

Audit and Standards Committee

Meeting held 1 February 2024

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

1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillor Bryan Lodge

2. EXCLUSION OF THE PRESS AND PUBLIC

2.1 **RESOLVED:** That Item 10 be excluded from the press and public as the report contained exempt information described in Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

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 19 October 2023, and 23 November 2023 were approved as an accurate record.

5. PUBLIC QUESTIONS AND PETITIONS

5.1 The Committee received 3 questions from a member of the public, prior to the meeting. The member of public was in attendance to raise her questions.

5.2 **Ruth Hubbard**

1. I watched the discussion on the IA Report on the Fargate Containers at the last meeting, and thank you to the officers who carried this out.

Firstly, watching as a member of the public, I personally don't think the minutes capture the flavour of the discussion that took place so can I please request that the webcast of the meeting be kept live and available on the public system at least until the full ramifications play out, including through to the later discussion that this committee has, I believe, planned on this issue.

Secondly, I note that the committee didn't agree the recommendations - it appeared this was largely because members wanted to widen the scope of the audit and take into account other factors about what happened and why. This, however, seemed to include factors beyond the remit of this committee and, I hesitate to say it, also appeared to want to skate quite closely to potentially making party political capital out of this issue.

The way I sometimes understand this committee is in terms of a car - this committee is not concerned with where the car might go, nor in terms of who all the drivers might be, but in terms of the fitness of what's under the bonnet, the underlying mechanics. So, in terms of the IA report received last time you seemed to refuse that responsibility for securing and providing assurance about the underlying mechanics because you wanted, in part, to discuss, and perhaps put the blame more on, where the car went, and who the drivers were.

So, I'd like to emphasise that in the way this system is supposed to work, the importance of the underlying mechanics and the public interest in the committee performing its role. Overall, you gave no substantive assurance to the public in that meeting that you were paying full attention to those underlying systems and how they were configured or being tuned as an important (but separate) basis to how things might be performed in future. I think it's unhelpful to say this committee does not provide scrutiny (however CIPFA describes it) - it does provide scrutiny but it is about the security of underlying systems rather than scrutiny of specific policies or events. However, I do think your terms of reference (and often your agendas) could be better written to draw attention to this role - it is not just about receiving report after report with no powers. And I still think there is also potential for confusion or even things falling in spaces between this and the Governance Committee. Can the Chair and/or Monitoring Officer comment further on the important role of this committee and its powers, and also consider revising and clarifying relevant terms of reference for the new council year.

Relevant points, scrutiny was a wider concept and does fall within this committee.

The General Counsel (David Hollis) explained that the terms of reference for this committee and the Governance Committee are set out in the Council's Constitution. They are separate but I accept that the titles of committees can sometimes suggest an overlap. It would be a matter for the Governance Committee to look at remits of Committees and that is something it has in its work programme and your comments will be taken on board. I also take your point on the word 'scrutiny'. It does tend to be used in a specific sense relating to Overview and Scrutiny when it has a wide meaning that does remain valid. The Council also has legal scrutiny functions that sit with the Health Scrutiny Sub-Committee.

He mentioned that the remits would be set out in the minutes, the Governance committee was reviewing it as part of their work

programme.

AUDIT AND STANDARDS COMMITTEE

Terms of Reference

Accounts

(1) To approve the Council's Statement of Accounts and the Annual Governance Statement in accordance with the Accounts and Audit Regulations 2015.

(2) To consider and accept the Annual Letter from the Local Auditor in accordance with the Accounts and Audit Regulations 2015 and to monitor the Council's response to any issues of concern identified.

(3) To consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

Audit Activity

(4) To consider the Internal Audit annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.

(5) To consider summaries of specific Internal Audit reports as requested.

(6) To consider reports dealing with the management and performance of the Internal Audit service, including compliance with Public Sector Internal Audit Standards.

(7) To consider reports dealing with the implementation of agreed Internal Audit recommendations.

(8) To consider any report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.

(9) To consider specific reports as agreed with the local auditor.

(10) To comment on the scope and depth of external audit work and to ensure it gives value for money.

(11) To liaise with the Public Sector Audit Appointments or any relevant organisation over the appointment of the Council's local auditor and to decide upon the appointment process for the local auditor

and to participate in the process, as and when required.

Regulatory Framework and Risk Management

(12) To maintain an overview of the Council's Constitution in respect of contracts standing orders, financial regulations and codes of conduct and behaviour.

(13) To monitor the effective development and operation of risk management in the Council.

(14) To monitor Council policies on the anti-fraud and anti-corruption strategy.

(15) To oversee the production of the Council's Annual Governance Statement and monitor progress on any issues and consider the Council's compliance with its own and other published standards and controls.

Standards

- (16) To promote and maintain high standards of conduct by Councillors, Co-opted Members and Representatives on Committees and Sub[1]Committees.
- (17) To assist Councillors, Co-opted Members and Representatives to observe the Councillor Code of Conduct.
- (18) To advise the Council on the adoption or revision of the Councillor Code of Conduct and Protocols relating to Councillor and Officer behaviour.
- (19) To monitor the operation of the Councillor Code of Conduct.
- (20) To advise, train or arrange to train Councillors, Co-opted Members and Representatives on matters relating to the Councillor Code of Conduct.
- (21) To discharge the functions of dealing with complaints against Councillors and Co-opted Members as set out in Procedure for Dealing with Complaints Regarding City, Parish and Town Councillors and Co-Opted Members.
- (22) To advise the Council on the adoption and revision of its Whistle[1]blowing Policy and monitoring the operation of that Policy.
- (23) To monitor and review procedures relating to gifts, hospitality and personal interests, for Councillors and officers.
- (24) To monitor the Council's complaints process and the Council's response to complaints to the Ombudsman.

GOVERNANCE COMMITTEE

Terms of Reference

- (a) To keep the Council's constitutional arrangements, including the Constitution and the governance system it describes, under review.
- (b) To consider officers' proposals for changes to the Constitution, other than those made by the Monitoring Officer under powers delegated by Full Council, and recommend such changes as it considers necessary to Full Council for approval.
- (c) To keep the thresholds for decisions reserved to Policy Committees under review and recommend any changes as it considers necessary to Full Council.
- (d) To seek direct engagement and participation of the public and stakeholders and partners in the Committee's ongoing consideration of the health of Sheffield's democratic environment.
- (e) To be responsible for the Council's Member Development Strategy and annual Member Development and Induction Plan, including to monitor, review and make recommendations to the Council with regard to the Learning and Development policy for Councillors, Co-opted members and Representatives.
- (f) To keep under review the effectiveness of the arrangements for a committee system of governance:
 - a. Taking account of any changes to the local and national context;
 - b. Including any agreed 'strategic aims' and 'design principles' in its assessment criteria; and
 - c. Actively seeking and using feedback from residents, stakeholders, councillors, officers and partners to inform its

judgements against those criteria.

The Chair (Councillor Mohammed Mahroof) explained that 'principle b' in the Annual Governance Statement (AGS) was about being open and engaging with stakeholders and stated how this was relevant to how we respond to members of the public. He referred to reference of the car and mentioned how the Committee should be looking at how key components work. It was unavoidable at times to stray into topics which are not within the Committees remit as some debates lead to that although the General Counsel rightly intervenes when necessary. The issue around the Fargate Containers is that it has been very passionate, and the Council had received a high level of public interest. The Chair added the Council had learnt a lot following the Lowcock report and it was crucial that the Council be more open and transparent. He said they were instances where issues fell between Audit & Standards and the Governance Committee and that he wanted some assurance around this. Finally, he referred to a previous comment he made about whether the role of this committee was just to 'rubber stamp' issues and if so, the question is whether this committee was needed.

Councillor Fran Belbin believed it was the responsibility of the Chairs to ensure that committee was fulfilling its duties, and that they were discussing issues in the appropriate forum. She explained that the Governance Committee had just established a working group who would be looking into committee remits. They also would be looking at the role of scrutiny. She welcomed the points raised around issues falling between Audit & Standards and the Governance Committee and therefore would be happy to hear more on this through the working group.

Councillor Simon Clement-Jones stated that the Council was currently in a position of no overall control, although this might not be the case forever. He believed the Committee System worked best when a Council was in no overall control and councillors were taking collective responsibility. Following on from the Lowcock report, the Council needed to be more open and transparent. He stated that in a previous meeting he was simply trying to get members of the public answers which they desired.

Ruth Hubbard added that an issue with Fargate Containers may be that it involves an HR investigation and therefore may never come into the public domain.

2. I am pleased to see a new format for, and rewrite of, the draft AGS that is now aligned to CiPFA guidelines. I think this kind of presentation provides a good basis for capturing the annual picture going forward. What I think the AGS doesn't yet do is provide the governance story of the year in the sense that it might do. It's largely a starting point description of the existing

governance arrangements that apply rather than a coherent annual narrative, leading into the action planning. For example, the principles of good governance section could have illustrated the salient or keyways in which these principles have been relevant or applied through the year, rather than the very static descriptions given (that can just be repeated year in year). A few big issues affecting the control environment are mentioned briefly e.g. the LGA Corporate Peer Challenge, the street Tree Inquiry and so on. However, there seems to be no discernible link between these and the subsequent action plan which seems to focus right down on comparatively micro issues such as the possibility of a telephone script being wrong. So, this doesn't appear to lend a flow or an overall coherent narrative to the Statement for the year.

- Can I confirm that review and reporting improvements will continue for the AGS and ask how the review of the reporting process for the AGS will work?

The General Counsel confirmed it was continuing, and we are still working with CIPFA about reviewing process. Ultimately that will be reported back to this committee via updates when it approves the Annual Governance Statement for approval.

- Can I also confirm that containergate is not mentioned because it will be in the 23/24 AGS?

The General Counsel confirmed this was correct, as this was the 2022/23 review.

- I also want to flag I have lots more detailed questions about what is described in the draft AGS about what this or that Board is, or how it works with Directors just simply 'signing off' and assuring that the control environments in their areas are working well and so on, but I think these more detailed question are not for now and perhaps there's a way of making this kind of information more accessible through the next year.

3. 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 Local Area Committee - 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?

The General Counsel explained that a written response will be after the meeting.

6. AUDIT RECOMMENDATION TRACKER PROGRESS REPORT

6.1 The Committee considered a report regarding the Internal Audit Tracker.

The report tracked progress made against recommendations in audit reports that had been given a no assurance opinion, or a limited assurance with high organisational impact opinion.

- 6.2 The Senior Finance Manager, internal Audit explained that since the last update in June 2023, 58 recommendations were being tracked. 42 had now been implemented with 16 still ongoing. There was 1 critical recommendation which was still outstanding. This related to Montgomery Residential Home.
- 6.3 The Senior Finance Manager, internal Audit explained that this report was taken to the Performance and Delivery Board on 23 January 2024. The board asked all Directorates to review their outstanding audit recommendations at their Performance Clinics and identify how they can support recommendation leads.
- 6.4 The Senior Finance Manager, internal Audit explained that 2 new audit reports had been added to the tracker. These were 'Debtor Controls in Adult and Health Social Care Activities' and 'Establishment Control' and details of these will be reported the next time the tracker was presented to the committee in June/July 2024. She added that the 17 recommendations following the Fargate Container report had now been implemented.
- 6.5 Members of the Committee made comments and asked questions and the following responses were provided: -
- 6.6 The Executive Director of Operational Services (Ajman Ali) informed Members that a staff event took place in November 2023, in which Senior Managers were briefed on the approach they should take when carrying out these projects and the documentation that is required. He added that the council does have a thorough systems in place relating to the procurement process and budget control, the issue with Fargate Containers was these processes were not followed in this case.
- 6.7 The Executive Director of Operational Services explained that the issue relating to Fargate Containers was a one-off incident and the Council had a clear Capital Delivery Management process in place. He stated that these processes will be monitored to ensure these were been followed and suggested that regular deep dive exercises took place in ongoing projects.
- 6.8 The Executive Director of Operational Services confirmed that all the projects should go through the Capital Delivery Service process and if any were to be found not to have gone through this process, then the appropriate actions will be taken.
- 6.9 The Executive Director of Operational Services explained that the progress of council projects was reported through the Finance Committee via a detailed report. They would also be presented to the relevant policy committee.

- 6.10 The Senior Finance Manager, internal Audit explained there had been in a change in staffing within the Children's Service which had caused a delay in the implementing the Montgomery Residential Home audit. She stated that she was confident with the new management team in this service to get this audit implemented and the progress of this would be reported at a future Audit & Standards Committee.
- 6.11 The Senior Finance Manager, internal Audit explained that she would inform the Senior Information Management Officer of the Members comment around the need to implement the case management system in relation to the red rated recommendation on FOIs and SARs.
- 6.12 The General Counsel explained that the deep dive report on Fargate Containers was the HR matter and therefore would not be presented at this Committee. The minute from the previous meeting was incorrect in reporting that that report would be brought back here. This committee could be provided with an update although the report itself would be presented to the relevant Policy Committee if necessary.
- 6.13 **RESOLVED:** That the Audit and Standards Committee (1) note the content of the report; and (2) agree the removal of the following reports from the tracker;
- Disposal of IT assets
 - Software Licensing
 - Hardware Asset Management
 - Creditors – Non-standard payments
 - Fargate Containers

7. ANNUAL GOVERNANCE STATEMENT

- 7.1 The Committee considered a report of the General Counsel which set out the Council's Annual Governance Statement (AGS).
- 7.2 The General Counsel explained that the AGS was part of the accounts process and was a legal requirement under The Accounts and Audit Regulations 2015. The Council is required ensure that it has a sound system of internal control which (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk.
- 7.3 This AGS was for 2022/23 and the Council's accounts for that year are yet to be audited. The draft AGS and the draft accounts were published in June 2023.
- 7.4 The General Counsel informed Members that he was checking with CIPFA as to who the appropriate signatories for this AGS would be.
- 7.5 The Practice Management Team Leader (Syed Rizvi) explained there was a diagram within the AGS which outlined the process of verification

undertaken through the production of the AGS.

7.6 Members of the Committee made comments and asked questions and the following responses were provided: -

7.7 The General Counsel confirmed the Governance issues identified within the AGS were not ordered on a priority basis. He stated that all issues outlined were issues that needed to be addressed. He added that he could look within the issues if any needed to be prioritised over others.

7.8 The General Counsel confirmed that work relating to the new accountability framework was ongoing although could not provide an exact date in which this would be rolled out.

7.9 A Member of the Committee referred to a public question presented earlier in the meeting and agreed that the document could flow and read a lot better. The General Counsel agreed this could be looked at.

7.10 **RESOLVED:** That the Audit & Standards Committee (1) note the contents of the annual review as set out in the attached Statement; and (2) approve the Annual Governance Statement as set out in the Appendix.

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 the work programme be noted.

9. STRATEGIC RISK MANAGEMENT

9.1 The Internal Audit and Corporate Risk Manager, Helen Molteno introduced a report and gave a presentation providing an assessment of the Council's current Risk Management arrangements and the measures implemented to further strengthen and improve them and the current and emerging risks, their impact on service delivery and the controls in place to manage them.

9.2 **RESOLVED:** That the Audit and Standards Committee (a) notes the current assessment of the Council's Risk Management arrangements and endorses the measures being taken to strengthen those arrangements; and (b) notes the current and emerging risks and endorses the actions being taken to mitigate those risks.

10. DATES OF FUTURE MEETINGS

10.1 It was noted that the next meeting of the Committee would be held on 21 March 2024.

- 10.2 The General Counsel updated the committee on the new Independent Persons and Co-Opted Member appointments to the Audit & Standards Committee. He explained that these would be reported at the next Full Council Meeting