

# Audit and Standards Committee

---

**Thursday 25 April 2024 at 5.00 pm**

**Town Hall, Sheffield, S1 2HH**

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

## **Membership**

---

Councillors Mohammed Mahroof (Chair), Fran Belbin (Deputy Chair), Lewis Chinchin, Simon Clement-Jones, Laura McClean, Henry Nottage and Garry Weatherall.

## **Independent Co-opted Members**

Alison Howard and James Brackley

---

## **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 Jay Bell in Democratic Services via email [jay.bell@sheffield.gov.uk](mailto:jay.bell@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  
25 APRIL 2024**

**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 - 18)  
To approve the minutes of the meeting of the Committee held on 21 March 2024
- 6. Public Questions and Petitions**  
To receive any questions or petitions from members of the public
- 7. Compliance to International Auditing Standards** (Pages 19 - 26)  
Report of the Director of Finance and Commercial Services
- 8. Statement of Accounts 2022/23 (Unaudited)** (Pages 27 - 32)  
Report of the Director of Finance and Commercial Services
- 9. Auditors Annual Report** (To Follow)  
Report of Ernst & Young
- 10. Introduction and Audit Plan** (Pages 33 - 62)  
Report of KPMG
- 11. Work Programme** (Pages 63 - 72)  
Report of the General Counsel
- 12. Dates of Future Meetings**  
The next meeting of the Committee will be held on a date and time to be agreed

This page is intentionally left blank

---

## ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

---

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

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

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

You **must**:

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

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

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

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

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

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

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

You have a personal interest where –

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

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

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

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

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

Further advice can be obtained from David Hollis, General Counsel by emailing [david.hollis@sheffield.gov.uk](mailto:david.hollis@sheffield.gov.uk).

This page is intentionally left blank



Audit and Standards Committee

Meeting held 21 March 2024

**PRESENT:** Councillors Mohammed Mahroof (Chair), Fran Belbin (Deputy Chair), Lewis Chinchon, Simon Clement-Jones, Laura McClean, Henry Nottage and James Brackley (Independent Co-opted Member)

**1. APOLOGIES FOR ABSENCE**

1.1 An apology for absence was received from Independent Co-opted Member, Alison Howard.

**2. EXCLUSION OF THE PRESS AND PUBLIC**

2.1 There were no items on the agenda which excluded the press and public.

**3. DECLARATIONS OF INTEREST**

3.1 There were no declarations of interest.

**4. MINUTES OF PREVIOUS MEETING**

4.1 **RESOLVED:** The minutes of the meeting held on 1 February 2024 were approved as an accurate record.

**5. PUBLIC QUESTIONS AND PETITIONS**

5.1 The Committee received questions from a member of the public, prior to the meeting. The member of public joined remotely to raise her questions.

5.2 **Ruth Hubbard**

I have not received an answer to my public question of 1st February and this is below.

"Can I ask please about the role of this committee in relation to Stocksbridge Towns Deal. Considerable concerns about failing governance arrangements and processes have been raised by local stakeholders, including at the relevant LAC - but I have not seen them filter through to here and, what are the audit and standards implications of the govt Simplification Pilot for certain external grants (that I understand Sheffield is part of) and how is this being overseen by members in audit and standards terms?"

Since then, I understand the discontent around the Stocksbridge Levelling up Fund (LUF) programme continues with two well attended Town Forums raising a host of unanswered questions about the concentration of funding on demolishing and rebuilding the existing library.

It appears to those watching this issue that the Council has been unwilling to intervene on basic transparency and governance issues such as publishing agendas and reports or engaging with stakeholders. This is the responsibility of Council officers seconded to the STD yet they seem to be immune from the standards and procedures supposedly reaffirmed by the current administration.

Please can the Audit and Standards Committee provide clear information and an answer in relation to my unanswered question and my updated comments. Thank you.

The Chair (Councillor Mohammed Mahroof) explained that this Committee does not have a specific role in this work of the Stocksbridge Town Fund Board and partnership. The Committees role was to look at systems for assurance, unless individual matters were brought to us via the assurance mechanisms such as audit or the Annual Governance Statement.

DLUHC simplification pilot relates to the National Levelling Up Programmes. The three national funds (at this time) which were included in the scheme were the Future High Streets Fund (FHSF), Town Fund Deals and the levelling up fund round one (LUF1). Sheffield City Council was an announced national pilot area (since 4 July 2023) along with a number of other simplification scheme pathfinders in 9 other local authority areas. More detail of how that will operate will be set out in the published answer to the question below.

Sheffield City Council expects all its funding partnerships to work within accountable frameworks and the national criteria of funding allocations and delivery. The published answer to this question will set out detail from the national guidance on the governance of Towns Funds for information. There are compliance checks completed annually by DLUHC for all Town Deals to check whether the Town Deal Board is working in line with the governance and information provision requirements set out in the prospectus and subsequent guidance.

The Council will bring an Annual Funding Report about Stocksbridge Town Fund to the relevant Policy Committee to provide an update on the towns fund programme, a suggested refresh of governance for municipal year 2024- 25 and beyond, and a programme update at Quarter 4 of 2023-24.

The national guidance for Simplification model, set out the following:

- A single aggregate allocation: local authorities' allocations from each of the 3 individual funds will be aggregated into a single allocation which, subject to assurance, can be managed flexibly across a portfolio of projects.
- An investment plan: a combined set of outcomes and outputs,

covering the full portfolio of activity that will be delivered using the aggregate allocation. We will track delivery across this portfolio (as opposed to a project-by-project basis).

- Streamlined reporting: moving away from reporting across 3 different programmes, local authorities will submit one 3-monthly RAG report (focusing on spend and progress) and one 6-monthly delivery report.
- Change management: local authorities will only need to seek approval from DLUHC if they are making a 'material change' to their investment plan (see definition in section 2.5).
- Integrated conversation: local authorities will have one main contact in their DLUHC area team for discussions about the pilot.

The Simplification pilot outcomes and aims are strategically to

- Enhancing sub-regional and regional connectivity
- Unlocking and enabling industrial and commercial development
- Strengthening the visitor and local service economy
- Improving the quality of life of residents
- Employment and education
- The local authority should develop their investment plans in collaboration with local stakeholders and should consider how local governance could be used to encourage this collaboration. All plans must be signed off by the Section 151 Officer and any other Senior Responsible Officers (SROs) responsible for delivery of the funding.
- Expenditure profiles must be accurate and deliverable. Each place must set out a forecast for the amount of funding that will be invested each year across the identified interventions.
- All local authorities will be required to monitor the spend, outputs and outcomes that have been agreed. However, monitoring will be streamlined into 4 portfolio-level returns per year:

1) 3-monthly summary updates (in the form of RAG reporting) focusing on spend and progress.

2) 6-monthly detailed reports on spend and progress, including (but not limited to) forecast underspends, a plan for delivering uncommitted funding, projected delivery of portfolio-level outputs and outcomes, and changes to projects below the change request threshold.

In addition to monitoring, DLUHC will also conduct separate assurance activity, including local authority assurance reviews. These reviews will focus on the assurance processes that local authorities have in place and will follow a similar model as is currently used across the 3 separate funds.

Local authorities should seek approval from DLUHC where they are seeking to make “material changes” to their investment plans. A single amendment to funding plans is a “material change” if it involves moving at least £5 million to a different intervention theme or moving at least £5 million between projects in the same intervention theme. This change will be benchmarked against the investment plan agreed by DLUHC or against the position agreed as part of a previous change request.

Where local authorities would like to make a material change to their investment plan, they must submit details of the change to DLUHC using a change request template. Local authorities should confirm as part of the request that they have sought the views of key local stakeholders, and this must include the Member(s) of Parliament (MP(s)) covering the geography for the proposed change. If DLUHC is concerned about the size or intention of a particular change, we will discuss it with local authority teams and we reserve the right to reject a change on the grounds it would not secure value for money or meet the objectives of the funding.

Where the local authority has made contractual or funding commitments to a third party or other public body, the local authority will be required to assess if the proposed change will have an impact on their ability to honour this commitment.

The following do not constitute a material change and can be reported to DLUHC in the 6-monthly monitoring returns:

- movement of funding between intervention themes below the £5 million threshold.
- movement of funding between projects in the same intervention theme below the £5 million threshold.

If changes made fall beneath the thresholds to be considered a material change, the local authority does not need to seek explicit approval from DLUHC. However, DLUHC will review all updates to investment plans provided by the local authority as part of the reporting cycle and regular engagement meetings.

If a local authority wishes to reprofile underspend from one financial year into the next, they need to submit a ‘credible plan’ as part of their end-of-year report explaining the approach, including:

- amount of funds committed and the profile of that spend.
- amount of funds allocated but not committed, and the profile of that spend.
- plan for the allocation of unallocated funds, key milestones for the commitment of funds and spend profiles
- risk management i.e., confirmation that plans are in place to manage risks relating to project pipeline and capacity

#### The national guidance for governance, oversight and Town Deal Boards

For the purposes of the simplification pilot, the local authority is the accountable body through which all funding will flow. Within the investment plan, local authorities will need to confirm which Senior

Responsible Officers (SROs) are responsible for the delivery of the pilot, including who the designated S151 Officer is. SROs are responsible for signing-off monitoring returns, submitting change requests, and securing value for money from the agreed aggregate allocation.

This Board will have no decision-making power but will exercise strategic oversight over pilot activity. Local authorities have the flexibility to set out how a consolidated governance will work for the geographic area and should give an overview of the chosen approach in the investment plan. Town Deal Boards may be reconstituted or expanded into this consolidated governance structure to give stakeholders, including local MPs, the framework to exercise strategic oversight over the portfolio.

To facilitate a transition to a consolidated governance structure, participating local authorities could make the following changes to the scope and membership of existing Town Deal Boards:

- Scope of the board: The pilot board could expand the scope to include all projects across a broader geography or all projects in a particular locality.
- Membership: the core membership and Chair of the board could remain the same, but if you choose to expand the geographical remit, then the number of attendees would increase to reflect the new broader geography. The membership should include a private sector chair, the MPs representing the area, local representatives from business and community, and representatives from all tiers of local government for the expanded geography, if applicable

The transfer of Police Crime Commissioner (PCC) powers to the West Midlands mayoralty has been quashed by Judicial Review due to inadequacies in the government consultation. In South Yorkshire (SY) the decision to transfer PCC powers to the SY Mayoralty was taken on 7th Feb, a day after the West Midlands decision. My understanding is that our consultation took place under pretty much the exact same conditions as the West Midlands consultation, now ruled inadequate. (And, in South Yorkshire 65% of consultees disagreed with the transfer anyway, though this was overridden by government.). What is the understanding of the Committee about the implications of the West Midlands Judicial Review ruling for the similar proposed transfer of powers in South Yorkshire? Thank you. Given this involves inadequate consultation (failure to meet Gunning Principle 2) I think this question is appropriate for Audit and Standards.

The General Counsel (David Hollis) explained that the case Ms Hubbard referred to was taken against the Secretary of State or the Home Department and it was his decision in relation to the Police and Crime Commissioner for the West Midlands that was overturned. As far as we are aware the case has no effect on any decision in relation to the Police and Crime Commissioner for South Yorkshire. In any event these are not matters that are within the remit of this Committee or the Council. They related to functions of the Police and Crime

Commissioner and South Yorkshire Combined Authority.

Ruth Hubbard added that she could not see any difference in the consultation between West Midlands and South Yorkshire and as the consultation was ruled as illegal, she hoped and expected this Committee to express some concern on the matter.

## **6. ANNUAL STANDARDS REPORT**

6.1 The Committee received a report of the General Counsel which highlighted the activities of the Committee and provided details of the outcome of the Standards complaints received from January to December 2023.

6.2 The General Counsel explained that the Committee received this report on an annual basis and thanked the Chair for his foreword.

6.3 The General Counsel thanked Sarah Bennet and Robert Parkinson for assisting him throughout the standards regime process. He also thanked Sarah Hyde and Jay Bell for their administrative assistance as well as Independent Persons David Waxman and Karen Widdowson for assisting him and Members throughout the complaints process. He also thanked Independent Co-opted Member, Alison Howard for her assistance.

6.4 He mentioned that these complaints were confidential therefore the details could not be shared although he gave a summary of the number of complaints and their outcomes over the previous year. They were as follows:

Take No Action (no breach) 6

Withdrawn or Invalid 2

Rejected 6

Informal Resolution 3

Refer to Consideration Sub-Committee with an Investigation 1

Refer to Consideration Sub-Committee without an Investigation 1

Open (in assessment phase) 0

Total 19

6.5 The General Counsel welcomed the two new Independent Persons, Martyn Thorpe and David Irvine and the new Independent Co-opted Member, James Brackley. He raised a special thank you to Independent Person David Waxman for his many years of service and assistance to Monitoring Officers at Sheffield City Council.

David Waxman thanked the General Counsel for his kind words and explained that he has worked with many Monitoring Officers and Councillors over the years and that the experience was really positive. He also thanked Sarah Hyde for her assistance over the years.

6.6 The General Counsel stated that funding from the Local Government

Association (LGA) has been successfully obtained in order to fund a more shaped and diverse Member Development Programme.

- 6.7 The General Counsel thanked Members for their support when continuously reporting to him when there were changes to their Register of Interests.
- 6.8 Members of the Committee asked questions and made comments and the following responses were provided: -
- 6.9 The General Counsel confirmed that Members were updated on the budgeting setting process as and when it progressed although agreed that the Council's budgeting and accounting processes could be made more aware to new Members. Councillor Belbin added that there was a Member Development Working Group ongoing which could look into this and also stated there was CIPFA training available.
- 6.10 The General Counsel confirmed there may have been a slight increase in the number of complaints received over the previous year, although the number of complaints received was not anything unusual compared to previous years.
- 6.11 The General Counsel stated that the training mentioned in the report relating to new Members on the Licensing Committee was not mandatory although it was preferable. He added that there was always a legal advisor present at the meetings to assist Members in their decision-making.
- 6.12 The General Counsel thanked the Member for his comment relating to Members Register of Interests and agreed this could be picked up as part of the training mentioned in order to remind Members of the process.
- 6.13 The General Counsel agreed it would be good for this Committee to send a message to Members, to prioritise training when it was provided. He appreciated Members diaries can be busy therefore Officers could look at repeat training or recording the sessions. Councillor Belbin mentioned again there was a Member Development Working Group looking at how to better deliver training to Members.
- 6.14 **RESOLVED:** That the Committee comments on the report and approves the report for submission to Full Council.

## **7. FORMAL RESPONSE TO AUDIT (ISA 260) RECOMMENDATIONS**

- 7.1 The Committee received a report of the Director of Finance and Commercial Services which provided Members with an update on the progress to consider and implement Ernst & Young's prior year recommendations, following the audit of the Council's 2021/22 Statement of Accounts.
- 7.2 The Finance Manager (Ruth Matheson) explained that the Council's external auditors, Ernst & Young (EY) first presented their 2021/22 Audit Results report in March 2023, then their amended report in September 2023. EY have yet to

issue their opinion and whilst the accounts remain open, their 2021/22 Audit Results report is always subject to further change.

- 7.3 The Audit Results report listed thirty-one observations, both from 2020/21 and 2021/22. Sixteen open observations related to 2021/22 and of the fifteen observations relating to 2020/21, only three remained open at the end of the 2021/22 audit.
- 7.4 Ruth Matheson explained that the observations identified by EY could be found at Appendix 1 to the report as well as an update as to progress of those observations. Ruth Matheson drew Members attention to the 'red' rated observations which were considered a high risk to the Council. She gave an overview of those red rated observations.
- 7.5 Members of the Committee asked questions and made comments and the following responses were provided: -
- 7.6 Ruth Matheson explained that IFRS 16 was delayed although it will be live from 1 April 2024 and therefore part of the 2024/25 accounts. The Council's asset register is with the supplier Civica, which contains a leasing module that is IFRS 16 compliant, with the system currently being upgraded to their cloud based platform.
- 7.7 The Senior Finance Manager (Clair Sharratt) explained that delays in the audit of one financial year does have an impact on the next financial year end. But that these recommendations from EY were always welcomed as it gave them areas in which they could improve as well as good assurances on the accounts.
- 7.8 Ruth Matheson confirmed that preparation for IFRS 16 as part of the 24/25 accounts is ongoing and don't expect any issues for go live.
- 7.9 Clair Sharratt explained that the majority of the asset valuation process occurs after the year end when indices are available and so it is a tight turnaround. Valuations are based on judgements and views can vary between different valuers. The Council's internal valuers continue to make improvements for example looking at categorisations and how they can group assets better and working with EY in order to meet their valuers expectations.
- 7.10 The Director of Finance and Commercial Services (Philip Gregory) added that in relation to the backlog concerns, the Government had been working on this for a while and had issued a statement in February looking at ways to work through this backlog. The Council's and EY's ambition is to sign off the 2021/22 Statement of Accounts very shortly and to see what progress can be made on the 2022/23 Statement of Accounts, before EY hand over the audit for 2023/24 to KPMG.
- 7.11 Ruth Matheson explained that the accounts are based on CIPFA's guidance for accruals accounting. However, there are instances where estimates are difficult to calculate, and the practice has been to include 12 months of rolling



actuals for example March to February for utilities costs.

- 7.12 The Chair summarised the discussion and raised his concerns around some of the valuation issues and corrections reported by EY.
- 7.13 The General Counsel referred to addendum report which was circulated to Members prior to the meeting and published on Council meeting webpages.
- 7.14 The General Counsel explained that CIPFA guidance stated that 'The AGS must be current at the time it is published'. With the general issues in audit that has led to considerable delays this has led to CIPFA issuing the clarification on this point. The Council has undertaken a review to determine if there were 'significant governance issues' that has come to light after the 2021/22 AGS was approved in September 2022 that relate to the period 2021/2022, The review highlighted one further matter to be included. Whilst the original report reflected some issues in relation to people management process, but it was concluded that it did not reflect the position as currently understood around the council's HR policies need for updating, streamlining and review to ensure they are in line with best practice and meet the needs of a modern workforce and employer. The Committee were asked to approve the revised Annual Governance Statement.
- 7.15 Following a question from Co-opted Member James Brackley, The General Counsel explained that the issue relating to HR policies was identified through an internal Council review which was why it was not identified as part of the external auditor's report.
- 7.16 **RESOLVED:** The Audit and Standards Committee (1) notes management's response on progress made to consider and implement Ernst & Young's prior year recommendations; and (2) approves the revised Annual Governance Statement as set out in Appendix 1 of the addendum.

## 8. WORK PROGRAMME

- 8.1 The Committee considered a report of the General Counsel that outlined the work programme for the remainder of the municipal year. Members were asked to approve the programme and identify any further items for inclusion.
- 8.2 **RESOLVED:** That (1) the work programme be noted; and
- (2) the following items be moved on the work programme: -
- Internal Audit Plan 24/25 (From April 2024 to June 2024)
  - Statement of Accounts 2022/23 (From April 2024 to June 2024)
  - Report of those Charged with Governance (ISA 260) (From April 2024 to June 2024)

- Community Schools Update (From April 2024 to June 2024)
- Update on Improvement Plan and Annual Complaints Report 24/25 (From April 2024 to July 2024)

## **9. DATES OF FUTURE MEETINGS**

- 9.1 It was noted that the next meeting of the Committee will be held on the 25 April 2024.



## Audit and Standards Committee Report

---

**Report of:** Philip Gregory, Director of Finance and Commercial Services

---

**Date:** 25th April 2024

---

**Subject:** Compliance with International Standards on Auditing

---

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

---

### Summary:

This report has been drafted so that the Audit and Standards Committee can demonstrate to the External Auditors and the wider audience that they have exercised the required oversight to meet the International Standards on Auditing.

This report draws together much of the work that has been undertaken by the Audit and Standards Committee in the past year.

---

### Recommendations:

- 1) Members are asked to confirm that the report gives an accurate reflection of the reports they have received and considered throughout the year.
  - 2) Members are also asked to confirm that they now have an overview of the Council's systems of internal control so that they are assured that they are fulfilling the requirements of "those charged with governance" under the International Auditing Standards.
- 

### Background Papers:

---

**Category of Report:** Open

---

\* Delete as appropriate

## Statutory and Council Policy Checklist

<b>Financial implications</b>
<del>YES</del> /NO      Cleared by: L Hunter
<b>Legal implications</b>
<del>YES</del> /NO      Cleared by:
<b>Equality of Opportunity implications</b>
<del>YES</del> /NO      Cleared by:
<b>Tackling Health Inequalities implications</b>
<del>YES</del> /NO
<b>Human rights implications</b>
<del>YES</del> /NO
<b>Environmental and Sustainability implications</b>
<del>YES</del> /NO
<b>Economic impact</b>
<del>YES</del> /NO
<b>Community safety implications</b>
<del>YES</del> /NO
<b>Human resources implications</b>
<del>YES</del> /NO
<b>Property implications</b>
<del>YES</del> /NO
<b>Area(s) affected</b>
Corporate
<b>Relevant Scrutiny Board if decision called in</b>
<b>Is the item a matter which is reserved for approval by the City Council? <del>YES</del> /NO</b>
<b>Press release</b>
<del>YES</del> /NO

**Report to the Audit and Standards Committee**  
**Compliance with International Standards on Auditing (ISA)**

**April 2024**

**Introduction**

- 1) **International Standards on Auditing (ISA)** are professional standards for the performance of financial audits. 'Those charged with governance' oversee an organisation's systems for monitoring risk, financial control and compliance with the law. For Sheffield City Council this role is performed by the Audit and Standards Committee.
- 2) As part of the International Standards on Auditing (ISA) there is a requirement for 'those charged with governance' to demonstrate formally that they have exercised adequate oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control, together with overseeing the financial reporting process.
- 3) The Global Internal Audit Standards (released January 2024) come into effect from January 2025 and the Internal Audit team are reviewing these new standards and adopting new practices during the next 9 months to ensure compliance. The standards guide internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the standards are 15 guiding principles that enable effective internal auditing. The current International Standards remain approved for use during this transition period.
- 4) This report has been produced for the Audit and Standards Committee to enable them to demonstrate that they have taken the appropriate overview of the entire governance framework of the Council, and therefore meet the requirements of the International Standards on Auditing.
- 5) From 2018/19 the external auditor for SCC changed from KPMG to Ernst and Young (EY). The change in auditor provided an opportunity for revisions to be made to the format of this report to reflect the requirements and specifications of EY auditors. With the forthcoming change in external auditors and the Global Internal Audit Standards this report format will be reviewed again next year.

**Key Requirements of the International Auditing Standards**

- 6) The key elements that are required to be covered by members in relation to International Auditing Standards (UK&I) (IAS) are noted below:
- 7) Under ISA 240 the Council's appointed external auditors (EY) are required to understand how 'those charged with governance' exercise oversight of management processes for:

- Identifying and responding to the risk of fraud in the Council, and the internal control that management has established to mitigate these risks;
  - Determining whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.
  - Assessing the risk that the financial statements may be materially misstated due to fraud or error.
- 8) ISA 250 requires that external auditors understand how those charged with governance gain assurance that all relevant laws and regulations have been complied with.
- 9) Additionally, those charged with governance must approve the financial statements, so an understanding as to how the Audit and Standards Committee obtains the necessary assurances to discharge this responsibility is also required.

### **Areas Covered in the Report**

- 10) The following sections summarise how members of the Audit and Standards Committee have been provided with assurance that key elements of the Council's internal control systems are being reviewed and reported upon. This is a consolidation report of items that have been presented to the Audit and Standards Committee throughout 2023/24, and covers the:
- Annual Accounts (2021/22 and 2022/23)
  - System of Internal Control
  - Governance Arrangements (and compliance with laws and regulations)
  - Counter Fraud Arrangements
  - Risk Management
  - Standards Issues
- 11) The Audit and Standards Committee comprises of 7 non-executive members of the Council with proportionality applied and 2 non-voting co-opted member.
- 12) There are currently three Standards Committee Independent members and they attend the meetings of the Committee when there is a Standards focus.
- 13) The Audit and Standards Committee members have taken a number of steps to help them undertake their roles and responsibilities. This has included taking independent advice and training. At the July 2023 Committee meeting a paper was presented about the role of the Audit

Committee and proposed training for 2023/24 (training delivered is highlighted within point 16 below).

- 14) Officers of the Council and External Audit attend the Committee to present reports and to answer questions raised.

### **Annual Accounts**

- 15) Those charged with governance (the Audit and Standards Committee) are required to approve the financial statements. In order to do this effectively, the Audit and Standards Committee obtains the necessary assurances to discharge this responsibility via a number of submissions/reports.
- 16) The following items give the Audit and Standards Committee confidence that it has adequate assurance over the accuracy of the Annual Accounts:

- 2022/23 Summary of Statement of Accounts Unaudited (June 2023)
- Role of the Audit Committee and proposed training for 2023/24 (July 2023)
- Statement of Accounts 2021/22 Audited (Sept 2023)
- External Audit Plan 2021/22 (Sept 2023)
- Formal response from officers to Audit ISA 260 recommendations – (March 2024)
- Training for Audit and Standards Committee members included:
  - Introduction to the knowledge and skills of the Audit Committee (July and Oct 2023),
  - Understanding the Local Authority Accounts for Councillors (Aug 23),
  - Risk Management training (Oct 23),
  - Guide to Local Authority Finance (Dec 23)
  - Update for Local Authority Members of the Audit Committee (Jan 24)

### **System of Internal Control**

- 17) The following items give the Audit and Standards Committee confidence that it has adequate assurance over the Systems of Internal Control:

- Bi-annual update reports on the implementation of audit recommendations (contained within the no assurance and limited assurance opinion reports) – (June 23 and Feb 24)
- Internal Audit Plan 2023/24 (June 23)
- Senior Finance Manager (Internal Audit) Annual Report (Sept 23)
- Information Management Annual Report (Oct 2023)
- Information Commissioner's Office (ICO) FOI Annual Report (Oct 2023)
- Fargate Containers Internal Audit Report – (Nov 2023)

- 18) There is an explicit requirement on officers and members to comply with the Council's Code of Conduct and supporting rules and regulations. As part of the sign-off process for the Annual Governance Statement (AGS), Directors are required to confirm in writing that they have in place adequate systems to ensure compliance with the relevant rules and legislation relating to their area of activity; this is used as a basis for the production of the statement. They also confirm that they are managing the risks pertaining to their service.
- 19) All Internal Audit reports containing a no assurance, or limited assurance, high organisational impact opinion are submitted to Committee members in full. An auditable area receiving one of these opinions is considered by Internal Audit to be an area where the risk of the activity not achieving its objectives is high and sufficient controls were not present at the time of the review. Members can then forward any questions to the Senior Finance Manager, Internal Audit and responses are circulated to all. This process is used to ensure members are aware of any breaches of, or deficiencies in, internal control.

### **Governance Arrangements (and compliance with Laws and Regulations)**

- 20) The following items give the Audit and Standards Committee confidence that it has adequate assurance over the accuracy of the Governance Arrangements:
- Update on Governance issues outlined in the Annual Governance Statement 2021/22 (June 2023)
  - Senior Finance Manager (Internal Audit) Annual Report – (Sept 23)
  - Annual Governance Statement (AGS) 2022/23 – (Feb 2024)
- 21) The governance framework of the Council comprises the systems and processes, and cultures and values by which the Council is directed and controlled. The 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.
- 22) The Council constantly reviews key governance documents, such as the Constitution and the Leader's Scheme of Delegation, supported by the Standing Orders and Financial Regulations to ensure that they are fit for purpose.
- 23) Every committee report must include financial and legal implications and equal opportunities implications as a minimum. The financial and legal implications are signed-off following submission to the relevant professional services. This process gives the Council and Audit and Standards Committee assurance that law and regulations are complied with.



- 24) The Senior Finance Manager for Internal Audit retains independent access rights to the Chief Executive of the Council, along with access rights to the Chair and other members of the Audit and Standards Committee.

### **Counter Fraud Arrangements**

- 25) The following items give the Audit and Standards Committee confidence that it has adequate assurance over the accuracy of the Counter Fraud Arrangements:
- Internal Audit Plan 2023/24 included the counter fraud resource (June 23)
  - Report of reactive and pro-active fraud activity undertaken by Internal Audit in 2022/23 (July 23)
- 26) The primary responsibility for the prevention and detection of fraud rests with both SCC management and those charged with governance. It is important that management place a strong emphasis on fraud prevention, which may reduce the opportunities for fraud to take place; and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- 27) The Council's Anti-fraud and Corruption Policy Statement and Framework, clearly states that the Council has a zero tolerance to fraud, and that it expects its employees to uphold the highest ethical standards and to strictly adhere to its anti-fraud framework and associated policies.
- 28) As part of the Officers' Code of Conduct, the Policy Statement - Fraud and Corruption incorporates a message from the Chief Executive which clearly states the 'zero tolerance' approach of the authority. It incorporates the fact that any instances of fraud or corruption will be treated as gross misconduct.
- 29) Any individual incidents of a material scale will continue to be reported to the Audit and Standards Committee by Internal Audit, and the Audit and Standards Committee can call in officers to respond to the issues raised. Internal Audit has detected no material frauds during the year (to date).
- 30) The Council participates fully with the National Fraud Initiative (NFI) exercise, and no significant frauds were identified during the last exercise. Work on the current exercise is ongoing.
- 31) The Council's Whistleblowing Policy is currently being reviewed, but it currently contains an explanation on whistleblowing arrangements and the reporting access routes including the details of designated contact officers. The Human Resources Service maintains a central register of allegations. Whistleblowing allegations are all reviewed and where appropriate fully investigated by someone independent of the area.

## **Risk Management**

- 32) The Council has a risk management framework in place. The Corporate Risk Manager attended the Audit and Standards Committee in June 2023 and February 2024 to present to members a report on the current risk management reporting arrangements within the Council. The report included the risk trend analysis as well as the current and emerging risks to delivery of the Council's strategic objectives and the controls in place to manage those risks. Audit and Standards Committee members were given the opportunity to question any issues raised.
- 33) To help embed robust risk management reports to members should include the key risks that relate to the subject area, and these should be scrutinised. There is also a process in place to record and manage the risks in relation to programmes and projects as part of the progress reports submitted to members.

## **Standards Issues**

- 34) The following items give the Audit and Standards Committee confidence that it has adequate assurance over the Standards issues:
- Annual Corporate Complaints report 2022/23 (July 2023)
  - Interim Standards Complaints report – Half yearly (Sept 23)
  - Annual Ombudsman Complaints Report 2022/23 (Nov 23)
  - Report of the review of the Members Code of Conduct and Complaints Procedure (Nov 23)
  - Annual Standards Report (March 24)

## **Requested actions**

- 35) Members are asked to confirm that this report gives an accurate reflection of the items they have received and considered throughout the year.
- 36) Members are also asked to confirm they have an appropriate overview of the Council's systems of internal control so that they are assured that they are fulfilling the requirements of "those charged with governance" under International Auditing Standards.



## Audit and Standards Committee Report

---

**Report of:** Philip Gregory  
Director of Finance and Commercial Services,  
Local Authority Section 151 Officer

---

**Date:** 25 April 2024

---

**Subject:** 2022/23 Unaudited Statement of Accounts -  
Reauthorised

---

**Author of Report:** Clair Sharratt and Ruth Matheson  
Senior Finance Manager and Finance Manager  
Finance and Commercial Services

---

**Summary:** The purpose of this report is to provide Members of the Audit and Standards Committee with a summary and explanation of the amendments to the 2022/23 Unaudited Statement of Accounts.

---

**Recommendations:** The Audit and Standards Committee is asked to note the amendments to the Unaudited Statement of Accounts for 2022/23.

The Audit and Standards Committee is asked to note the delay to the external audit of the 2022/23 Statement of Accounts.

---

**Background Papers:** None

---

**Category of Report:** OPEN

---

## Statutory and Council Policy Checklist

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

## **AUDIT AND STANDARDS COMMITTEE – 25 APRIL 2024**

### **UNAUDITED STATEMENT OF ACCOUNTS 2022/23 REAUTHORISED REPORT**

#### **Purpose of this Report**

1. The purpose of the following report is to update the Committee since the previous report of 22 June 2023 and provide Members with a summary of the amendments to the 2022/23 Unaudited Statement of Accounts and explain the reason for the adjustments.
2. A full set of the reauthorised unaudited accounts is now available on the Council's website via the following link: [Unaudited Statement of Accounts 2022/23](#).
3. This report also outlines the delay to the external audit of the 2022/23 Statement of Accounts.

#### **Introduction**

4. The Council's 2022/23 Unaudited Statement of Accounts were authorised by the Director of Finance and Commercial Services (Section 151 Officer) on the 31 May 2023 and brought to the Audit and Standards Committee on 22 June 2023 for Members to note.
5. Although the accounts have not been subject to external audit by Ernst & Young (EY), officers have continued to review the set of accounts and identified adjustments required to ensure they remain accurate.
6. The Director of Finance and Commercial Services has on behalf of the Council re-confirmed that he is satisfied that the financial statements present a true and fair view of the financial position of Sheffield City Council as at 31 March 2023 and its income and expenditure for the year, on the 16 April 2024. We therefore request the amended Unaudited Statement of Accounts be noted by the Audit and Standards Committee at this meeting.
7. It should be noted that EY have not started the audit of the 2022/23 Statement of Accounts and have therefore not yet been able to provide an audit opinion. The way forward and a final audit opinion will be dependent on any legislation changes as a result of the ongoing Department for Levelling Up, Housing & Communities (DLUHC), National Audit Office (NAO) and Chartered Institute of Public Finance & Accountancy (CIPFA) consultations.

## Summary of adjustments to the 2022/23 Unaudited Statement of Accounts

### Accounting Adjustments

8. The impact of the following accounting adjustments on the balance sheet are shown in **Appendix A**. All applicable statements and disclosure notes have been updated as necessary throughout the accounts document.
- Dwellings Housing Price Index (HPI) and other capital valuations - £-34.8m:
    9. Following the latest HPI for dwelling valuations as at 31<sup>st</sup> March 2023, the movement was considered material enough to adjust the Council's 2022/23 Statement of Accounts. The overall change to the valuation of Council Dwellings and Dwelling Assets Held for Sale was a decrease of £35.5m and £127k respectively.
    10. Whilst this adjustment was being transacted through the accounts, we took the opportunity to amend other valuations to ensure the balance sheet was accurate. This included an increase of £342k to Heritage Assets and an increase of £173k to Property, Plant & Equipment (PPE), due to the valuations not being available at the statutory deadline plus a number of other increased movements to correct PPE totalling £261k.
  - Pensions Triennial valuation - £-25.1m:
    11. Following the pension triennial revaluation as at 31 March 2023, an audit adjustment was processed in the 2021/22 Statement of Accounts to allow for the results of the 2022 actuarial valuation. The comparative prior year pension balances have been updated in the 2022/23 accounts.
    12. This also resulted in the actuary having to amend the Council's 2022/23 pension report for the restated 31<sup>st</sup> March 2022 closing position as the new opening position. The adjustment has been transacted through the 2022/23 Statement of Accounts, which has resulted in a decrease of £25.1m to the pension asset.
  - Schools Cash Advance payment - £17.2m:
    13. The schools April 2023 cash advance payment was believed to have been processed in March 2023. Therefore, to correct the 2022/23 accounts an accrual was taken, unfortunately, this was in error as the payment had correctly been transacted in the 2023/24 financial year. Although a net nil impact, an adjustment of £17.2m has been transacted on the balance sheet so not to overstate both Cash & Cash Equivalents and Short-Term Creditors.

## Other Adjustments

- Disclosure Note 13 - Dedicates Schools Grant (DSG):

14. Following the annual review of the Council's DSG disclosure, the Education & Skills Funding Agency (ESFA), identified that our disclosure was not a correct statement of how the DSG had been deployed. The amended disclosure has since been approved by the ESFA.

- Annual Governance Statement (AGS):

15. Following the review of the 2022/23 AGS by Legal with CIPFA, the updated version has now been included in the 2022/23 Unaudited Statement of Accounts, following its approval at the Audit & Standards Committee meeting on 1<sup>st</sup> February 2024.

## **Financial Implications**

16. There are no financial implications arising from the recommendations set out in this report.

## **Equal Opportunities Implications**

17. There are no equal opportunities implications arising from the recommendations set out in this report.

## **Property Implications**

18. There are no property implications arising from the recommendations set out in this report.

## **Legal Implications**

19. There are no legal implications arising from the recommendations set out in this report.

## **Recommendations**

20. The Audit and Standards Committee is asked to note the amendments to the Unaudited Statement of Accounts for 2022/23.

21. The Audit and Standards Committee is asked to note the delay to the external audit of the 2022/23 Statement of Accounts.

**Clair Sharratt and Ruth Matheson**  
**Finance and Commercial Services**  
**25 April 2024**

## Appendix A – Adjusted Balance Sheet as at 31 March 2023

	As at 31 March 2023	As at 31 March 2023	Variance
	Original	Adjusted	
	£000	£000	£000
Intangible Assets	0	0	-
Property, Plant and Equipment	3,446,405	3,411,363	(35,042)
Heritage Assets	54,883	55,225	342
Investment Properties	18,630	18,630	-
Long Term Investments	5,000	5,000	-
Long term Debtors	119,522	119,522	-
Pension Asset	165,375	140,316	(25,059)
<b>Long Term Assets</b>	<b>3,809,815</b>	<b>3,750,056</b>	<b>(59,759)</b>
Short Term Investments	150,000	150,000	-
Inventories	2,261	2,261	-
Short Term Debtors	168,451	168,451	-
Cash and Cash Equivalents	239,213	222,001	(17,212)
Assets Held for Sale	7,922	7,795	(127)
<b>Current Assets</b>	<b>567,847</b>	<b>550,508</b>	<b>(17,339)</b>
Short Term Borrowing	(27,795)	(27,795)	-
Short Term Creditors	(289,586)	(272,374)	17,212
Short Term Provisions	(10,898)	(10,898)	-
PFI / PPP Finance Lease Liability	(18,614)	(18,614)	-
Capital Grants Receipts in Advance	(58,504)	(58,504)	-
<b>Current Liabilities</b>	<b>(405,397)</b>	<b>(388,185)</b>	<b>17,212</b>
Long Term Borrowing	(887,407)	(887,407)	-
Long Term Provisions	(10,893)	(10,893)	-
PFI / PPP Finance Lease Liability	(301,506)	(301,506)	-
Pension Liability	0	0	-
Other Long Term Liabilities	(14,629)	(14,629)	-
Revenue Grants Receipts in Advance	(6,685)	(6,685)	-
Capital Grants Receipts in Advance	(20,459)	(20,459)	-
<b>Long Term Liabilities</b>	<b>(1,241,579)</b>	<b>(1,241,579)</b>	<b>-</b>
<b>Net Assets</b>	<b>2,730,686</b>	<b>2,670,800</b>	<b>(59,886)</b>
Usable Reserves	(574,825)	(574,825)	-
Unusable Reserves	(2,155,861)	(2,095,975)	59,886
<b>Total Reserves</b>	<b>(2,730,686)</b>	<b>(2,670,800)</b>	<b>59,886</b>



# Sheffield City Council

## DRAFT - Report to the Audit and Standards Committee

Indicative External Audit Plan & Strategy for the year ending 31 March 2024

25 April 2024

# Introduction

To the Audit and Standards Committee  
of Sheffield City Council

We are pleased to have the opportunity to meet with you on 25 April 2024 to discuss our audit of the financial statements of Sheffield City Council for the year ending 31<sup>st</sup> March 2024

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice. The NAO is consulting on a new Code of Audit Practice for 2023/24, therefore this plan will remain draft until the finalisation of that Code.

This report outlines our risk assessment and planned audit approach. Our planning activities are still ongoing and we will communicate any significant changes to the planned audit approach as a result of further work still to be undertaken. In addition, any legislation changes as a result of ongoing DLUHC, NAO & CIPFA consultations may impact our plan. Please note that this is our indicative audit plan & strategy. We note that an audit opinion has not been expressed on the prior period, once the prior period audit opinion has been expressed we will communicate any significant changes to the planned approach. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

Contents	Page
Overview of planned scope including materiality	3
Significant risks and Other audit risks	5
Audit approach – fraud risk revenue recognition rebuttal	11
Mandatory communications – additional reporting including going concern	12
Mandatory communications	13
Appendix	14

## The engagement team

Tim Cutler, FCA, is the engagement partner on the audit. He has 27 years of experience. Tim Cutler (Partner) shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Matthew Moore (Senior Manager) and Iram Hussain (Assistant Manager) with many years of experience.

Yours sincerely,



Tim Cutler,

Partner- KPMG LLP

25/04/2024

## How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. The audit undertaken in the current year is dependent on the finalisation of the previous auditor's work over historical financial statements. We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

### Restrictions on distribution

*This report is intended solely for the information of those charged with governance of Sheffield City Council and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it. .*

# Overview of planned scope including materiality

## Our materiality levels

We determined materiality for the financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure, which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation, lack of shareholders when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality (65% of materiality at £23.4m) driven by our expectations of an increased level of undetected or uncorrected misstatements resulting from an absence of audit assurance for the prior year.

We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons, such as officers' remuneration.

## We will report misstatements to the audit and standards committee including:

- Corrected and uncorrected audit misstatements above £1.8m.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

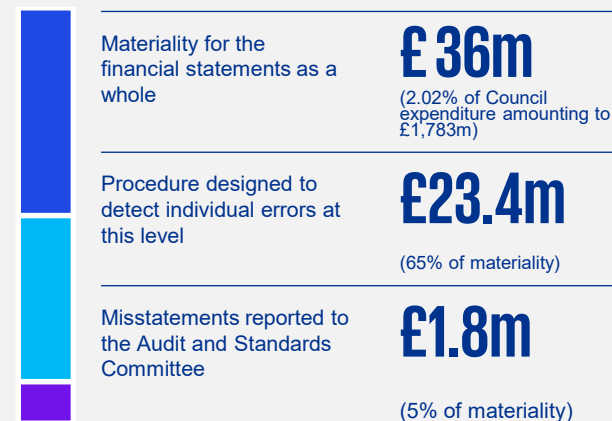
## Control environment

The impact of the group control environment on our audit is reflected in our planned audit procedures, in particular the lack of existing knowledge has led us to reduce our performance materiality as already referenced.

## File review

We will undertake an appropriate prior year file review dependent on the final opinion issued by the previous auditors.

## Materiality



**Materiality**  
**£36m**  
**2.02% of expenditure £1,783m**

# Overview of planned scope including materiality (cont.)

## Timing of our audit and communications

- We will maintain communication led by the engagement partner and senior manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management in November 2023 where we discussed and outlined our audit approach and discuss management's progress in key areas;
- Due to the work of previous auditors still on-going, we will be communicating dates for audit completion at a future Committee;
- We have met with the Audit and Standards Committee chair and have agreed to catch up regularly around the Audit and Standards Committee cycle.

## Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
<b>Internal Audit</b>	We do not plan to rely on the work performed by internal audit as part of our external audit.
<b>KPMG IT Audit Team</b>	<p>Given this is a first year audit and we are unfamiliar with the IT environment, we will be utilising our IT team to gain an understanding of the key financial systems and processes within the council.</p> <p>With the introduction of ISA315 revised we need to fully understand and test the design of IT controls carried out by the Council.</p>
<b>KPMG Revaluation Team (REVCoE)</b>	We will be utilising our REVCoE team to perform work over the annual revaluation of the council's Land & Buildings
<b>KPMG Pensions Centre of Excellence</b>	We will be utilising our PCoE team to perform work over the LGPS assets & liabilities within the council's accounts.
<b>KPMG Clara Data and Analytics (D+A)</b>	We will be utilizing our Clara (D+A) team to help screen and test journal entries including high risk Journals.

# Significant risks and Other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the sector and the wider economic environment in which Sheffield City Council operates.

We also use our regular meetings with senior management to update our understanding and take input from sector and internal audit reports.

Due to the current levels of uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Audit and Standards Committee.

## Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

Our risk assessment work over this is ongoing and we will update the Audit and Standards Committee at a later date.

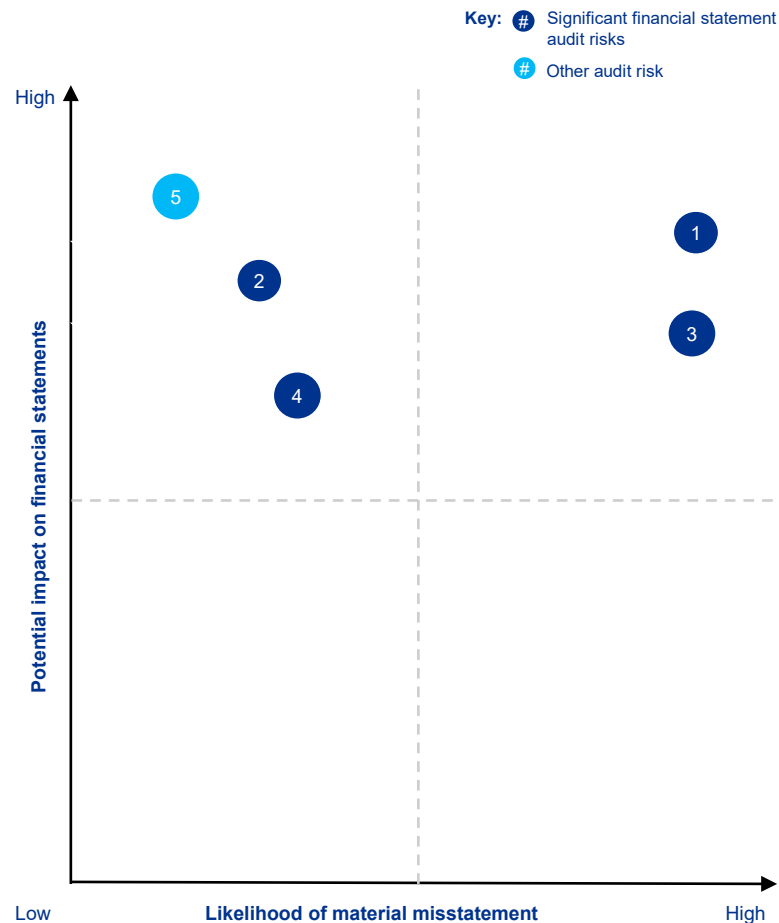
We have outlined the VFM process that we will be carrying out on page 14.

### Significant risks

1. Valuation of land and buildings
2. Management override of controls
3. Valuation of post retirement benefit obligations
4. Completeness of non pay expenditure

### Other audit risks

5. Ledger Migration



# Audit risks and our audit approach (cont.)

1

## Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value



Significant  
audit risk

Page 38

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The council has an internal valuation team and also contracts with External Valuation Experts for specialised valuations. In 2023/24 there will be external valuations of the Energy Recovery Facility (Charterfields), Grosvenor House (Cushman and Wakefield) and all Agricultural Assets (Carter Jonas).

Major Sporting Facilities (MSF) will be subject to in-house valuers desktop exercise, all other assets will be assessed to ensure that they are still being carried at fair value as at 31 March 2024

Valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied. This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

The value of PPE at 31 March 2023 (unaudited) was £3,411m. This includes £1,635m Housing Dwellings, £595m Other Land and Buildings, £247m Surplus Assets, and £633m Infrastructure Assets.



Planned  
response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of Charterfields, Cushman and Wakefield, and Carter Jonas the valuers used in developing the valuation of the Council's properties at 31 March 2024;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

# Audit risks and our audit approach (cont.)

2

## Management override of controls(a)

Fraud risk related to unpredictable way management override of controls may occur



### Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

*Note: (a) Significant risk that professional standards require us to assess in all cases.*



### Planned response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the council's normal course of business, or are otherwise unusual.
- We will analyse all journals through the year using data and analytics and focus our testing on those with a higher risk.

# Audit risks and our audit approach (cont.)

3

## Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



### Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's gross pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension liabilities and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.
- The Council had a net Pension Asset (£165m) as at 31 March 2023



### Planned response

We will perform the following procedures:

- Understand the processes the Council have in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirm that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions; and
- Where applicable, assess the level of surplus that should be recognised by the entity.



# Audit risks and our audit approach

## 4 Fraud risk from expenditure recognition

Liabilities and related expenses for purchases of goods or services are not completely identified and recorded.



### Significant audit risk

The Council has a statutory duty to balance their annual budget. Where a Council does not meet its budget this creates pressure on the Council's usable reserves and this in turn provides a pressure on the following year's budget. This is not a desirable outcome for management.

Q3 reporting to the Finance Committee is projecting a £16.7m overspend with significant pressures in Children's (£11.2m), Adult's (£2.6m), Neighbourhood (£2.1m), Strategic Support (£4.5m) and Public Health (£1.6m), with an underspend in Corporate of £5.5m.

These pressures in the system may provide an incentive for management to understate expenditure to mask the current financial performance.

We consider this would be most likely to occur through understating accruals, for example to push back expenditure to 2024-25 to mitigate financial pressures in 2023-24.



### Planned response

We will perform the following procedures in order to respond to the significant risk identified:

- We will evaluate the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely recorded;
- We will inspect a sample of invoices of expenditure and payments from the bank, in the period after 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete;
- We will inspect journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence; and

# Audit risks and our audit approach

5

## General Ledger Migration



### Other audit risk

The data migrated from the old to new general ledger system are incomplete or inaccurate

The Council migrated its general ledger software in February 2024.

This migration poses a risk of incomplete or inaccurate data having been migrated over and therefore a risk of inaccurate ledger balances and inaccurate preparation of the year-end financial statements.



### Planned response

We will perform the following procedures:

- We will understand and evaluate the design and implementation of controls in place around the migration to ensure the complete and accurate transfer of data;
- We will consider the impact the migration will have on our understanding of the business processes and perform additional risk assessment procedures to ensure that we have appropriately and sufficiently documented its impact;
- We will understand the changes to the IT environment and involve KPMG IT audit specialists
- We will test the migration of data to ensure completeness and accuracy of the transferred data; and
- We will verify the accuracy of the opening trial balance of the new general ledger system and reconcile it to the closing trial balance of the old general ledger system to confirm that the ledger balances have accuracy transferred across.

# Audit risks and our audit approach

## Revenue – Rebuttal of Significant Risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the sector we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of Income	Nature of Income	Rationale for Rebuttal
<b>Council tax</b>	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property: it is highly unlikely for there to be a material error in the population.
<b>Business rates</b>	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually: it is highly unlikely for there to be a material error in the population.
<b>Fees and charges</b>	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
<b>Grant income</b>	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.

# Mandatory communications - additional reporting

## Going concern

Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.

However, financial sustainability is a core area of focus for our Value for Money opinion.






## Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

Page 44

<p>Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily</p> 	<p>We have identified issues that we may need to report</p> 	<p>Work is completed at a later stage of our audit so we have nothing to report</p> 
---	---	---

We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts of DLUHC.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

# Mandatory communications

Type	Statements
<b>Management’s responsibilities (and, where appropriate, those charged with governance)</b>	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
<b>Auditor’s responsibilities</b>	<p>Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
<b>Auditor’s responsibilities – Fraud</b>	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
<b>Auditor’s responsibilities – Other information</b>	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
<b>Independence</b>	<p>Our independence confirmation at page 25 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff.</p>

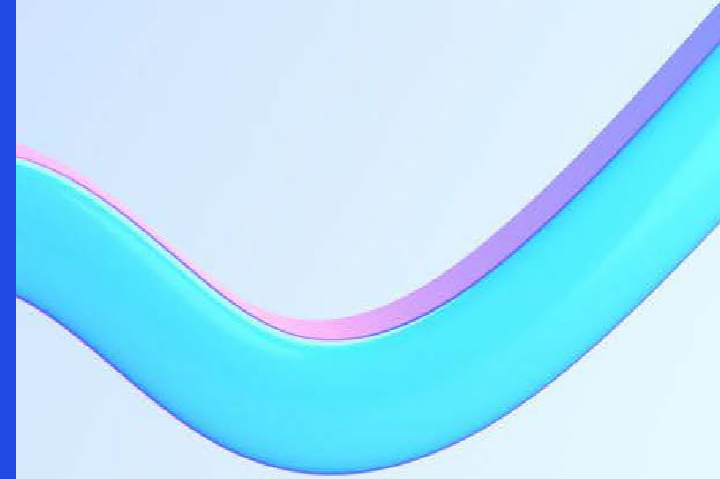
# Sheffield City Council

## DRAFT - Value for money

### Our approach

Year ended 31 March 2024

25 April 2024



# Value for money

**For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.**

Our responsibility to conclude on significant weaknesses in value for money arrangements is unchanged.

The main output remains a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

## Risk assessment processes

Our responsibility remains to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

## Reporting

As with the prior year our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

### Financial sustainability

*How the body manages its resources to ensure it can continue to deliver its services.*

### Governance

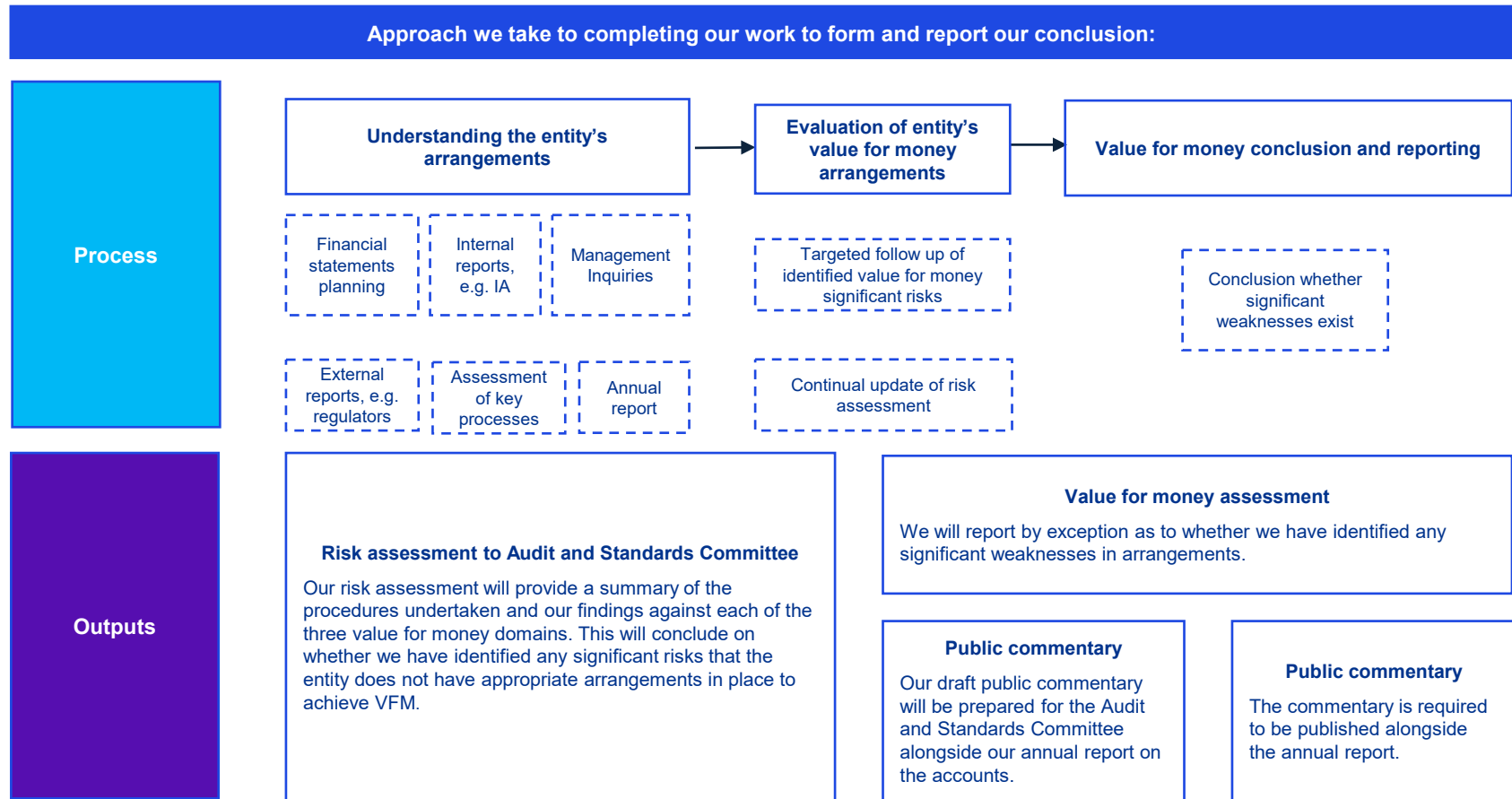
*How the body ensures that it makes informed decisions and properly manages its risks.*

### Improving economy, efficiency and effectiveness

*How the body uses information about its costs and performance to improve the way it manages and delivers its services.*

# Value for money

Page 48





# Appendix

	Page
A Audit team	18
B Audit cycle & timetable	19
C Fees	20
D Confirmation of independence	21
E KPMG's Audit quality framework	24
F ISA (UK) 315 Revised: Overview	25
G ISA (UK) 240 Revised: Summary of key changes	26
H FRC's Areas of Focus	27

# Audit team and rotation

Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.



Tim Cutler is the partner responsible for our audit. He will lead our audit work, attend the Audit and Standards Committee and be responsible for the opinions that we issue.



Matthew Moore is the senior manager responsible for our audit. He will co-ordinate our audit work, attend the Audit and Standards Committee and ensure we are co-ordinated across our accounts and use of funds work.



Iram Hussain is the assistant manager responsible for our audit. She will be responsible for our on-site fieldwork. She will complete work on more complex section of the audit.

Page 50

To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



This will be partner's first year as your engagement lead. They are required to rotate every five years, extendable to seven with PSAA approval.

# Audit cycle & timetable

## Our schedule 2023-2024

We have worked with management to generate our understanding of the processes and controls in place at the Council in its preparation of the Statement of Accounts.

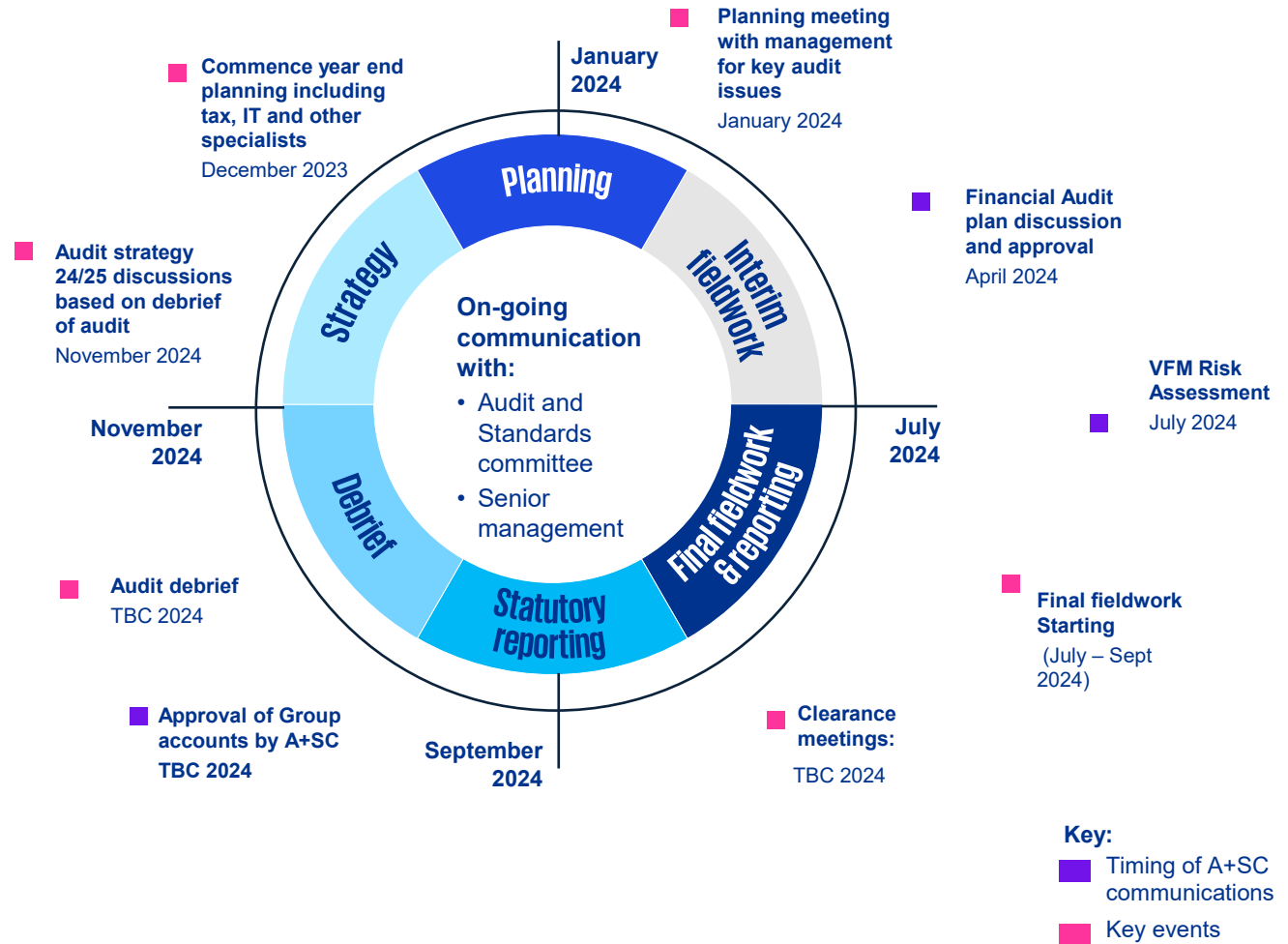
We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report by 31 December 2024 as per backstop date.

This being the first year of KPMG as auditor we have undertaken greater activities to understand the Council at the planning stage. This level of input may not be required in future years and may change our audit timings.

**Given the large amount of consultation** happening in regard to the scope and timing of local government this audit schedule may be subject to change.

The timetable will be subject to the consultation exercise.

Page 51



# Fees

## Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)
Statutory audit	458
ISA315r **	TBC
ISA240 **	TBC
<b>TOTAL</b>	<b>458</b>

As per PSAA's Scale Fees Consultation, the fees do not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud).

\*\* We would expect and expected range between (5-10%) additional fees dependent on the level of IT controls work needed. \*\*

The fees also assume no significant risks are identified as part of the Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

## Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

## Basis of fee information

Our fees are subject to the following assumptions:

- The entity's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The entity's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

# Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit and Standards Committee members

## Assessment of our objectivity and independence as auditor of Sheffield City Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

## General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity (except for those detailed below where additional safeguards are in place).

## Independence and objectivity considerations relating to the provision of non-audit services

### Summary of non-audit services

During the year we anticipate that we will provide non-audit services relating to the certification of the Housing Benefits Annual Return. Further detail is provided on the following page.

# Confirmation of Independence

D i s c l o s u r e	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2024 £m	Value of Services Committed but not yet delivered £m
1	Housing Benefit Assurance Process (HBAP) Certification 2023-24	None identified.	<ul style="list-style-type: none"> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed is not relied on during the audit.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed Fee and Time	Nil	£75k
2	Teachers Pensions Assurance Process (TPA) certification 2022-23 and 2023-24	None	<ul style="list-style-type: none"> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed is not relied on during the audit.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed Fee and Time	£7k	£7k

# Confirmation of Independence (cont.)

## Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

## Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.19:1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	458
Other Assurance Services	89
<b>Total Fees</b>	<b>547</b>

## Application of the FRC Ethical Standard 2019

We communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

## Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Standards Committee.

## Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Standards Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully



**KPMG LLP**

# KPMG's Audit quality framework

**Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.**

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

Page 56

## ■ Commitment to continuous improvement

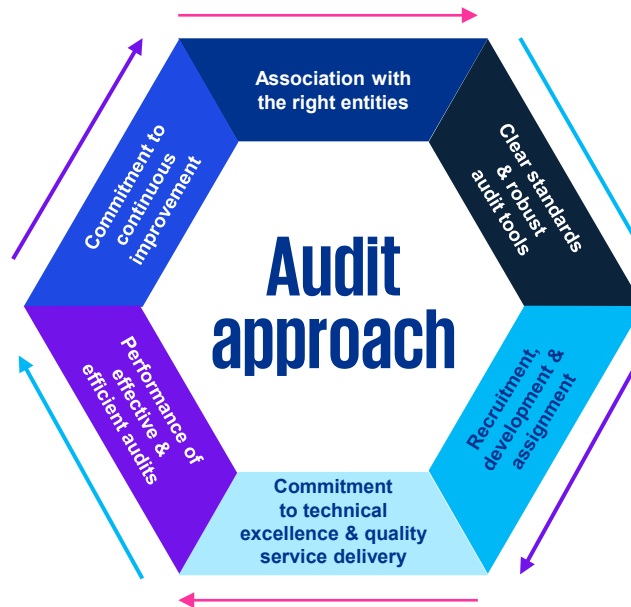
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

## ■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

## ■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



## ■ Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

## ■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

## ■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists



# ISA (UK) 315 Revised: Overview



## Summary

**In the prior period, ISA (UK) 315 Revised “Identifying and assessing the risks of material misstatement” was introduced and incorporated significant changes from the previous version of the ISA.**

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

### What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard’s scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

### Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity’s audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

### What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

# ISA (UK) 240 Revised: changes embedded in our practices

## Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor’s responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor’s obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management’s process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Area	Our approach following the revisions
<b>Risk assessment procedures and related activities</b>	<ol style="list-style-type: none"> <li>1) Increased focus on applying professional scepticism – the key areas affected are:                             <ul style="list-style-type: none"> <li>• the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence;</li> <li>• remaining alert for indications of inauthenticity in documents and records, and</li> <li>• investigating inconsistent or implausible responses to inquiries performed.</li> </ul> </li> <li>2) Requirements to perform inquiries with individuals at the entity are expanded to include, amongst others, those who deal with allegations of fraud.</li> <li>3) We will determine whether to involve technical specialists (including forensics) to aid in identifying and responding to risks of material misstatement due to fraud.</li> </ol>
<b>Internal discussions and challenge</b>	<p>We will have internal discussions among the audit team to identify and assess the risk of fraud in the audit, including determining the need for additional meetings to consider the findings from earlier stages of the audit and their impact on our assessment of the risk of fraud.</p>

# FRC's areas of focus



The FRC released their [Annual Review of Corporate Reporting 2021/22](#) in October 2022, along with a [summary of key matters](#) for the coming year, primarily targeted at CEOs, CFOs and Audit and Standards Committee chairs. In addition, they released six thematic reviews during the year which should be considered when preparing financial reports.

The reports identify where the FRC believes companies should be improving their reporting. Below is a high level summary of the key topics. We encourage management and those charged with governance to read further on those areas which are significant to the **council**.



## Reporting in uncertain times

Last year's Annual Review of Corporate Reporting from the FRC was prepared in the context of the current heightened economic and geopolitical uncertainty. The challenges of the Covid-19 pandemic, Russia's invasion of Ukraine and slowing of global economies has led to inflationary pressure worldwide and rising interest rates.

This makes meaningful disclosure more important than ever, and the FRC has stressed the need for companies to move beyond simply complying with the minimum requirements of the relevant accounting and reporting frameworks. They expect companies to provide high-quality, decision-useful information for investors, with companies continually assessing evolving risks and ensuring these are clearly explained in annual reports.

The potential effects of uncertainty on recognition, measurement and disclosure are numerous, and companies will need to think carefully about the impacts of uncertainty, in particular inflation, on their reporting. The Annual Review gives a number of examples including:

**Strategic report:** the impact of inflation on the business model, changes to principal risks and uncertainties, and the impact of inflation on stakeholders.

**Discount rates:** inputs need to follow a consistent approach in incorporating the effects of inflation.

**Material assumptions:** where inflation assumptions represent a source of significant estimation uncertainty, the FRC expects companies to provide explanation of how these have been calculated and sensitivity disclosures if appropriate.

**Pension schemes:** explain the effect of uncertainty on investment strategy and associated risks.



## Climate-related reporting

Climate-related reporting has advanced significantly this year as premium listed entities are required by the Listing Rules to provide disclosures consistent with the Taskforce on Climate-Related Disclosures (TCFD) recommendations. This follows the expansion of the Streamlined Energy and Carbon Reporting (SECR) rules last year, which require quoted companies and large unquoted companies and LLPs to provide emissions reporting.

Climate has therefore been an area of ongoing focus for the FRC, with a thematic reviews in both 2021 and 2022 on aspects of climate reporting. From reviews of TCFD disclosures in the year, the FRC has highlighted five areas of improvement for companies to consider going forwards:

**Granularity and specificity:** disclosures should be granular and specific both to the company and the individual disclosure requirement, including a clear link to financial planning.

**Balance:** discussion of climate-related risks and opportunities should be balanced, and companies should consider any technological dependencies.

**Interlinkage with other narrative disclosures:** companies should ensure clear links between TCFD disclosures with other narrative disclosures in the annual report.

**Materiality:** companies should clearly articulate how they have considered materiality in the context of their TCFD disclosures.

**Connectivity between TCFD and financial statements disclosures:** the FRC may challenge those that disclose significant climate risks or net zero transition plans in narrative reporting, but do not explain how this is taken into account in the financial statements.

# FRC's areas of focus (cont.)

## Cash flow statements

This continues to be a particular area of concern as it is a recurring source of errors identified by the FRC, with 15 companies restating their cash flow statements in the review period as a result of the FRC's enquiries.

Companies are encouraged to consider the guidance in the 2020 thematic review on this topic, and to ensure that robust pre-issuance reviews of the financial statements have been undertaken.

Cash flows must be classified as operating, investing or reporting in line with the requirements of the standard, and amounts reported should be consistent with disclosures elsewhere in the report and accounts including the elimination of non-cash transactions.

Several errors identified by the FRC related to the parent company cash flow statement, and it should be ensured that this statement also complies with the requirements of the standard.

## Financial Instruments

Companies should ensure that disclosure is sufficient to enable users to evaluate the nature and extent of risks arising from financial instruments and the approach taken to risk management.

These disclosures should include the approach and assumptions used in the measurement of expected credit losses, and details of concentrations of risk. In times of economic uncertainty, disclosure of methods used to measure exposure to risks, and details of hedging arrangements put in place for interest rates or inflation are all the more important.

In addition, accounting policies should be provided for all material financing and hedging arrangements and any changes in these arrangements. Where companies have banking covenants, information about these should be provided (unless the likelihood of a breach is considered remote).

## Income taxes

Where material deferred tax assets are recognised by historically loss-making entities, disclosures should explain the nature of the evidence supporting their recognition. In addition, any connected significant accounting judgements or sources of estimation uncertainty will also need to be disclosed.

On tax more generally, the FRC expects companies to ensure that tax-related disclosures are consistent throughout the annual report and accounts, and material reconciling items in the effective tax rate reconciliation are adequately explained.

For groups operating in several jurisdictions, effective tax reconciliations may be more meaningful if they aggregate reconciliations prepared using the domestic rate in each individual jurisdiction, with a weighted average tax rate applied to accounting profit.

## Strategic report and other Companies Act 2006 matters

The strategic report needs to articulate the effects of economic and other risks facing companies, including inflation, rising interest rates, supply chain issues and labour relations. Mitigation strategies should be explained, with links, where relevant, to information disclosed elsewhere in the annual report.

Business reviews should discuss significant movements in the balance sheet and cash flow statement, and should not be limited to just an explanation of financial performance in the period.

The FRC has also identified instances of companies not complying with legal requirements around distributions, and companies are reminded of the need to file interim accounts to support distributions in excess of the distributable profits shown in the relevant accounts.

## Revenue

Accounting policies should be provided for all significant performance obligations and should address the timing of revenue recognition, the basis for over-time recognition, and the methodology applied.

Inflationary features in contracts with customers and suppliers and the accounting for such clauses are under increased focus this year.

## Alternative performance measures ('APMs')

APMs should not be presented with more prominence, emphasis or authority than measures stemming directly from the financial statements, and should be reconciled to the relevant financial statements line item.

# FRC's areas of focus (cont.)

## Provisions and contingencies

Companies should give clear and specific descriptions of the nature and uncertainties for material provisions or contingent liabilities, the expected timeframe and the basis for estimating the probable or possible outflow.

Inputs used in measuring provisions should be consistent in the approach to incorporating the effects of inflation, and details of related assumptions should be provided if material.

## Presentation of financial statements and related disclosures

Material accounting policy information should be clearly disclosed, and additional company-specific disclosures should be provided when compliance with IFRS requirements is insufficient to adequately explain transactions.

## Judgements and estimates

Economic uncertainty increases the likelihood of companies needing to make significant judgements when preparing financial statements. The FRC highlights two specific examples – going concern assessments and accounting for inflationary features in contracts – where disclosure is key.

More generally, the FRC highlights the need for disclosures to clearly distinguish between estimates with a significant risk of a material adjustment to the carrying amounts of assets/liabilities within the next year, and other sources of estimation uncertainty.

Significant estimates, and the associated disclosures should be updated at the balance sheet date. Sensitivity disclosures should be meaningful for readers, for example by sensitising the most relevant assumptions, and explaining any changes in assumption since the previous year.

## Impairment of assets

Economic uncertainty may have a significant impact on impairment assessments, and this is an area where queries raised from the FRC could have been avoided by clearer disclosure.

Companies need to explain the sensitivity of recoverable amounts to changes in assumptions, especially where the range of possible outcomes has widened. This should include explanation of the effect of economic assumptions, such as reduction in customer demand and increased cost.

Inflation should be treated consistently in value in use calculations. Nominal cash flows are discounted at a nominal rate, and real cash flows are discounted at a real rate.

Lastly, the FRC stresses the importance of consistency between impairment reviews/disclosures and other disclosures in the annual report.

## Thematic reviews

The FRC released six thematic reviews on corporate reporting last year, and companies are encouraged to consider the guidance in those reviews, where relevant, to enhance their financial reporting. The topics covered are:

- [TCFD disclosures and climate in the financial statements](#)
- [Judgements and estimates](#)
- [IFRS 3 Business Combinations](#)
- [Discount rates](#)
- [Deferred Tax Assets \(IAS 12\)](#)
- [Earnings per Share \(IAS 33\)](#)


## 2022/23 review priorities

The FRC has indicated that its 2022/23 reviews will focus on the extent to which companies' disclosures address risks and uncertainty in the challenging economic environment, including those relating to climate change. Companies need to clearly articulate the impact of these risks on their strategy, business model and viability. In particular, the FRC intends to prioritise reviews of companies operating in the following sectors:

 Travel, hospitality and leisure

 Construction materials

 Retail

 Gas, water and multi-utilities



[kpmg.com/uk](https://kpmg.com/uk)

Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



## Audit and Standards Committee Report

---

**Report of:** General Counsel

---

**Date:** 25 April 2024

---

**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

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



**WORK PROGRAMME**

**1. Purpose of Report**

1.1 To consider an outline work programme for the Committee.

**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.

**David Hollis  
General Counsel**

This page is intentionally left blank

**4.0 Referrals from other Committees**

4.1 Any referrals sent to this Committee by Council, including any public questions, petitions and motions, or other committees since the last meeting are listed here, with commentary and a proposed course of action, as appropriate:

Issue	
Referred from	
<i>Details</i>	
<i>Commentary/ Action Proposed</i>	

**Part 5: Proposed additions and amendments to the work programme since the last meeting:**

Item	Proposed Date	Note
ICO recommendations progress update	July 2024	
Value for Money	June 2024	
Auditors Annual Report	April 2024	

**Part 6: Audit & Standards Committee Work Programme for municipal year 2024/25:**

Date	Item	Author
25 April 2024	Compliance to International Auditing Standards	Philip Gregory (Director of Finance and Commercial Services)
	Statement of Accounts 2022/23 (Unaudited)	Philip Gregory (Director of Finance and Commercial Services)
	Auditors Annual Report	External Auditor (EY)
	Introduction and Audit Plan	KPMG (External Auditor)
	Work Programme	David Hollis (General Counsel/Monitoring Officer)
June 2024	Audit Training	External Facilitator (TBC)

Audit and Standards Work Programme 2024-25- Working Copy

June 2024	Whistleblowing Policy Review	Elyse Senior-Wadsworth (Head of Human Resources)
	Audit Recommendation Tracker Progress Report	Linda Hunter (Senior Finance Manager)
	Internal Audit Tactical Plan 24/25	Linda Hunter (Senior Finance Manager)
	Report of those Charged with Governance (ISA 260)	External Auditor (KPMG)
	Value For Money	External Auditor (EY)
	Work Programme	David Hollis (General Counsel/Monitoring Officer)
	Strategic Risk Update	Helen Molteno (Corporate Risk Manager)
July 2024	Internal Audit Annual Fraud Report	Stephen Bower (Finance and Risk Manager)
	Role of the Audit Committee and Training	Claire Sharratt (Senior Finance Manager)
	Update on Improvement Plan and Annual Complaints Report 24/25	Corleen Bygraves-Paul (Service Delivery Manager, Customer Services)
	Community Schools Update	Andrew Jones (Director of Education and Skills)
	ICO recommendations progress update	Sarah Green (Senior Information Management Officer)
	Work Programme	David Hollis (General Counsel/Monitoring Officer)
September 2024	External Audit Plan	External Auditor (KPMG)
	Annual Internal Audit Report	Linda Hunter (Senior Finance Manager)
	Statement of Accounts 2022/23 (Audited)	Philip Gregory (Director of Finance and Commercial Services)

Audit and Standards Work Programme 2024-25- Working Copy

	Interim Standards Complaints Report (Half Yearly)	David Hollis (General Counsel/Monitoring Officer)
	Annual Governance Statement	David Hollis (General Counsel/Monitoring Officer)
	Work Programme	David Hollis (General Counsel/Monitoring Officer)
October 2024	Information Management Annual Report & ICO Audit	Sarah Green (Senior Information Management Officer)
	Work Programme	David Hollis (General Counsel/Monitoring Officer)
November 2024	Review of Members' Code of Conduct and Complaints Procedure	David Hollis (General Counsel/Monitoring Officer)
	Annual Ombudsman Report & Update on 23/24 half yearly complaints performance and Complaints Service improvement plan	Corleen Bygraves-Paul (Service Delivery Manager, Customer Services)
	Work Programme	David Hollis (General Counsel/Monitoring Officer)
January 2025	Work Programme	David Hollis (General Counsel/Monitoring Officer)
February 2025	Audit Recommendation Tracker Progress Report	Linda Hunter (Senior Finance Manager)
	Work Programme	David Hollis (General Counsel/Monitoring Officer)
	Strategic Risk Reporting	Helen Molteno (Corporate Risk Manager)
March 2025	Annual Standards Report	David Hollis (General Counsel/Monitoring Officer)
	Formal Response to Audit (ISA 260) Recommendations	Philip Gregory (Director of Finance and Commercial Services)

Audit and Standards Work Programme 2024-25- Working Copy

	Work Programme	David Hollis (General Counsel/Monitoring Officer)
April 2025	Internal Audit Plan 2025/26	Linda Hunter (Senior Finance Manager)
	Compliance to International Auditing Standards	Philip Gregory (Director of Finance and Commercial Services)
	Statement of Accounts 2023/24 (Unaudited)	Philip Gregory (Director of Finance and Commercial Services)
	Complaints performance and complaints Service improvement plan	Corleen Bygraves-Paul (Service Delivery Manager, Customer Services)
	Work Programme	David Hollis (General Counsel/Monitoring Officer)
July / August 2025	Audit Training	External Facilitator (TBC)
June 2025	Audit Recommendation Tracker Progress Report	Linda Hunter (Senior Finance Manager)
	Strategic Risk Update	Helen Molteno (Corporate Risk Manager)
	Whistleblowing Policy Review	Elyse Senior-Wadsworth (Head of Human Resources)
	Work Programme	David Hollis (General Counsel/Monitoring Officer)

**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

Audit and Standards Work Programme 2024-25- Working Copy  
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)**

This page is intentionally left blank