

SHEFFIELD CITY COUNCIL

Audit and Standards Committee

Meeting held 9 March 2023

PRESENT: Councillors Colin Ross (Chair), Tom Hunt (Deputy Chair),
Simon Clement-Jones, Ben Curran, Garry Weatherall and Alison
Howard (Independent Co-opted Member)

1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillors Angela Argenzio and Kevin Oxley.

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.

4. PUBLIC QUESTIONS AND PETITIONS

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(NOTE: In accordance with Council Procedure Rule 26 this urgent Item of business was considered on the recommendation of the Chair, on the basis that a report of high public interest was published on the 6 March 2023.)

5. MINUTES OF PREVIOUS MEETING

- 5.1 The minutes of the meetings held on 16 February, 2023 were agreed as an accurate record.

6. STATEMENT OF ACCOUNTS (AUDITED)

- 6.1 The Committee received a report of the Director of Finance and Commercial Services which communicated any relevant matters arising from the external audit of the 2021/22 Statement of Accounts
- 6.2 The Director of Finance and Commercial Services, Tony Kirkham explained that the Council had been working with external audit to identify issues raised as part of their audit. Responses to that audit could be found in the report along with a final set of accounts which were recommended to the Committee to approve.
- 6.3 Claire Sharratt explained that these accounts close the cycle of the 2021/22 year and report in full the Council's position for that year. The accounts have been subject to external audit which were now almost concluded and recommended to the Committee for approval. Once

approval is given, the Chair of the Committee, along with the Section 151 Officer will sign the accounts and the letter of representation.

6.4 Claire Sharratt gave thanks to everyone involved in the complete process of dealing with the Council's accounts.

6.5 Ruth Matheson explained that the unaudited Statement of Accounts were presented to the Committee in July 2022. Since then, 4 main areas had changed in the report which was presented at the meeting. These were: -

- Highways PFI refinance gain – The Department for Transport (DfT) share was presented as deferred revenue. As the DfT's share was effectively their grant funding in advance, an audit adjustment was agreed to amend the balance sheet from 100% deferred revenue, to instead show 50% deferred revenue and 50% grant received in advance.
- Highways Infrastructure Assets - How these assets are accounted for is an ongoing sector-wide issue. As an interim measure, Government issued a statutory instrument with temporary provisions, alongside additional Code guidance from CIPFA. As a result, we have been able to write off £138.7m under the statutory instrument. The value of Infrastructure assets in the draft accounts was £773.5m and has now reduced to £634.8m.
- Dwellings Housing Price Index - This adjustment reflects the movement in the index from the unaudited accounts last May, to the most recent HPI figures for 21/22 in February - the difference, a downwards movement of £20.4m in the value of assets has been adjusted in the accounts (£1,545.2m down to £1,524.8m).
- Council Tax Prepayments - In the unaudited accounts, Council Tax prepayments were incorrectly netted off against debtors, and instead should be recognised as a creditor. An adjustment of £3.9m was made to increase debtors and to increase creditors to correct the presentation.

6.6 Following the report, there was no questions or comments from the Committee.

6.7 The Chair gave his thanks to all the Officers involved in this piece of work.

6.8 **RESOLVED:** That the Committee (1) approves the Statement of Accounts for 2021/22 as set out in the appendix, subject to the finalisation of the audit requiring no further changes; (2) notes in accordance with The Accounts and Audit Regulations 2015, the Chair of the Audit and Standards Committee will sign the Statement of Accounts for 2021/22 on conclusion of the audit by Ernst & Young LLP (EY); and (3) notes the Letter of Management Representations to be submitted to the External Auditor is on the basis set out in the report and this will be

signed by the Director of Finance and Commercial Services and the Chair of Audit and Standards Committee.

7. REPORT OF THOSE CHARGED WITH GOVERNANCE (ISA 260)

7.1 The Committee received a report from the Council's external auditor, Ernst & Young.

7.2 Hayley Clark explained that Members had seen the majority of the report as part of a report which was presented at the last meeting therefore, they did not intend to go through the report in detail. As mentioned at the previous item, external audit was still working on closing some final areas of the accounts and that a status update had been given on those areas.

7.3 Hayley Clark referred to an issue discussed at the last meeting, where the triennial issue could impact on the timeline. She mentioned that CIPFA (Chartered Institute of Public Finance and Accountancy) were producing guidance on this although she was yet to receive it. Therefore, she would monitor if this was to have any impact on signing off on the accounts.

7.4 Dan Spiller explained that he would update Members on the errors which were not included in the previous report presented at the previous meeting. These were: -

- Fraud Risk (page 9) – Calculation error which led to figure going over reporting threshold.
- Fraud Risk (page 10 & 11) – Calculation error due to double counting income/expenditure figures.

It was mentioned that these were not of significant impact.

7.5 Dan Spiller explained that the work carried out in relation to Infrastructure Assets was outlined at page 12 and 13 of the report.

7.6 Page 14 and 15 of the report gave further detail of the reporting external audit's specialists had given in relation to PPE (Property, Plant and Equipment). It was mentioned that the main risk identified in this section related to the valuation of car parks. This issue related to the yield (6.25%) used by the Council's valuation team being too strong for a valuation predicted on trading profit. External Audit expected a yield in the region of 11% to 12% for Council run/managed car parks.

7.7 Page 26 set out the audit differences between the Council and External Auditors and the adjustments that had been made by management. Page 27 identified the differences that had not been adjusted by management therefore Dan Spiller asked the Committee if they were comfortable with those areas identified.

- 7.8 It was mentioned that page 37 onwards in the report highlighted the control recommendations by external audit. The Committee were directed to the two red rating audits mentioned in this section.
- 7.9 Members of the Committee asked questions and following responses were provided: -
- 7.10 Dan Spiller explained that on page 27 of the report, the second column identified how services were really impacted. He added that none of the areas identified were of significant impact.
- 7.11 Hayley Clark mentioned there could always be lessons learnt when auditing the Council's accounts year on year and that external audit carried out a briefing after the closure of an audit to discuss lessons learnt. This also gave external audit the opportunity to look at how they can audit the Council better going forward. She explained that although the Council had gone through changes, the Council always had an historic well run Finance team which helped the process. It was reported in the Value for Money section of the report that external audit had not identified any areas of significant weakness although due to the recent changes in the council system, she recommended that the Council closely monitor how this change could impact on the Council's budgets, especially as budgets constraints are forever increasing.
- 7.12 The Chair thanked the Council's external auditors Ernst & Young for their audit on the Council's accounts.
- 7.13 **RESOLVED:** That (1) the committee noted the content of the report; and (2) gave approval to the Director of Finance and Commercial Services, in consultation with the Chair, to sign off the final version of Statement of Accounts and Letter of Representation.

8. WHISTLEBLOWING POLICY REVIEW

- 8.1 The Committee received a report from the Interim Director of Legal and Governance which updated the Committee on the review of the Council's Whistleblowing Policy and application.
- 8.2 The Head of HR, Elyse Senior-Wadsworth explained that Whistleblowing policies were important in order to give employees within an organisation safe passage and security when making disclosures.
- 8.3 It was explained that the current policy 'See It Say It' had been in place since 2018 and the last time that policy was brought to this Committee, one recommendation was to review it which had now been carried out.
- 8.4 The Head of HR informed the Committee that under the current policy, there was an average of 1 complaint per year. With only 1 progressing

to the investigation stage within the last 3 years. One reason could be that the Council has a good recourse measures in place for people to raise concerns. Although, the Council was seeing an increase in complaints raised generally and that people were reluctant to raise formal complaints therefore not seeing complaints through the whistleblowing procedure was something we should be curious about and investigate.

8.5 The Head of HR mentioned how the procedure was communicated and how people understand and use it, were the most important aspect to look at. She added that the HR service along with Corporate Leadership team were doing some work on performance and accountability in April 2023 therefore, there was a natural opportunity to look at this further.

8.6 It was stated that there are contact advisors within the Council who's role were to give advice to anyone who may have a complaint. Although, the number of contact advisors had decreased therefore, work needed to be done to train employees to become contact advisors and discharge that responsibility well.

8.7 Members of the Committee asked questions and following responses were provided: -

8.8 The Head of HR confirmed there would be consultation with the Officer Trade Unions and agreed this was an important aspect to review. She added that Trade Unions are good at challenging officers and policies in order to ensure they read clearly to their members. It was stated that an piece of engagement had recently began to review how the policy could target the minority groups within the organisation.

8.9 **RESOLVED:** That the Committee agree for HR to (1) benchmark with core cities on numbers and nature of Whistleblowing complaints; (2) rewrite of policy but no substantive changes, launch with communication in April; and (3) local communication to highlight local delivery context.

9. WORK PROGRAMME

9.1 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.

9.2 **RESOLVED:** That the work programme be noted.

10. DATES OF FUTURE MEETINGS

10.1 It was noted that the next meeting of the Committee would be held on 13 April, 2023.

