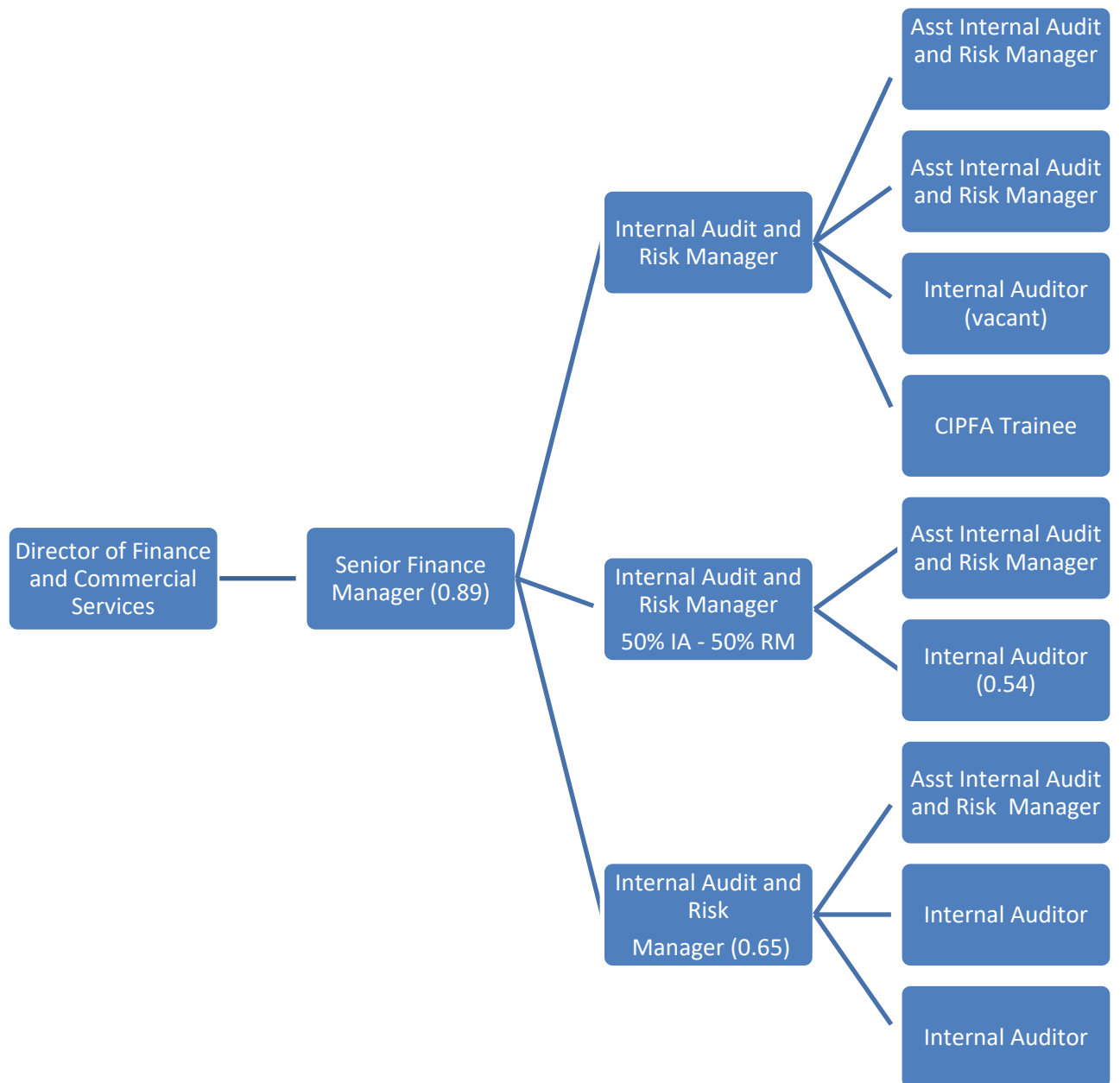
Reporting

Internal assessments – reports on performance will be made to the Audit and Standards Committee on an annual basis.

External assessments – results of external assessments will be reported to the Audit and Standards Committee and Section 151 Officer at the earliest opportunity following receipt of the external assessor's report. The external assessment report will be accompanied by an action plan in response to any significant findings and recommendations contained in the report.

Follow-up – the Senior Finance Manager, Internal Audit will implement appropriate follow-up actions to ensure that recommendations made in the report and actions plans developed are implemented in a reasonable timeframe.

Updated August 2022



Main Financial Systems Dashboard

Activity Title	Scope	Assurance Opinion	Organisational Impact
Debtor Controls	Raising accounts, aged debt reduction and dispute resolution and write off processes, KPI's and performance targets and reconciliations.	✓ ✓ ✓ ✓	Medium
Council Tax	Collections and refunds process.	✓ ✓ ✓	Medium
Payroll	Bona fide transactions (starters and leavers) and reconciliation process.		Work in Progress
Business Rates	Bill collection and refunds.	✓ ✓ ✓	Medium
Creditors – review of non-standard payments	Policy, processes, operational delivery and financial and fraud risk controls.	✓ ✓	High
Treasury Management	Policy and procedures, handling of the Councils investment and debt portfolio's, human resources, data security and management of fraud risks.	✓ ✓ ✓	Medium
VFM review of the use of different payment methods	Policy, recording and monitoring and control of the various payment methods.		Not applicable as VFM review
External Funding	Policy, procedures, bidding activity, grant approvals, management information and post award management.	✓ ✓ ✓	Medium

Opinion

No Assurance - There are significant weaknesses in the system of control which could result in failure to achieve the Service objectives. Immediate management action is therefore required.	✓
Limited Assurance - The system of internal control in place has some major weaknesses which may put the achievement of the Service objectives at risk. Issues therefore require prompt management attention.	✓ ✓
Moderate Assurance - There is a sound system of internal control in place with some weaknesses being present which may put some of the Service objectives at risk. Issues require management attention.	✓ ✓ ✓
Substantial Assurance - There is an effective system of internal control in place designed to achieve the Service objectives with only minor issues being identified which require improvement.	✓ ✓ ✓ ✓

Organisational Impact Statement

High - The issues identified are of high corporate importance. They are either of high financial materiality, present significant business or reputational risk to the Council, have a likelihood of attracting adverse media attention, are potentially of interest to elected representatives, or present a combination of two or more of these factors.	
Medium - The issues identified have the potential to impact at a corporate level.	
Low - The issues identified have no corporate impact.	

Summary of the key actions arising from Limited Assurance (Medium Impact) reports issued in 2021/22

Resources Portfolio

Project Post Implementation Review (Limited Assurance, Medium Impact)

Executive Summary

It is not possible to review how the Council undertakes Post Implementation Reviews (PIR) without considering the context of the overarching programme and project management processes currently in operation across the organisation. Senior business change managers have been very open during the course of this audit review, identifying the weaknesses in the Council's current approach to programme and project management (including issues relating to PIR) and detailing the steps that are now being taken to address these issues.

In the past, there has been limited appetite to undertake PIR, driven by the way that business change activity has been funded and the resourcing required to deliver the reviews. Inconsistent business change practices across Portfolios have also made the embedding of a Corporate approach to programme and project management difficult. However, new impetus has been provided by changes to the funding model, and the Council's One Year Plan with the aim of a single business change delivery plan. This provides the opportunity to drive consistency in how business change is managed across the organisation and embed this fully.

The recommendations that have been made recognise the work that is already ongoing and the steps to be taken to achieve the embedding of PIR practice across the Council for the future.

Critical Recommendation:

- A consistent approach to project and programme management should be embedded across the Council following a formal review of how business change is managed across Portfolios.

High Priority Recommendations:

- Timescales should be set for the completion of the review that is currently being undertaken of PIR templates/documentation. The templates should be made available to all business change staff across the Council and should detail roles and responsibilities in relation to PIR.
- The new single benefits framework should be used in conjunction with all future PIR to ensure that key business change objectives have been met.
- Examples of lessons learnt activities that have taken place within Portfolios should be shared with the EPO (Enterprise Programme Office) so that best practice can be utilised in the future/included in the Corporate process.
- The resources required to undertake PIR should always be factored into programme/project management plans so that PIR is embedded within the Corporate process. All PIR should be undertaken in line with the Corporate process.
- Management should explore options for the central storage of all PIR.
- The review of previous lessons learnt/PIR should be factored into the Council's programme/project management process. Consideration should also be given to

how lessons learnt can be communicated most effectively amongst business change staff/teams quickly and efficiently when programmes/projects end.

- Management should now establish how the outcomes of PIR will be formally reported through the Council's new structures (leadership boards etc).

City Futures and Operational Services Portfolio

Management and Implementation of the Community Investment Levy (CIL) (Limited Assurance, Medium Impact)

Executive Summary

Internal Audit confirmed that by and large, there was a robust system of control in place for the administration of CIL. Notwithstanding this, however, there were significant issues impacting on the collection of income and use of funding. Management was aware of the majority of these issues and actions had been put in place to address them. Early implementation of the actions, together with the remaining Audit Recommendations will ensure that associated risks will be effectively mitigated.

High Priority Recommendations:

- Service Planning for CIL.
- Development of the Local Plan and Infrastructure List.
- Continuity and resilience regarding the CIL manager post.
- Creating effective separation of duties in the CIL income systems.

People and Place Portfolio (cross Portfolio review)

Community Safety Teams - Anti-Social Behaviour (Limited Assurance, Medium Impact)

Executive Summary

Since the Anti-Social behaviour service was set up in October 2020 as part of the Community Safety Team, operational activities had continued as previously. This was pending a new structure and processes that were currently being implemented. Internal Audit have therefore reviewed plans for the new approach and not the detailed operational activity.

The Service also facilitate the Safer Sheffield Partnership, and this was found to have well-defined plans and objectives and met the legal requirements of the Council and partners under the Crime and Disorder Act 1998. The team therefore have clear aims and key priorities.

Internal Audit identified some risks and concerns as the new team and ways of working are not yet fully in place, but it is anticipated that these can be adequately addressed as part of the implementation.

High Priority Recommendations:

- Securing professional services.
- Defined managerial objectives.
- KPI's/Performance Measures.
- Ensuring security of sensitive data.

- Developing procedural guidelines.
- Inclusion of appropriate risks into the Risk Register.

People Portfolio

Holgate School (Limited Assurance. Medium Impact)

Executive Summary

The governing body is collectively responsible for the overall direction of the school and its strategic management. Effective governance stems from corporate decision-making based on comprehensive and accurate information about the school. There was limited evidence that the current structure of the governing body provides adequate opportunity for governors to receive sufficient comprehensive and accurate information to discharge their responsibilities with respect to the financial management of the school.

It is important to understand that the governing body has a statutory responsibility for the oversight of financial management in the school. This involves determining the guiding principles within which the school operates and then making decisions about, for example, how to spend the school's budget.

It was not clearly demonstrated that the school's administrators were made aware of any strategic direction set by the school's governing body. This meant that budget setting and financial reporting often did not receive the focus needed to ensure agreed targets and school improvement plans received adequate resources.

During the visit internal audit noted multiple areas of considerable internal control weaknesses across most agreed risk areas. These act to weaken the accountability for the performance of the school and remove checks and balances needed to demonstrate robust financial management.

Financial planning is an essential part of good financial management. It provides a school with a clear view of how it intends to use its resources. It has two interrelated elements: the school's improvement plan and the school's budget. During the audit visit, the links between these two elements were assessed to be suboptimal with multiple areas which could improve.

Another example is budget monitoring. This involves producing monthly monitoring reports and drafting proposed plans of action to tackle any significant variances. Bursar reports were produced on a monthly basis but there was no reporting or discussion of these by the school leaders and the governing body. By receiving regular reports, the governing body can feel secure about the way their decisions are being implemented and act where it is needed to bring about changes.

High Priority Recommendations:

- It is recommended that the quality and frequency of financial reporting to the Interim Executive Board (IEB) is improved. And that the IEB dedicates more time to considering this financial information.

- As part of the annual budget setting process the school's leadership team should engage in preliminary discussions of what the priorities of the school are so that budgets can be agreed in line with this.
- The school should develop a detailed deficit reduction plan which is presented to and challenged by the governing body on a regular basis.
- The principal should consider which budget setting methodology would best fit the school and work with their governing body, administrative officers, and bursars to establish which principles will be used to set and monitor future budgets.
- The school should always issue official, prenumbered receipts or maintain other formal documentation for all income collected. Receipts should be securely stored in order.
- The school should develop a standardised policy on risk assessments for school trips.
- A critical incident plan should be drawn up from existing policies and reviewed and updated regularly by the governing body.

Heritage School (Limited Assurance, Medium Impact)

Executive Summary

The governing body is collectively responsible for the overall direction of the school and its strategic management. Effective governance stems from corporate decision-making based on comprehensive and accurate information about the school. There was limited evidence that the current structure of the governing body provides adequate opportunity for governors to receive sufficient comprehensive and accurate information to discharge their responsibilities with respect to the financial management of the school.

It is important to understand that the governing body has a statutory responsibility for the oversight of financial management in the school. This involves determining the guiding principles within which the school operates and then making decisions about, for example, how to spend the school's budget.

It was not clearly demonstrated that the school's administrators were made aware of any strategic direction set by the school's governing body. This meant that budget setting and financial reporting often did not receive the focus needed to ensure agreed targets and school improvement plans received adequate resources.

During the visit internal audit noted multiple areas of considerable internal control weaknesses across most agreed risk areas. These act to weaken the accountability for the performance of the school and remove checks and balances needed to demonstrate robust financial management.

Financial planning is an essential part of good financial management. It provides a school with a clear view of how it intends to use its resources. It has two interrelated elements: the school's improvement plan and the school's budget. During the audit visit the links between these two elements were assessed to be suboptimal with multiple areas which could improve.

Another example is budget monitoring. This involves producing monthly monitoring reports and drafting proposed plans of action to tackle any significant variances. Bursar reports were produced on a monthly basis but there was no reporting or discussion of these by the

school leaders and the governing body. By receiving regular reports, the governing body can feel secure about the way their decisions are being implemented and act where it is needed to bring about changes.

Critical Priority Recommendations:

There were critical priority recommendations contained within the report which required immediate management attention to rectify as they may have a serious impact on the operation of key internal systems.

- It is recommended the school develop a detailed deficit reduction plan which is presented to and challenged by the governing body on a regular basis.
- It is recommended all Human Resource documentation is filed in the appropriate employee file promptly following completion.

High Priority Recommendations:

- It is recommended that the quality and frequency of financial reporting to the IEB be improved. And that the IEB dedicates more time to considering this financial information.
- As part of the annual budget setting process the school's leadership team should engage in preliminary discussions of what the priorities of the school are so that budgets can be agreed in line with this.
- The school principal should consider which budget setting methodology would best fit the school and work with their governing body, administrative officers, and bursars to establish which principles will be used to set and monitor future budgets.
- The school should always issue official, prenumbered receipts or maintain other formal documentation for all income collected. Receipts should be securely stored in order.
 - a. Contributions should be kept separate from petty cash at all times.
 - b. The school principal should reconcile monthly/termly or as agreed with the governors the sums collected with the sums deposited at the bank.
- Access to petty cash should be limited to one administrative officer.
- Where petty cash vouchers are non-sequentially numbered reasons for this should be investigated and recorded.
- The school should develop a standardised policy on risk assessments.
- A critical incident plan should be drawn up from existing policies and reviewed and updated regularly by the governing body.

Libraries and Archives Traded Services (Limited Assurance, Medium Impact)

Executive Summary

As a result of the audit undertaken in the service in Winter 2021/22, several recommendations have been made surrounding the savings targets, plans and Stakeholders.

Internal Audit found that work was needed on creating a fit for purpose Risk Register and Risk Management Plan and updating the Business Continuity Plan in place. Recommendations on how to improve these areas have been made.

The service was found to have excellent controls in place with regard to how standards were monitored and regular discussion within teams to ensure efficiency.

High Priority Recommendations:

- Risk Registers and Risk Management Plans.
- Equalities Impact Assessments.
- Permanent solution for achieving agreed budget savings.

Business Partnering Activities

Finance Design Assurance (FDA) Group
Schools Annual Report 21/22
Standards and Policy Group
Direct Payments enquiry
Quality Assurance Review of Internal Audit
PSIAS Peer Review
Executor Services – High Value cases review
Finance and Commercial Services Risk Advice
Access confidential data in relation to benefits clients
Fraud annual report 21/22
Standards Complaints review
Payment Card Industry review
BCIS review of how application reviews are conducted under the new service arrangements
Information Governance Board
Data Quality – Social care – 2 separate reviews and briefing papers
Best Value of Financial Resources review
Adult Social Care (ASC) - Demand Forecasting review
SharePoint site review
Care Home Financial Assessments
VER/VS corporate process advice and guidance
Disabled Facilities Grant compliance with Financial Regulations
NFI - Data Responses, Council Tax SPD and Covid grants

Grants/Account sign-off

Lord Majors Charity Account
Talbot Annex G sign off
Adoption Support Grant
Holiday Activity (Easter grant) and Food Programme sign off
Dobcroft Annex G sign off
Local Authority Bus Subsidy Grant sign-off
Building Successful Families (BSF) – 2 separate claim periods
Disabled Facilities Grant sign-off
Moor Markets Recharges
Flood Resilience grant sign off
Protect and Vaccinate grant sign off
Transport Infrastructure Investment Fund (TiiF) Potholes grant sign off
Local Transport Partnership grant sign off
Business Grants Post Assurance Reviews
OMRICON Leisure and Hospitality Grant sign off
Restart Grant sign off

Investigations

Investigation Advice to Management
Fraud Report



Audit and Standards Committee Report

Report of:	Ryan Keyworth
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Date:	22 September 2022
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Subject:	Formal response to audit (ISA 260) recommendations
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Author of Report:	Jane Wilby / Ruth Matheson
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Summary:	The purpose of this report is to provide members of the Audit and Standards Committee with an update on progress to consider and implement Ernst & Young's prior year recommendations, following the audit of the Council's 2019/20 and 2020/21 Statement of Accounts.
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Recommendations:	The Audit and Standards Committee is asked to note management's response on progress made to Ernst & Young's prior year recommendations.
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Background Papers:	None
<hr/>	
Category of Report:	OPEN
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Statutory and Council Policy Checklist

Financial Implications
NO
Legal Implications
NO
Equality of Opportunity Implications
NO
Tackling Health Inequalities Implications
NO
Human Rights Implications
NO
Environmental and Sustainability implications
NO
Economic Impact
NO
Community Safety Implications
NO
Human Resources Implications
NO
Property Implications
NO
Area(s) Affected
None
Is the item a matter which is reserved for approval by the City Council?
NO
Press Release
NO

AUDIT AND STANDARDS COMMITTEE – 22 SEPTEMBER 2022

Formal Response to Audit (ISA 260) Recommendations

Purpose of the Report

1. The purpose of this report is to provide members of the Audit and Standards Committee with an update on progress to consider and implement Ernst & Young's prior year recommendations, following the audit of the Council's 2019/20 and 2020/21 Statement of Accounts.

Ernst & Young Audit Results Report

2. Each year Ernst & Young (EY) carry out their annual audit of the Council's statement of accounts and make recommendations (observations) in their Audit Results (ISA 260) report that is reported to Members of the Audit and Standards Committee.
3. Such recommendations are for officers to implement within EY's suggested timeframes, which EY monitor and regularly update the Committee on the Council's progress.
4. Ernst & Young presented their 2020/21 Audit Results report to the Audit and Standards Committee on 20th January 2022, which was finalised and reissued alongside EY's opinion on 1st March 2022.
5. The Audit Results report listed fifteen open observations, both from 2019/20 and 2020/21. The nine open observations relating to 2019/20 remained open at the end of the 2020/21 audit, as EY had reported these at the end of the 2020/21 financial year and acknowledged that officers had little opportunity within the timescales to take action on the recommendations in time for EY to report in 2020/21.

Progress Update

6. This report is the Council's internal update on progress in implementing the recommendations. EY will also report separately on our progress and recommend whether the observations remain open or if further action is required. At such time EY will also inform the Committee of any observations they identify during their upcoming audit of the 2021/22 statement of accounts.
7. The fifteen open observations as reported following the 2020/21 audit are included within **Appendix 1** and have been rated as either "low" or "moderate" by EY. Appendix 1 includes management's updated response to each of the recommendations.

Financial Implications

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

Equal Opportunities Implications

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

Property Implications

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

Recommendations

11. The Audit and Standards Committee is asked to note management's response on progress made to consider and implement Ernst & Young's prior year recommendations.

Appendix 1

Low - A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6–12 months.

Moderate - Matters and/or issues considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.

Observations in 2019/20		
Area	Observation	Management Update
Property Plant and Equipment	<p>The accounting of capital balances within the financial statements is a complex area which involves a number of judgements and estimates. It is also a significant balance within the financial statements. Whilst we note that the property services and finance teams have provided a significant amount of time facilitating the audit of these balances we have identified the following observations:</p> <ul style="list-style-type: none">• There are some assets that have been included in the asset register on a portfolio basis. However, the nature of the assets are different and therefore they should be separated out and revalued individually. In addition, during our review of some of these assets we have identified that the valuations are contingent on future events or decisions by members that should not be taken into account unless there is robust evidence to support otherwise.• A number of assets have been identified in the current	<p>Significant progress has been made to rectify the issues observed in 2019/20:</p> <ul style="list-style-type: none">• In 2020/21, Property Services reviewed the ground rent portfolios and separated out some categories of asset into new portfolios so that they could apply a more tailored valuation approach to those assets and as a result the value of assets within each portfolio are now more comparable.• Furthermore, assets within certain portfolios were further split into more granular categories in order to apply different rental yields etc. which are more representative of each class. For example, the commercial portfolio was further split into categories including offices, hospitality, retail, industrial etc.

	<p>year where they have had nil values previously, or the assets classification was previously incorrect.</p> <ul style="list-style-type: none"> • In our review of beacons we identified several instances where the variants used for type of property were not consistent with our expectations. This was due to additions or assets that had fallen outside of the normal valuation cycle. • We have identified that a number of the council's assets are overvalued due to a formula error when applying the physical depreciation factor. • Consideration should be given to a more thorough review of the balances being included in the financial statements to ensure that they logically make sense and are code compliant, especially where figures are received directly from the property team. This should also be extended to manual adjustments made to the fixed asset register to meet the presentational requirements of the PPE note. 	<ul style="list-style-type: none"> • Assets with nil value are now reviewed on a more regular basis and at least annually, to determine whether they should be valued or archived. Furthermore, grouping more low value assets into portfolios has allowed us to better focus on reviewing the remaining higher value assets for issues such as incorrect asset categorisation. • Work to review dwellings which have fallen outside the normal valuation cycle is ongoing, with a view to ensuring that these are brought into the cycle and any missing or incorrect data associated with these properties is rectified. • The formula error affecting assets valued on a Depreciated Replacement Cost basis was a one-off error, but since 2019/20 we have implemented more rigorous quality assurance checks for Property Services' valuations, particularly those carried out on a spreadsheet or portfolio basis, to ensure that similar errors are identified and fixed prior to publication of the accounts.
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Public Finance Initiatives	<p>During our testing of PFI we have held a number of conversations with management over the course of the year, including a number with our PFI specialist. Accounting for PFIs and the underlying models can be complex. Therefore we recommend that management ensures that they have members of the team who fully understand the models and related Code guidance to ensure that too much reliance is not placed on the audit process to identify errors in the models in the first instance.</p>	<p>Officers agree with EY that PFI accounting models are very complex. As a result of staff changes at the time of reporting, additional members of the accounting team are now trained and up to date with the Code guidance and PFI models.</p>
Supporting information for key judgements	<p>During our testing of provisions we identified instances where judgements applied by management were not wholly supportable. For example, an additional adjustment of 49% was applied to the NDR provision in the current year without sufficient evidence to support this being appropriate. Whilst we have been able to undertake alternative procedures to gain reasonable assurance over the accuracy of the provision, management should ensure that all estimates and judgements are robustly evidenced and supported.</p>	<p>Estimates and provisions used within our accounts are based on judgement and we have continued to look to improve the information to support our judgements and the information required as audit evidence.</p> <p>The NNDR (Business Rates) appeals provision raised by EY, is based on guidance available, which we then review and judge to ensure it is reasonable. We felt the provision was too high so made a judgement to reduce by 50%. We accept this was not sufficiently evidenced but based on officer judgement.</p> <p>Officers are currently in the process of applying for</p>

		the additional information that the Valuation Office Agency (VOA) has now started to supply for the 2017 list appeals. This will provide better insight into outstanding and settled appeals, and feed into the calculation for the required provision.
Debtors and creditors listings	Consistent with the prior year we have experienced difficulties in obtaining a list of year end balances at the transaction level for debtors and creditors, with numerous iterations being received before being able to select our samples. Whilst we understand that the listings are compiled from various sources, additional review procedures should be put in place to ensure that information being provided for audit is complete, accurate and represents the transactions outstanding at the end of the financial year.	<p>We have continued to work with accounting and service teams to ensure that they provide complete listings down to transaction level and matched with source data.</p> <p>Significant improvements to the debtor and creditor listings provided was seen in 2020/21 and further work has been undertaken by teams to improve during 2021/22.</p>
Senior officer remuneration and related party transactions	During our audit work we identified a number of errors and omissions in the compilation of the senior officer remuneration and related party transactions notes. Additional procedures should be put in place to ensure the completeness and accuracy of the information to be included in the financial statements. Councillors and Officers should also ensure that all potential related parties are disclosed on their declaration of interests.	Following the audit finding we have worked with the necessary teams, including HR and Democratic & Member Services, to improve the completeness and accuracy of the data collection and review processes.
School balances	Consistent with the prior year we have experienced some difficulties in obtaining evidence in relation to	Prior to 2020/21 the statutory deadline for closing the accounts had been brought forward to May,

	<p>school balances included within the financial statements. This has meant that in a number of instances we have been required to perform alternative procedures to gain assurances over the material accuracy of balances included in the financial statements.</p>	<p>with Councils encouraged to use estimates to help achieve this much-reduced reporting timetable. This shorter timeframe, together with Schools' Easter break fixed at the start of April meant that Schools had agreement to use estimates and accruals for any remaining transactions in month 12, which meant additional work had to be undertaken to provide evidence of school balances and the reason for differences.</p> <p>For both 2020/21 and 2021/22 the statutory deadline was extended to July, due to the ongoing working pressures associated with COVID. This allowed actual balances to be used for Schools rather than a reliance on estimates for the Statement of Accounts, resulting in better assurance and accuracy of balances included.</p> <p>However, if in future years the deadline reverts to May, the use of estimates may need to be relied upon again or other options considered within the constraints of the statutory timetable.</p>
Starters and leavers testing	<p>During our testing of starters and leavers we identified:</p> <ul style="list-style-type: none"> • a contract for a new starter which shows the employee signed it on the 26th November 2019, however the 	<p>Following the audit finding we have worked with HR and Payroll to improve processes and ensure new robust review / assurance steps are now in</p>

	<p>employee started their role on the 14th October 2019.</p> <ul style="list-style-type: none"> • a new starter who commenced work and had been paid prior to a contract being issued and signed. 	place.
Exit packages	<p>During our testing of exit packages we have not been able to obtain appropriate audit evidence to support the agreement date for exit packages. The majority of this evidence is held in paper format in the SCC office building. Given restrictions in place due to the pandemic we were unable to evidence to support the inclusion of balances within the financial statements note.</p>	<p>During the audit in 2020, COVID restrictions applying to Council offices and audit fieldwork meant that where information was held in paper format, this was sometimes not accessible. Every effort was made to provide alternative information to assist with audit requirements.</p> <p>Since the 2019/20 audit, all exit packages approved by Chief Officer Panel (COP) are now held and managed electronically, which is used by officers to prepare the termination benefits note. Sign-off by the employee is also completed electronically and both are available as audit evidence.</p>
Expenditure/ payables cut off	<p>During our testing of expenditure and payables cut off and unrecorded liabilities testing we identified a number of errors where transactions are not being recorded in the correct financial year. In all instances, 12 months of expenditure had been included in the financial statements, however, the accruals concept had not been applied, with the transactions being recorded on a cash basis. Management should ensure that all transactions</p>	<p>Where estimates are difficult to calculate in a timely or cost-effective way, the practice has been to include 12 months of rolling actuals in each annual accounts (e.g. for utilities costs).</p> <p>This has been a widely used and accepted practice across the sector for many years and one we would prefer to continue to follow as previously</p>

	are recoded in the year where the goods or services have been received.	accepted practice. In response to the recommendation, the team will continue to look at ways to use accruals to calculate spend when material and feasible.
Observations in 2020/21		
Debtors	<p>We sampled an item in debtors existence of value £572k. On further inspection SCC had been debiting this account code with pay advances, but credited the receipts to a different code.</p> <p>The two codes net off within the statement of accounts but in reality only 77k was actually outstanding. This approach leads to additional administrative burden to compare the two codes each year and also produces artificially high balances from which we identify our samples.</p> <p>SCC have agreed to undertake a consolidation exercise to transfer the credits to the correct code, reducing the balance on each code.</p>	<p>The audit identified that debit and credit balances for pay advances were being posted to separate codes and that officers then consolidate as part of their regular reconciliations.</p> <p>We are working to simplify our processes and ensure a net outstanding balance is shown within the finance system. Work is underway with Payroll to reconcile the related transactions and officers will transfer the credits to the one code when all work with Payroll is complete.</p>
IFRS 16 preparedness	The Authority does not yet have a robust system in place to ensure they capture trigger events which would require them to assess lease liabilities.	IFRS 16 is a new standard for accounting for leases. Since the recommendation, the implementation has been deferred until 1st April 2024; the standard will apply for the first time in the

	<p>Based on discussions, we note that the Authority will not be in a position to implement a software solution or "system" by 1 April 2022 to account for leases which would automatically flag such changes as they occur, however, there will be reliance on the Property Services department to notify Finance of any such triggers that may be present. The Property Services department will be assisting the finance team in reviewing their leases each year. At current, this is the process the Council will follow in this regard.</p>	<p>2024/25 financial statements.</p> <p>With an additional 2 years to prepare for implementation, we continue with our preparations, working closely with Property Services.</p> <p>As part of this work, we are considering software solutions to assist with the accounting for leases. As electronic systems become available nationally, we will review whether any provide a more reliable and cost-effective approach than the current one.</p> <p>Even with a system, there will continue to be a need to manually record lease amendments and work is underway to develop procedures across multiple teams to capture this information.</p>
Investment Properties	<p>Discussions held between management and the EY internal specialists in relation to small format advertising space, it became clear that the Council retains the right to use up to £0.5m of space per annum, The valuation of the associated asset capitalised in recognition of the advertising space does not take into account the space available for Council use. We have concluded that the asset is not materially misstated, but have included a range by which the asset may be understated in Section</p>	<p>During 2021/22 the Accounting team and Property Services reviewed the operational element of the small format advertising contract.</p> <p>For the 2021/2022 accounts a valuation has been included on the balance sheet. We have engaged early with EY and their internal specialists to evidence the valuation method used and are currently liaising with EY to obtain agreement.</p>

	<p>04 of this report.</p> <p>Management should ensure that the 2021/22 valuation for this advertising space includes all of the space that is retained by the Council as per the contractual arrangement.</p>	
Members Interests	<p>Our work identified transactions with two previously undisclosed related parties. These related parties were not disclosed by members on their annual declarations.</p> <p>Management should introduce checks to be performed to ensure that members declarations are complete.</p>	<p>As part of the 2021/22 accounts officers carried out additional checks as recommended by EY, including conducting Companies House checks for each Member to ensure all interest disclosures are complete.</p> <p>Additionally, we have liaised with Legal and Democratic & Member Services to improve the declaration process for Members, including:</p> <ul style="list-style-type: none"> • Further training, for example the Ethical training provided. • Updates for Members to ensure awareness of the legislation and the requirements to complete the required forms. • Monthly newsletters – each month the newsletter reminds Members to consider their declarations and whether any updates are needed. The newsletter also contains links that easily leads Members to the required areas for updating.

<p>Financial Statements Closedown Process – Quality Assurance</p>	<p>In disclosure note 7 we noted adjustments with no impact on the primary financial statements that were significant in their value. Although we have not listed these in the schedule of corrected misstatements, as they are of a disclosure nature only, management should ensure that the process of compiling the financial statements includes controls to reduce the likelihood of material misstatements of a disclosure nature also.</p>	<p>In 2020/21 a small number of disclosure errors in notes to the accounts were picked up by our review processes, some of which were found soon after publishing the draft accounts. Officers raised these with EY and corrected within the final accounts.</p> <p>The timetable for closing the accounts and publication can be challenging, however, for 2021/22 we extended the review and proofreading time of the accounts closure timetable. This allowed officers to thoroughly review and amend as appropriate, prior to approval and publication.</p>
<p>Leases</p>	<p>In our substantive testing of leasing arrangements the council was unable to provide us with the original copy of one lease with a commencement date in 1934, assumed lost. Clearly this cannot be rectified, but it should be emphasised that leasing document should be retained for all new leases.</p>	<p>We accepted the audit finding that the evidence required was not available for one historic lease sampled.</p> <p>As highlighted in the observation “IFRS 16 preparedness” above, preparation work for this new standard is highlighting the importance of maintaining comprehensive leasing information and we are working with Property Services to improve the completeness of our documentation.</p>



Audit and Standards Committee Report

Report of: Gillian Duckworth, Director Legal & Governance

Date: 22nd September 2022

Subject: Interim Standards Complaint Update

Author of Report: Sarah Hyde, Democratic Services Team Manager

Summary:

An update for Audit and Standards Committee members on the current position of standards complaints against elected members, co-opted members and Town/Parish Councillors.

Recommendations:

That the Committee:-

- (a) Comments on the interim standards complaints update; and
 - (b) Notes the report.
-

Background Papers: None

Category of Report: OPEN

Statutory and Council Policy Checklist

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

Interim Standards Complaint Update

1.0 INTRODUCTION

- 1.1 This is the first interim standards complaint update report to the committee and covers the period from January 2022 – July 2022.

2.0 BACKGROUND

- 2.1 It was proposed in the last Annual Standards report in February 2022 that an interim update report on standards complaints would be submitted to the Committee 6 months after the annual report. The next annual report will be submitted to the committee in January 2023.
- 2.2 The Audit and Standards Committee will also have the opportunity to review the Members Code of Conduct and the Complaints procedure on a yearly basis and this will be submitted to the committee in January 2023.

3.0 MAIN BODY OF THE REPORT

- 3.1 Support is provided to the Monitoring Officer in coordinating standards complaints by Democratic Services.
- 3.2 Independent Persons, as required by the Localism Act 2011 are appointed jointly with Barnsley MBC to assist the Monitoring Officer in dealing with complaints.
- 3.3 A recruitment process began in July 2022 to appoint two Independent Persons to the new posts. The posts were advertised for a two-week period on the Council's website and also on the free job websites at the Sheffield Universities. The existing Independent Persons were eligible to apply for the new posts.
- 3.4 The shortlisted candidates were interviewed on 24th August 2022 and the new appointments were made jointly with Barnsley Metropolitan Borough Council (BMBC).
- 3.5 The interview panel comprised of Cllr Colin Ross, Chair of Audit and Standards Committee (SCC), Gillian Duckworth, Director of Legal and Governance/Monitoring Officer (SCC), Sukdave Ghuman, Service Director and Monitoring Officer (BMBC) and Jason Field, Head of Legal Services (BMBC), two candidates were interviewed by the panel.
- 3.6 Both applicants were considered by the panel to be of a satisfactory standard and had relevant related experience in dealing with standards complaints. The panel considered that the following two applicants

should be appointed to the position of Independent Person for a four-year term:

- David Waxman
- Karen Widdowson

3.7 It is important to note that one of the IP appointments is a person that has worked with the Councils as an Independent person for a number of years.

3.8 The panel considered whether this person can maintain independence after such a period of time in post and were satisfied that as there was a turnover of Monitoring Officers within the Authorities, the independence could be maintained and that both Authorities would benefit from having an experienced voice to provide support to both councillors and Monitoring Officers. However, the panel were also of the opinion that it may be beneficial to appoint additional IPs to ensure the continuation of an independent voice and to increase diversity.

3.9 The below table shows the number of complaints made in the period January – July 2022 and a breakdown of the findings.

3.10	<table><tr><th>COMPLAINT OUTCOME</th><th>TOTAL</th></tr><tr><td></td><td></td></tr><tr><td>Take No Action (No Breach)</td><td>2</td></tr><tr><td>Withdrawn or Invalid</td><td>0</td></tr><tr><td>Rejected</td><td>3</td></tr><tr><td>Informal Resolution</td><td>1</td></tr><tr><td>Refer to Consideration Sub-Committee with an investigation</td><td>0</td></tr><tr><td>Refer to Consideration Sub-Committee without an investigation</td><td>0</td></tr><tr><td>Open</td><td>2</td></tr><tr><td>Total</td><td>8</td></tr></table>	COMPLAINT OUTCOME	TOTAL			Take No Action (No Breach)	2	Withdrawn or Invalid	0	Rejected	3	Informal Resolution	1	Refer to Consideration Sub-Committee with an investigation	0	Refer to Consideration Sub-Committee without an investigation	0	Open	2	Total	8
COMPLAINT OUTCOME	TOTAL																				
Take No Action (No Breach)	2																				
Withdrawn or Invalid	0																				
Rejected	3																				
Informal Resolution	1																				
Refer to Consideration Sub-Committee with an investigation	0																				
Refer to Consideration Sub-Committee without an investigation	0																				
Open	2																				
Total	8																				

3.11 In the period January - July 2022 the Consideration Sub-Committee did not meet, meaning no cases have been referred on to a Hearing Sub-Committee.

3.12 **Key**

Take No Action or Rejection

It is likely that no action will be taken where:-

- A significant amount of time has elapsed since the events which are the subject of the complaint.
- The allegation relates to a cultural or recurring issue relating to standards within the Council.
- The matter should be dealt with by some other method.
- Complaints have been made about the Member relating to similar issues that have previously been dealt with through this Procedure.
- The complaint appears to be trivial, vexatious, repetitious or a general misuse of the opportunity.
- The conduct occurred during political debate or could be regarded as a political expression of views or opinion.

Withdrawn or invalid

The complainant can withdraw a complaint if they so wish, however the Monitoring Officer reserves the right to pursue the issues in the complaint.

Informal Resolution

Informal resolution may be the simplest and most cost-effective way of resolving the complaint and without determining if an actual breach of the Code has taken place.

Refer to Consideration Sub-Committee with an investigation

It is expected that the Monitoring Officer will refer only the most serious breaches for investigation or where the Member fundamentally disputes or does not accept the allegations in the complaint.

Refer to Consideration Sub-Committee without an investigation

The Monitoring Officer can refer a complaint direct to the Sub-Committee if it is considered that there is a breach of the Code but there is no dispute over the events in relation to the complaint and an investigation is not considered necessary.

Open

Complaints logged, but still going through the initial assessment process.

4.0 RECOMMENDATIONS

- 4.1 That the Committee comments on and notes the Interim Standards Complaint update report.



Audit and Standards Committee Report

Report of: Director of Legal and Governance

Date: 22 September 2022

Subject: Annual Governance Statement

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

Summary: The attached is the Sheffield City Council Annual Governance Statement which forms part of the Council's Statutory Accounts. The document will be signed prior to the Committee taking place and the updated document added.

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 Director of Finance and Commercial Services and that the statement forms part of the Annual Accounts.

Background Papers: None

Category of Report: Open

Statutory and Council Policy Checklist

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

Scope of Responsibility

Sheffield City Council is responsible for ensuring that its business is conducted in accordance with the law, and that public money is safeguarded properly accounted for and used efficiently, economically 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, 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/home/your-city-council/council-operates>. 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 (AGS).

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 2022 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 Sheffield City Council contains two key elements, the internal control arrangements of the Council and also how it demonstrates these

arrangements to 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 2022, was amended following a change in formal governance at the AGM in May 2022 and then maintained as amended up to the date of approval of the Annual Report and Statement of Accounts.

Prior to the change in governance in May 2022, in discharging its responsibility, the Council published a Constitution that specified the business of the Council, as well as establishing the role of the Executive, Scrutiny Committees and Regulatory Committees. The Leader's Scheme of Delegation laid 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 its business. From May 2022, in discharging its responsibilities, the Council published a Constitution that specifies the business of the Council, as well as establishing the roles of Full Council, the Policy Committees, the Regulatory Committees, the Local Area Committees and any delegations to officers.

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 a business planning process that is designed to align service activity and objectives to its strategic priorities. Service Plans align with the Council priorities. A quarterly performance monitoring process tracks progress against the Council's priorities and to highlight any potential risks and issues in achieving these.

Prior to May 2022, the Council's Corporate Management Team (CMT) which includes Executive Members had 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.

CMT received regular 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 objectives was also provided regularly to Executive members and may also have been considered by Members at the Overview and Scrutiny Management Committee.

Post May 2022, the Strategy & Resources Committee has 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. It primarily does this via its Finance Sub-Committee established for this purpose. Minutes of Council meetings are publicly available through the Council's website – www.sheffield.gov.uk.

2) The facilitation of policy and decision-making

The Council's overall budget and policy framework are set by Full Council. Prior to May 2022, Key decisions were taken by the Executive (Leader, Co-operative Executive, individual Cabinet members, officers as appropriate), within the budget and policy framework set by Council. Post May 2022, Policy Committees take decisions within the budget and policy framework set by Council.

Prior to May 2022, the Council had an Overview and Scrutiny function (including a call-in facility), which reported to the Executive and Full Council as appropriate. The Committee system of Governance implemented post May 2022 does not require a scrutiny system or call in facility as all of the decision making committees are politically proportionate. There is a statutory requirement to maintain some scrutiny functions for the whole system operation, for example, health. Health scrutiny is the responsibility of a sub committee of the Policy Committees with the functional responsibilities of adult health and social care; its membership also includes members of the Policy Committee responsible for children's services.

A scheme of delegation is in place that allows decisions to be undertaken at an appropriate level, so that the functions of the Council are undertaken efficiently and effectively. Prior to May 2022, the scheme included the Leader's own scheme of delegation, supported by more detailed officer schemes of delegation corporately and within portfolios. Post May 2022, all delegations are set out in the Constitution.

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 Audit and Standards Committee. The Monitoring Officer's 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 on its intranet. A formal staff induction process is in place that is designed to ensure that new employees are made aware of their responsibilities. Prior to May 2022 the Executive Director of Resources carried overall responsibility for financial issues. This is now the responsibility of the Director of Finance and Commercial Services 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 was agreed by Cabinet prior to May 2022. A Risk Management Report is produced for CMT every quarter and an update report is provided to an Audit and Standards Committee 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 the risk and performance management processes. This is to ensure that the processes used are simple and effective and meet the requirements of the Council. An e-learning module is also available and will be integrated into the new manager learning and development curriculum.

The Council's Audit and Standards Committee oversees the Council's Code of Conduct for Members. The Council has a Councillor 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 Whistleblowing 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 of services 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 efficient, economic and effective use of resources

The Council needs to make well informed decisions through business intelligence to enable it to make changes to the right things, in the right way. It acknowledges that it is more important than ever to make the best use of public money and continues to ensure that it prioritises its efforts and resources for the greatest impact; by having agreed strategic priorities that it will make, to achieve its long term goals.

5) Financial management of the Council

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

- The work of Internal Audit.
- The external auditor's Annual Audit Letter and other reports.
- The role carried out by the Director of Finance and Commercial Services under s151 Local Government Act 1972 responsibilities.

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 defined its priorities and outcomes. Members and officers allocate the Council's resources in a way that aligns with these priorities and outcomes. Council services and commissioners then set clear objectives and targets that reflect the priorities, outcomes, and the level of resource allocated. The Council also has programme boards that commission specific projects to deliver step changes. The Council's performance reporting process ensures that managers and Members have a clear picture of how the Council is

performing against the objectives and targets, and whether specific projects are on track. Risks to delivery are escalated and reviewed.

The Human Resources Service support portfolios to ensure that employee matters are central to the performance management of our organisation and a Strategic Workforce Board was established at a corporate level to ensure that there is clear governance.

The Council has development programmes for managers and employees that provide a consistent approach to managing resources, including its people, and to develop employee knowledge and skills across a range of subjects.

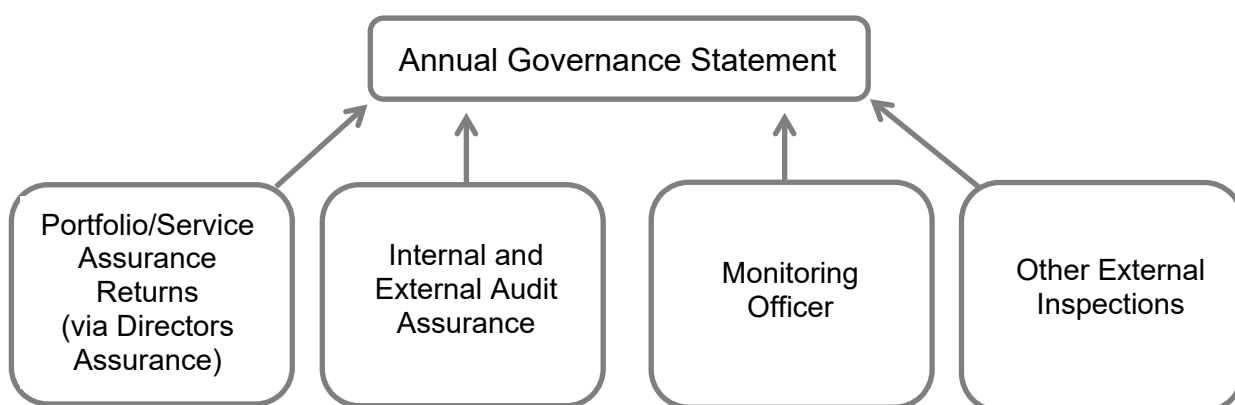
The Council also has a training programme in place, which is specifically tailored to the needs of elected Members in fulfilling their roles and responsibilities, including an induction programme for newly-elected Members.

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.

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 CMT 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 Directors have provided written assurance to the effect that they are adhering to the Council's required Areas of Compliance, such as key policies and procedures and that they are maintaining adequate control over areas of Council activity for which they have responsibility. We are also enhancing our performance reporting, in conjunction with a new Accountability Framework, to develop a means by which services can more easily monitor adherence to our required Areas of Compliance, throughout the year. 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 has commenced. 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. Internal Audit also undertakes fraud investigations and other ad hoc responsive investigations relating to the Council's control framework. This element of its work also contributes to the maintenance of a sound system of internal financial control.

Internal Audit 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 service works closely with our external auditors, Ernst & Young.

There are some areas of control weakness that have been included on the AGS declarations under the section relating to governance issues. 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 and Standards 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. This review takes place annually. 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 this statement.

The Full 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 financial year 2021/22 all these duties have been performed.

A significant part of Sheffield City Council's risk liability is connected to its maintained schools, for example: School Finance, Health and Safety, Human Resources, and Premises Maintenance. Whilst the day to day management of these issues is delegated to School Governing Bodies and Headteachers, the Council retains residual liability for maintained schools where it is the employer and the owner of the property.

During the year, the Council has been inspected by a number of external agencies. 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.

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

A number of schools within the city have been the subject of Ofsted inspections. The School Improvement Service follows up on each review to give advice and support to these schools.

The Council has an Audit and Standards Committee that was formed in September 2016 and merged the functions of the former Audit and Standards Committees. The Committee is made up of 7 elected Members. Non-voting independent co-opted members are also appointed to the Committee to bring additional experience, independence and an external view to the Committee's work. In addition, the three Parish and Town Councils are invited to jointly send one representative when Standards matters are to be considered.

The Audit and Standards 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 Committee is also responsible for promoting high standards of conduct by Councillors and co-opted Members, overseeing the Councillor Code of Conduct and considering complaints where a Member may have breached the Code.

The 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, Risk Management, Governance, Standards and the Council's Accounts) and other issues identified by the Committee during the year. 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.

The Impact of COVID-19 on our Governance Arrangements

During March 2020, the Council declared a major incident across the city and initiated an emergency response to the COVID-19 pandemic.

Given the unprecedented nature and scale of the issue, there was significant disruption to the Council's services – some stopped entirely, others were placed under significant strain due to demand, and new services were introduced to respond to the needs of the public, employees, local businesses and the Government.

To meet these challenges the Council introduced new and/or changed existing, strategic and operational arrangements to enable appropriate and timely responses to the evolving situation. The Council's Constitution provided (and still provides) for decisions to be taken in an emergency situation by the Chief Executive and in the Leader's Scheme of Delegation by the Chief Executive and/or Leader. As this was a national emergency, emergency decision making procedures needed to be co-ordinated and recorded consistently over a significant period of time. An Incident Management Group (later renamed the Coronavirus Response Group) was established to co-ordinate and lead the Council's COVID-19 response to ensure business continuity. The following measures were put in place to enable the Council to respond effectively and protect lives:

- Postponement of Elections in line with government direction
- Postponement of Cabinet and Committees
- Fast-tracking financial payments
- Greater flexibility in procurement and contracting processes

- Pause of debt collection
- Pause of complaints process
- Pause of responding to Information requests
- COVID-19 specific risk register maintained

The direct measures implemented had a significant effect on the provision of services and created backlogs in a number of areas. The pandemic has also led to a significant increase in demand in some areas e.g. social care. The effect of the Council's response to the pandemic continued to be monitored throughout 2021/22. All of the direct measures have now ceased other than maintenance of a risk register.

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 year, several initiatives have had an impact on the control assurance mechanisms in place:

- The Council continues to closely monitor its most significant external relationships in relation to risk and governance arrangements and are incorporated within the reports on Risk Management to the Audit and Standards Committee. Ensuring that appointed Members receive appropriate officer support remains an important area of activity
- The senior officer team, Executive Management Team has been replaced in September 2021 by a series of three Leadership Boards enabling all of the Council's appointed Directors to have a direct role in leading the organisation. The Chief executive attends all of the Boards and the Strategic Leadership Board oversees the running of the organisation and is the conduit to the Council's political leadership
- The political Leadership has undergone some changes this year when the May election resulted in the Council having no overall control politically. An agreement was reached in May 2021 between two of the political groups to form a co-operative alliance. As such the former Cabinet was referred to as the Co-operative Executive however it continued to function as a cabinet within a Strong Leader form of Governance throughout the period covered by this statement
- In August 2019, the Council received a petition requiring it to hold a Governance Referendum to consider a change to a Committee system of governance. The pandemic resulted in all elections including the Referendum to be postponed until May 2021, therefore the Referendum was held in May 2021 and the outcome was a move to a Committee system of governance. As required by law, the Council moved to a Committee system of governance at the Annual Council meeting in May 2022, this resulted in a full revision of the Constitution and the way decision making works within the Council with effect from May 2022. The Council has committed to a full review of the new system of governance 6 months post implementation, i.e. November 2022 and any further changes required as a result of the review will be implemented at the Annual Council meeting in May 2023

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 2021/22, there were zero no assurance Internal Audit opinions. However, Internal Audit have agreed recommendations with relevant managers to address weaknesses identified in the internal controls of financial and other systems.

Our review of effectiveness has highlighted the following issues that the Performance and Delivery Board wishes to monitor across the Council:

Human Resources	Personal Development Review (PDR) completion rates Completion of mandatory Learning Establishment controls tasks are not consistently applied
	<p>Personal Development Review (PDR) completion rates PDR completion rates remain low. They have been made available and quality conversations are encouraged with a focus on health, wellbeing and development. The expectations on conversations and PDRs completions have been communication, including benefits of the approach and this will be regularly communicated throughout the year.</p> <p>The employee values will be added to guidance on what to discuss. Managers are informing us that PDRs are taking place and the issue is with recording these in the system. We are trying to make the recording process as simple as possible to prevent this issue.</p> <p>Completion of Mandatory Learning These still need improving and last year there was a focus on ensuring the Equality, Diversity and Inclusion (Unconscious Bias, Inclusion Essentials and Inclusive Leadership) e-learning was completed. Every employee was asked to complete this training by June 2022. The wider mandatory learning is being reviewed and the number of topics people will be asked to complete will reduce. The learning will also be tailored to the service area rather than everyone needing to do the same learning. Go Learn, our new learning platform will help us to tailor the training to individuals, this is due to be launched in October 2022. New employees will be expected to complete mandatory learning within their probation period. Communication plans will accompany any organisation wide focus on particular learning to raise awareness.</p> <p>Establishment controls tasks are not consistently applied Managers not completing the required tasks has resulted in a lack of understanding of the entire establishment at any given time. There is a plan to review and simplify the current human resource processes in the coming months. Clearer instructions will then be issued to managers on what is required.</p>
Information Governance	Retention Schedules are not present or routinely applied Not processing data requests (FOI and SARs) within timescales

	Record Of Processing Activities (ROPA) is not kept up to date
<p>Retention and Disposal Schedules are not present or not routinely applied The Council holds a retention schedule for its records. However, it has not been reviewed more recently.</p> <p>As part of the Council's Tech2020 Project, work is underway to transfer all documents and records to SharePoint. One of the benefits of SharePoint, is that there is a facility to apply retention labels and retention policies across the records held. In order to have the most relevant and up to date retention label, departments were tasked with reviewing their own records, reviewing any legislation attached to the records and ensuring their retention periods were correct and up to date. They were asked to update a copy of the retention schedule as part of this piece of work. This work is ongoing and it is anticipated that the retention schedule will be returned by all services by early autumn.</p> <p>By applying automated retention labels and retention policies to documents, records will be automatically deleted at their specified time. This has the benefit of ensuring compliance with data requests and supporting staff with correctly disposing of data at the relevant time, thus ensuring compliance with Principle E of the GDPR – to not keep personal data for longer than is needed.</p> <p>Employees are also required to complete the mandatory GDPR and security e-learning module - a key organisational control to reduce the risk that data is being retained for too long. By July 2022, 91% of employees had completed this, which is an increase from the previous year.</p> <p>Not processing data requests (FOI and SARs) within timescales There is a significant backlog of requests, brought about by the pandemic and resource issues across the Council, in addition to the difficulties with the retention schedule. We have implemented a case management system which enables real-time tracking of requests. However, the scale of the backlog means recruitment is needed on a temporary basis to address the outstanding requests and then further consideration of how requests are managed in the Council is needed after, to ensure we maintain compliance. This work is to be part of this year's Delivery Plan approved by the Strategy & Resources Committee at the end of August, with a detailed plan to clear the backlog to follow.</p> <p>Record Of Processing Activities (ROPA) is not kept up to date Across some Services, there has been a drop in updating or reviewing the ROPA, as Services make changes to their processing activities. This has been acknowledged by the DPO and a plan of action has been agreed to start this autumn. There has been some progress within specific Services to review and update the ROPA, but from the autumn, there will be a council-wide project to not only update the ROPA but to carry out a comprehensive data mapping exercise to ensure that the Council understands what data it holds and where. The ambition for the ROPA, is that it will link not only to the retention schedule, but also to the Data Privacy Impact Assessment (if relevant), privacy notice and any security incident related to that particular processing. This will ensure the Council not only meets its legal obligations, but the effectiveness of our accountability measures.</p>	

Statement

Sheffield City Council proposes to take remedial actions to address all the issues that have been identified, with regular updates on the progress of this work being made available to the Performance and Delivery Board.

We have been advised on the outcome of the review of the effectiveness of the governance framework by the relevant Officers and a plan to enhance the Council's ability to identify and resolve weaknesses in its controls, whilst ensuring continuous improvement of the framework will continue to take place. We will monitor and review the implementation and operation of any new governance framework as part of our annual review.

Signed:**Date:**

Ryan Keyworth – Director of Finance and Commercial Services (Section 151 Officer)

Signed:**Date:**

Kate Josephs - Chief Executive on behalf of Sheffield City Council

Signed:**Date:**

Terry Fox - Council Leader on behalf of Sheffield City Council

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Audit and Standards Committee Report

Report of: Director of Legal and Governance

Date: 22 September 2022

Subject: Work Programme

Author of Report: Jay Bell, Democratic Services

Summary:

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

Recommendations:

That the Committee:-

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

(b) approves the work programme.

Background Papers: None

Category of Report: OPEN

Statutory and Council Policy Checklist

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

WORK PROGRAMME

1. Purpose of Report

- 1.1 To consider an outline work programme for the Committee.

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 includes some items which are dealt with at certain times of the year to meet statutory deadlines, such as the Annual Governance Report and Statement of Accounts, and other items requested by the Committee. In addition, it also includes standards related matters, including an annual review of the Members Code of Conduct and Complaints Procedure and an Annual Report on the complaints received.
- 2.2 An outline programme is attached and Members are asked to identify any further items for inclusion.

3. Recommendation

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

Gillian Duckworth
Director of Legal and Governance

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Audit and Standards Work Programme 2022-23- Working Copy

Date	Item	Author
16 June 2022	Internal Audit Plan 2022/23	Linda Hunter (Senior Finance Manager)
	Progress in High Opinion Reports	Linda Hunter (Senior Finance Manager)
	New Housing System and Project Update	Ajman Ali (Executive Director Operational Services)
	Government Response to The Committee on Standards in Public Life Report	Gillian Duckworth (Director of Legal and Governance)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
	Strategic Risk Reporting	Helen Molteno (Corporate Risk Manager)
7 July 2022	Closed Meeting with Members and Ernst & Young	
28 July 2022	Summary of Statement of Accounts	Ryan Keyworth (Director of Finance and Commercial Services)
	Internal Audit Annual Fraud Report	Stephen Bower (Finance and Risk Manager)
	Role of the Audit Committee and Training	Claire Sharratt (Senior Finance Manager)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
22 September 2022	Virtual Training – Learning lessons from recent reports	External Facilitator Bethany Evans
22 September 2022	External Audit Plan 2021/22	External Auditor (EY)

Audit and Standards Work Programme 2022-23- Working Copy

	Annual Internal Audit Report	Linda Hunter (Senior Finance Manager)
	Formal Response to Audit (ISA 260) Recommendations	Ryan Keyworth (Director of Finance and Commercial Services)
	Interim Standards Complaints Report (Half Yearly)	Gillian Duckworth (Director of Legal and Governance)
	Annual Governance Statement	Gillian Duckworth (Director of Legal and Governance)
20 October 2022	Work Programme	Gillian Duckworth (Director of Legal and Governance)
17 November 2022	Statement of Accounts (Audited)	Ryan Keyworth (Director of Finance & Commercial Services)
	Report of those Charged with Governance (ISA 260)	External Auditor (EY)
	Annual Corporate Complaints Report	Corleen Bygraves-Paul (Service Delivery Manager)
	Annual Ombudsman Report 2021/22	Corleen Bygraves-Paul (Service Delivery Manager)
	Community Schools Update	Andrew Jones (Director of Education and Skills)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
22 December 2022	Whistleblowing Policy Review	Clare Corneille (Head of Human Resources)
	Information Management Annual Report	Sarah Green (Senior Information Management Officer)
	Progress in High Opinion Reports	Linda Hunter (Senior Finance Manager)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
19 January 2023	Strategic Risk Reporting	Helen Molteno

Audit and Standards Work Programme 2022-23- Working Copy

		(Corporate Risk Manager)
	Annual Standards Report	Gillian Duckworth (Director of Legal and Governance)
	Review of Members' Code of Conduct and Complaints Procedure	Gillian Duckworth (Director of Legal and Governance)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
16 February 2023	Work Programme	Gillian Duckworth (Director of Legal and Governance)
9 March 2023	Work Programme	Gillian Duckworth (Director of Legal and Governance)
13 April 2023	Internal Audit Plan 2023/24	Linda Hunter (Senior Finance Manager)
	Compliance to International Auditing Standards	Ryan Keyworth (Director of Finance and Resources)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
July / August 2023	Audit Training	External Facilitator (TBC)
June 2023	Progress in High Opinion Reports	Linda Hunter (Senior Finance Manager)
	Internal Audit Annual Fraud Report	Linda Hunter (Senior Finance Manager)
	Strategic Risk Update	Helen Molteno (Corporate Risk Manager)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)

Audit and Standards Work Programme 2022-23- Working Copy
IMPORTANT INFORMATION FOR REPORT WRITERS

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

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

The Committee also cover Standards and is primarily responsible for promoting and maintaining high standards of conduct by councillors, independent members,

and co-opted members. It is responsible for advising and arranging relevant training for members relating to the requirements of the code of

conduct for councillors. The Committee also monitor the Council's complaints process and the Council's response to complaints to the Ombudsman.

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

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

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

Use standard format - don't subvert it.

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

The report should include –

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

(report templates are available from Democratic Services)

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