

Audit Committee

Meeting held 14 April 2016

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

Co-opted Independent Members

Rick Plews and Liz Stanley.

Officers in attendance

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

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1. MR RICK PLEWS

- 1.1 Councillor Steve Jones (Chair of the Committee) reported that Rick Plews was attending his last meeting of the Committee as an Independent Co-opted Member as his term of office expired on 17 May 2016 and thanked him for his valuable contribution to the work of the Committee.
- 1.2 The Interim Executive Director, Resources commented that Rick Plews was one of two Co-opted members that were first appointed to the Committee in 2011. He considered that the independent members were an important part of the Committee with a non-partisan approach and he highlighted Mr Plews' effective contribution.
- 1.3 Mr Plews thanked the Committee and stated that he had found it an interesting experience, had enjoyed his time on the Committee and would miss being involved.
- 1.4 **Resolved:** That the Committee places on record its thanks and appreciation to Rick Plews for his contribution to the work of the Committee and offers him its best wishes for the future.

2. APOLOGIES FOR ABSENCE

- 2.1 There were no apologies for absence.

3. EXCLUSION OF PUBLIC AND PRESS

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

4. DECLARATIONS OF INTEREST

- 4.1 There were no declarations of interest.

5. MINUTES OF PREVIOUS MEETING

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

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

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

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

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

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

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

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

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

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

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

8. EXTERNAL AUDIT PLAN 2015/16

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

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

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

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

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

9. ANNUAL AUDIT FEE LETTER 2016/17

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

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

10. INTERNAL AUDIT PLAN 2016/17

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

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

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

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

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

11. INTERNAL AUDIT ANNUAL FRAUD REPORT

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

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

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

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

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

13. COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

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

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

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

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

14. REVISED TERMS OF REFERENCE

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

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

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

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

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

15. WORK PROGRAMME

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

16. DATES OF FUTURE MEETINGS

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

17. COUNCILLOR STEVE JONES

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