

## SHEFFIELD CITY COUNCIL

### Audit and Standards Committee

#### Meeting held 22 September 2022

**PRESENT:** Councillors Colin Ross (Chair), Angela Argenzio, Simon Clement-Jones, Tom Hunt, Kevin Oxley and Alison Howard (Independent Co-opted Member)

#### **1. APOLOGIES FOR ABSENCE**

- 1.1 Apologies for absence were received from Councillors Ben Curran and Garry Weatherall.

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

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

#### **3. DECLARATIONS OF INTEREST**

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

#### **4. MINUTES OF PREVIOUS MEETING**

- 4.1 **RESOLVED:** That the minutes of the meetings held on 28 July 2022 were agreed as an accurate record, subject to a typographical error at 5.3 of the minutes.

#### **5. EXTERNAL AUDIT PLAN 2021/22**

- 5.1 Hayley Clark (Partner), and Dan Spiller (Senior Manager), Ernst & Young LLP attended the meeting to present the report to the Committee.
- 5.2 Hayley Clark explained that the report set out the Council's Audit risks and areas of focus, in which the risks identified had not seen much progress.
- 5.3 The Committee were informed that the materiality for 2021/22 were set at £28.7m. That represented 1.8% of the Council's 2021/22 Draft Accounts' gross expenditure on provision of services.
- 5.4 Hayley Clark referred to page 32 of the report which outlined Ernst & Young's timetable of communication and deliverables.

- 5.5 Dan Spiller referred to page 5 of the report which set the Council's Audit risks. It was explained that a new risk had been identified which was the Valuation of Highways Infrastructure Assets. Although, this risk had emerged nationally therefore impacted many authorities. The Committee were informed that further details on that risk were set out on page 14 of the report.
- 5.6 Dan Spiller explained there was 3 areas that could potentially cause significant impact in relation to Value for Money and they were identified on page 22 of the report.
- 5.7 Members of the Committee asked questions and the following responses were provided: -
- 5.8 Hayley Clark explained that Ernst & Young's audit had already started and would continue over the coming months. Those audit results would be reported at the Audit and Standards Committee meeting in January 2023. It was added that the Value for Money commentary would be reported at the March 2023 Committee meeting. Hayley Clark mentioned that if anything of significant impact needed to be reported earlier than scheduled, then they would bring those findings to an earlier Committee meeting.
- 5.9 Hayley Clark explained that due to the change in Code of Audit Practice in 2020, Ernst & Young do have a responsibility to monitor the Council's current financial position. It was added that Ernst & Young also had regular meetings with the Director of Finance and Commercial Services, in which they received regular updates.
- 5.10 The Director of Finance and Commercial Services, Ryan Keyworth asked that Ernst & Young raised any significant issues with the Committee, prior to the Committee signing of the Council's 2023/24 Budget in March 2023.
- 5.11 Hayley Clark explained that the new risk identified around Valuation of Highways Infrastructure Assets was a complex technical issue. She explained that it mainly came down to the valuation of assets on the balance sheet and there were ongoing consultations to identify a way forward at a national level. These were still underway and Ernst and Young would continue to liaise with management on this risk, and take action to assess the extent to which the issue impacts on the Council.
- 5.12 RESOLVED: That the Audit & Standards Committee noted the External Audit Plan 2021/22.

## **6. ANNUAL INTERNAL AUDIT REPORT**

- 6.1 The Committee received a report of the Senior Finance Manager, Internal Audit which highlighted the work that had been undertaken by Internal Audit during the year. The report also supported the Council's Annual Governance Statement.
- 6.2 The Senior Finance Manager, Internal Audit, Linda Hunter stated that she was satisfied that the risk management, governance, and internal control framework were adequate to allow the Council the conduct its business appropriately.
- 6.3 It was stated that page 19 of the report outlined the Council's professional requirements. It was added that Appendix A to the report was an Internal Audit Charter, and Appendix B was an Internal Audit Quality Assurance and Improvement Programme.
- 6.4 It was mentioned that Internal Audit reports are then given an overall opinion as to the likelihood of the service/system under review being able to meet its objectives. Those opinions were set out on page 25 of the report. The Committee were informed that there was 0 no assurance reports, 12 Limited assurance reports, 15 Moderate assurance reports and 8 Substantial assurance reports.
- 6.5 Performance targets figures were outlined on page 27 of the report. It was mentioned that 4 out of 5 performance targets were met.
- 6.6 Members of the Committee asked questions and the following responses were provided: -
- 6.7 The Senior Finance Manager, Internal Audit explained that the Internal Audit Section had been working virtually from home for the entirety of the year being reported upon. This position was currently changing with a hybrid approach being adopted. Staff were expected to spend 40% of their working week carrying out office-based working.
- 6.8 The Senior Finance Manager, Internal Audit stated that the 12 Limited assurance reports, mentioned on page 25, would be added to the recommendation tracker, which will be presented to the Committee at a future meeting. These will also be reported to the Performance Delivery Board, to determine whether service officers need additional support.
- 6.9 The Senior Finance Manager, Internal Audit confirmed the hybrid style of working for Internal Audit staff had not caused any significant impact of being able to carry out duties. It was mentioned that the staff still had access to all the required equipment and systems. The service had also noticed less cancelations occurring, since moving their audit meetings onto Microsoft Teams.
- 6.10 RESOLVED: That the Audit & Standards Committee noted the

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

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

7.1 The Committee received a report of the Director of Finance and Commercial Services, Ryan Keyworth. The report provided Members with an update on progress to consider and implement Ernst & Young's prior year recommendations, following the audit of the Council's 2019/20 and 2020/21 Statement of Accounts.

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

7.3 Ruth Matheson outlined the observations for 2019/20 and 2020/21 that had the most significant impact on the Council's accounts. These were as follows: -

### 2019/20

- Property Plant and Equipment
- School Balances
- Expenditure/payables cut off

### 2020/21

- Debtors
- IFRS 16
- Investment Properties
- Members of Interests
- Quality Assurance
- Leases

Further information was outlined from pages 53 to 62 of the report.

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

7.5 The Director of Legal and Governance, Gillian Duckworth explained

that Members were asked to complete a Declaration of Interests form immediately after being elected. Members should also receive an annual notification, reminding them to review their form. It was added that it was the Members responsibility to inform Officers of any changes throughout the year.

7.6 Ruth Matheson explained that some of the recommendations mentioned may re-occur. EY might also make further recommendations to those outlined to keep improving. Ruth Matheson did not believe there was any recommendation outlined that that was of significant weakness, each recommendation was believed to have appropriate measures in place.

7.7 Hayley Clark stated that she was assured that the majority of the 15 recommendations outlined would be closed off immediately. She added that there was always the chance of additional recommendations being identified.

7.8 The Director of Finance and Commercial Services confirmed that planning had begun for how to deal with the terminations of school PFI contracts.

7.9 RESOLVED: That the Audit and Standards Committee noted management's response on progress made to Ernst & Young's prior year recommendations.

## **8. INTERIM STANDARDS COMPLAINTS REPORT**

8.1 The Committee received a report of the Director of Legal and Governance, Gillian Duckworth which explained the current position of standards complaints against elected Members, Co-Opted Members and Town/Parish Councillors.

8.2 The Director of Legal & Governance mentioned that the Audit & Standards Committee asked for this interim report, earlier in the year when the annual report was being presented.

8.3 The report also referred to the new appointments of independent persons (IP). It was added that 3.8 of the report mentioned that the panel who appointed the IP's were of the opinion that it may be beneficial to appoint additional IPs, to ensure the continuation of an independent voice and to increase diversity.

8.4 The Committee were informed that 3.10 of the report highlighted the complaint outcomes for complaints made within January to July 2022.

8.5 A Member of the Committee asked a question, and the following response were provided: -

8.6 The Director of Legal and Governance confirmed the 2 outstanding complaints had been passed on to the Assistant Director Legal and Governance as she was leaving the Council on the 23 September 2022.

8.7 RESOLVED: That the Audit & Standards Committee (1) commented on the interim standards complaints update; and (2) noted the report.

## **9. ANNUAL GOVERNANCE STATEMENT**

9.1 The Committee received a revised version of a report by the Director of Legal and Governance, prior to the meeting.

9.2 The Director of Legal and Governance explained that the Council was required to conduct at least annually, a review of the effectiveness of its Governance Framework and System of Internal Control. This report also formed part of the Statement of Accounts, which will be presented to the Committee at a future meeting.

9.3 It was mentioned that the report set out the Council's Governance Framework and how it operated. It then highlighted how the Council had reviewed its effectiveness. It was mentioned that following the review, nothing of significant impact was identified, that needed to be included in the Council's Statement of Accounts.

9.4 The report also referred to the recent changes in Governance arrangements from May 2022 although related to Governance throughout 2021/22.

9.5 It was mentioned that the Audit & Standards Committee received an email, which highlighted the completion percentages of mandatory learning at the Council. It was added that the overall percentage was approximately 42% therefore this issue needed to be addressed. The Performance and Delivery Board was looking into this.

9.6 The Committee were informed that Council employees will have to apply automated retention labels and retention policies to documents, this means that records will be automatically deleted at their specified time. This has the benefit of ensuring compliance with data requests and supporting staff with correctly disposing of data at the relevant time.

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

9.8 A Member of the Committee raised concerns around the low percentage figure for staff completing mandatory training.

- 9.9 The Senior Finance Manager, Internal Audit stated that maintained schools were provided with templates for example, Schools Finance Policy and have code of conduct, in addition to teachers having professional standards.
- 9.10 A Member of the Committee supported the reports statement that Performance and Delivery Board should monitor the issues outlined in the report. Although he suggested that a report came to the Committee in spring of 2023, to assure the Committee that progress were being made.
- 9.11 The Director of Legal of Governance explained that the Council had a requirement for regulatory compliance in regard to Freedom of Information and Subject Access Requests and that the information commissioner's office were the Council's regulator for that. This meant that the Council were liable to fines and civil claims, which was why not processing data requests were part of the Delivery Plan.
- 9.12 **RESOLVED:** The Council is required to produce and have signed off, as part of its annual accounts, an Annual Governance Statement. The statement is intended to identify any significant control weaknesses and also to set out how the council intends to address any weaknesses identified.  
To note the contents of the Statement and that this has been signed by the Council Leader, Chief Executive and the Director of Finance and Commercial Services and that the statement forms part of the Annual Accounts.

## **10. WORK PROGRAMME**

- 10.1 The Committee considered a report of the Director of Legal and Governance that outlined the work programme for the remainder of the municipal year. Members were asked to identify any further items for inclusion.
- 10.2 The Committee agreed to cancel the next meeting of the Committee, on the 20 October 2022, as there were no items for consideration. In replace of this meeting, a closed meeting with Members of the Committee and External Auditors would be held online.
- 10.3 The Committee agreed to include a report on the work programme, as mentioned at 9.10 of these minutes.
- 10.4 The Committee agreed to move the following reports from the 17 November 2022 meeting, to the January 2023 meeting.
- Statement of Accounts (Audited)
  - Report of those Charged with Governance (ISA 260)

- 10.5 **RESOLVED:** - That **(1)** the work programme be noted; **(2)** that a closed meeting be held online, for Members of the Committee and external auditors; **(3)** that a report be included on the work programme for March 2023; and **(4)** that 2 reports be moved from November 2022 to January 2023.

## **11. DATES OF FUTURE MEETINGS**

- 11.1 It was noted that the next meeting of the Committee would be held on 17 November 2022.
- 11.2 The Chair of the Committee (Councillor Colin Ross) thanked the Director of Legal and Governance for her support to the Committee throughout her time at Sheffield City Council and wished her well in her new role.