

Audit and Standards Committee

Meeting held 25 April 2024

PRESENT: Councillors Mohammed Mahroof (Chair), Fran Belbin (Deputy Chair), Laura McClean, Henry Nottage, James Brackley (Independent Co-opted Member) and Alison Howard (Independent Co-opted Member)

1. APOLOGIES FOR ABSENCE

1.1 An apology for absence were received fom Councillors Lewis Chinchen and Simon Clement-Jones

2. EXCLUSION OF THE PRESS AND PUBLIC

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

3. DECLARATIONS OF INTEREST

3.1 There were no declarations of interest.

4. MINUTES OF PREVIOUS MEETING

4.1 **RESOLVED:** The minutes of the meeting held on 21 March were approved as an accurate record.

5. PUBLIC QUESTIONS AND PETITIONS

5.1 There were no public questions or petitions received.

6. COMPLIANCE TO INTERNATIONAL AUDITING STANDARDS

6.1 The Committee considered a report of the Senior Finance Manager (Internal Audit).

6.2 The Senior Finance Manager, Internal Audit (Linda Hunter) explained that the report highlighted all the work carried out by the Audit & Standards Committee in the past year. This was to demonstrate to the External Auditors and the wider audience that they had exercised the required oversight to meet the International Standards on Auditing.

6.3 The Senior Finance Manager, Internal Audit explained the following sections

summarised how members of the Audit and Standards Committee had been provided with assurance that key elements of the Council's internal control systems are being reviewed and reported upon:

- 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

6.4 Following the introduction to the report, there was no comments or questions from Members of the Committee.

6.5 **RESOLVED:** That the Audit and Standards Committee (1) agree that the report gives an accurate reflection of the reports they have received and considered throughout the year; and (2) 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.

7. STATEMENT OF ACCOUNTS 2022/23 (UNAUDITED)

7.1 The Committee considered a report of the Director of Finance and Commercial Services, Philip Gregory. The purpose of the report was 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.

7.2 Ruth Matheson (Finance Manager) explained that 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. Although the accounts had 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 remained accurate. The Director of Finance and Commercial Services had on behalf of the Council re-confirmed that he was 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.

7.3 Ruth Matheson outlined the key areas of adjustment to those 2022/23 Unaudited Statement of Accounts, they were as follows:

- Dwellings Housing Price Index (HPI) and other capital valuations - £-34.8m.
- Pensions Triennial valuation - £-25.1m.
- Schools Cash Advance payment - £17.2m.

- Disclosure Note 13 - Dedicates Schools Grant (DSG).
- Annual Governance Statement (AGS).

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

7.5 Ruth Matheson explained that this was the appropriate time for the Audit and Standards Committee to note the adjustments to the 2022/23 Unaudited Statement of Accounts, and that they were not expecting any further adjustments to be made.

7.6 Ruth Matheson confirmed that the date for the 2022/23 Unaudited Statement of Accounts to be signed off was September 2024.

7.7 The Director of Finance and Commercial Services, Philip Gregory confirmed that Sheffield City Council's general fund balance was quite low compared to other core cities although their earmarked reserves was relatively healthy. He mentioned that an annual review was carried out for specific areas which required reserves to determine whether they were still required or whether they could be re-purposed.

7.8 **RESOLVED:** That the Audit and Standards Committee (1) notes the amendments to the Unaudited Statement of Accounts for 2022/23; and (2) notes the delay to the external audit of the 2022/23 Statement of Accounts.

8. AUDITORS ANNUAL REPORT

8.1 The Committee considered a report of the Council's External Auditors, Ernst & Young (EY). The purpose of the auditor's annual report was to bring together all of the auditor's work over the year. A core element of the report was the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow up on recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

8.2 Hayley Clark (EY) joined the meeting remotely and explained there was no matters of significant risk to report in regard to VFM.

8.3 Hayley Clark explained that the Council's financial statements had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

8.4 Hayley Clark stated that the Council's significant risks were outlined in the report along with EY's conclusions to those risks.

8.5 Following the introduction to the report, there was no comments or questions from Members of the Committee.

8.6 **RESOLVED:** That the Audit and Standards Committee notes the auditors annual report.

9. INTRODUCTION AND AUDIT PLAN

9.1 The Committee considered a report of the Council's new External Auditors, KPMG.

9.2 Tim Cutler (Partner, KPMG) introduced himself to the Committee.

9.3 Matthew Moore (Senior Manager, KPMG) introduced himself to the Committee.

9.4 Tim Cutler explained that the report shared with the Committee was KPMG's audit plan for the coming year. He mentioned that the plan was draft as they were yet to risk assess the Council's VFM and they were yet to see the legislation relating to the backstop date for signing off the unaudited statement of accounts. Once these areas were concluded a report would be presented to the Audit and Standards Committee.

Matthew Moore outlined the Council's significant risks identified by KPMG and gave the Committee more details on each of the following:

- Valuation of land and buildings.
- Management override of controls.
- Valuation of post retirement benefit obligations.
- Completeness of non-pay expenditure.

He mentioned that there was one further risk identified which related to Ledger Migration.

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

9.6 Tim Cutler confirmed that KPMG had been working with the Council's finance officers in order to ensure that the audit for the 2023/2024 Statements of Accounts started on time.

9.7 Tim Cutler confirmed that KPMG would use a 3-year period in order re-build assurance.

9.8 Hayley Clark confirmed that EY would carry out all the appropriate processes in order to handover the audit to KPMG.

9.9 Tim Cutler explained that auditing standards required auditors to put materiality relating to financial statements in a range between 0.5% and 3%. The figures for Sheffield City Council could be found on page 35 of the

agenda.

- 9.10 Tim Cutler explained that KPMG had carried out various risk assessment processes when looking at Council assets although he mentioned that it will be at year end when they received those valuations and went through the challenge process.
- 9.11 Tim Cutler confirmed that KPMG would continue to work and understand the Council's budgetary controls and monitoring before presenting their VFM risk assessment report at a later stage of the year.
- 9.12 **RESOLVED:** That the Audit and Standards Committee notes KPMG's audit plan.

10. WORK PROGRAMME

- 10.1 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.
- 10.2 **RESOLVED:** That the work programme be noted.

11. DATES OF FUTURE MEETINGS

- 11.1 It was noted that the next meeting of the Committee would be held on a date and time to be agreed.

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