

Audit Committee

Meeting held 17 April 2013

PRESENT: Councillors Ray Satur (Chair), Anders Hanson, Steve Jones, Martin Lawton and Joe Otten.

Co-opted Independent Members
Beryl Seaman and Rick Plews.

Officers in attendance
John Mothersole (Chief Executive), Laraine Manley (Executive Director, Resources), Eugene Walker (Director of Finance), Allan Rainford (Deputy Director of Finance, Strategic Finance), Lynne Bird (Director of Legal and Governance), Laura Pattman (Assistant Director Finance (Business Partnering, Children Young People and Families and Internal Audit), Kayleigh Inman (Senior Finance Manager, Internal Audit), John Prentice (Director, KPMG), Diane Tomlinson (Strategic Insurance Manager), Richard Garrad (Corporate Risk Manager) and Dave Ross (Principal Committee Secretary).

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1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillor Sioned-Mair Richards.

2. DECLARATIONS OF INTEREST

2.1 Beryl Seaman declared a personal interest in item 12 (Strategic Risk Management) as her husband worked for Eastwood and Partners.

3. MINUTES OF PREVIOUS MEETING

3.1 The minutes of the meeting of the Committee held on 31 January 2013 were approved as a correct record.

4. AUDIT COMMISSION REPORT ON PROTECTING THE PUBLIC PURSE/UPDATE ON COUNTER FRAUD INITIATIVES

4.1 The Assistant Director Finance (Business Partnering, Children Young People and Families and Internal Audit) submitted a report that (a) informed the Committee of the contents and key recommendations of the Audit Commission's annual report on 'Protecting the Public Purse 2012' and (b) provided an update of fraud investigation activity within the Council. Appended to the report was a completed checklist for 'those responsible for governance' that identified the key fraud risks.

4.2 Officers responded to questions from members of the Committee relating to the assessment of counter fraud work against good

practice, sharing best practice, fraud risk awareness training for staff, emerging issues on fraud, the annual fraud survey and whistleblowing.

4.3 Resolved: That the Committee:-

- (a) notes the contents of the report now submitted and the completed checklist for 'those responsible for governance' appended to the report;
- (b) requests the Assistant Director Finance (Business Partnering, Children Young People and Families and Internal Audit) to circulate to members of the Committee (i) further commentary on the action relating to the checklist item on 'Have we assessed our management of counter fraud work against good practice?', (ii) information on how Sheffield compares with other local authorities on the number of Housing Benefit Fraud investigations and (iii) whether the fraud awareness training for staff was mandatory;
- (c) requests the Chair of the Committee and officers in Internal Audit and Democratic Services to (i) examine the Rotherham model where the Audit Chairs examine fraud and risk 3 times a year and whether there could be a Sheffield or South Yorkshire model and (ii) report the outcome to the Committee; and
- (d) requests the Chair to discuss with the Senior Finance Manager (Internal Audit) whether there could be an annual session for the Committee on emerging issues on fraud and report the outcome to the Committee.

5. INTERNAL AUDIT PLAN 2013/14

5.1 The Senior Finance Manager (Internal Audit) introduced a report of the Assistant Director Finance (Business Partnering, Children Young People and Families and Internal Audit) containing the Internal Audit Plan and Strategy for 2013/14.

5.2 Officers responded to questions from members of the Committee relating to the Corporate Risk Management process, the resource challenge and delivering the Audit Plan and resilience.

5.3 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, endorses the programme of Internal Audit work for 2013/14 attached to the report now submitted; and
- (b) notes that a quarterly progress report on delivery against the Audit Plan would be submitted to the Committee.

6. COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

- 6.1 The Assistant Director Finance (Business Partnering, Children Young People and Families and Internal Audit) introduced a report that highlighted to the Committee how it could demonstrate to the External Auditor that it had exercised the required oversight in order to meet the requirements of the International Standards on Auditing.
- 6.2 Officers responded to questions from members of the Committee relating to the sign-off process for the Annual Governance Statement, the tracking of recommendations in High Opinion Audit reports, the objections to the Accounts and the effectiveness of e-learning.
- 6.3 **Resolved:** That the Committee confirms that:-
- (a) the report now submitted gives an accurate reflection of the reports that the Committee has received and considered throughout the year; and
 - (b) it has an overview of the Council's systems of internal control so that it is assured that it is fulfilling the requirements of "those charged with governance" under the International Auditing Standards.

7. PUBLIC SECTOR INTERNAL AUDITING STANDARDS

- 7.1 The Senior Finance Manager (Internal Audit) introduced a report of the Assistant Director Finance (Business Partnering, Children Young People and Families and Internal Audit) that summarised the content of the Public Sector Internal Auditing Standards that became mandatory on 1 April 2013 and highlighted the new requirements and how these would apply in the public sector. The report also explained the current functional arrangements in place in Internal Audit, together with additional work required to ensure compliance with the Standards.
- 7.2 Officers responded to questions from members of the Committee relating to the post of the Chief Audit Executive and reporting routes.
- 7.3 **Resolved:** That the Committee:-
- (a) notes the differences between the new Public Sector Internal Auditing Standards and the Chartered Institute of Public Finance and Accountancy Code of Practice;
 - (b) notes where the Council's approach is different from the Standards;
 - (c) endorses the work to be undertaken to ensure compliance with the Standards;
 - (d) requests the Assistant Director Finance (Business Partnering, Children Young People and Families and Internal Audit) to submit a report on progress made on compliance with the new Standards in 6 months' time;

and

- (e) requests the Senior Finance Manager (Internal Audit) to arrange a quarterly briefing on audit matters with the Chief Executive.

8. DELIVERING INTERNAL AUDIT ACTIVITY PROGRESS REPORT

8.1 The Senior Finance Manager (Internal Audit) introduced a report of the Assistant Director Finance (Business Partnering, Children Young People and Families and Internal Audit) that gave details of progress made against the 'new' auditable areas introduced for the 2012/13 audit plan and included a summary of other Internal Audit output issued during 2012/13.

8.2 **Resolved:** That the contents of the report now submitted be noted.

9. ANNUAL AUDIT FEE LETTER 2013/14

9.1 John Prentice, Director, KPMG, submitted a letter that had been sent to the Council's Chief Executive that set out the External Audit work and fee for the Council for 2013/14 and included a report of the Audit Commission on the 'Proposed Work Programme and Scale of Fees 2013/14'. He reported that the planned fee audit fee was unchanged in 2013/14. However, although the proposed fee for work on the certification of grant claims and returns was £36,118 the figure on the Audit Commission's website indicated £46,100. The Director was awaiting further information on the difference in the figures.

9.2 **Resolved:** That the Committee:-

- (a) notes the information now submitted and reported on the External Audit work and fee for 2013/14; and
- (b) requests the Director, KPMG to circulate information to members of the Committee confirming the Audit Commission's fee figure for the work on the certification of grant claims and returns.

10. RESPONSE TO AUDIT COMMISSION REPORTS

10.1 The Deputy Director of Finance (Strategic Finance) introduced a report of the Executive Director, Resources that provided an update on the progress made in respect of recommendations raised by the External Auditor in his reports entitled "Certification of Claims and Returns Annual Report" and the Annual Governance Report submitted to meetings of the Committee on 15 May and 26 September 2012, respectively.

10.2 **Resolved:** That the report now submitted be noted.

11. EXCLUSION OF PUBLIC AND PRESS

11.1 **Resolved:** That the public and press be excluded from the meeting before discussion takes place on the following items of business to be considered on

Strategic Risk Management and Marketing Sheffield on the grounds that, if the public and press were present during the transaction of such business, there would be a disclosure to them of exempt information as described in paragraph 3 of Schedule 12A to the Local Government Act 1972, as amended.

12. STRATEGIC RISK MANAGEMENT

12.1 The Corporate Risk Manager gave a presentation on the Council's current Risk Management arrangements and the measures being implemented to further strengthen and improve those arrangements and the current and emerging risks to delivery of the Council's strategic objectives and the controls in place to manage those risks. The Strategic Insurance Manager also attended for this item.

12.2 **Resolved:** That the Committee:-

- (a) notes the assessment of the Council's Risk Management arrangements and endorses the measures being taken to strengthen those arrangements;
- (b) notes the current and emerging risks and endorse the actions being taken to mitigate those risks; and
- (c) notes that the Corporate Risk Manager would make arrangements for training/briefings on risk management for members of the Committee.

(Note: Councillor Otten asked for his abstention on paragraph 12.2 (b) to be recorded in relation to the action being taken on the third active risk highlighted in the presentation)

13. MARKETING SHEFFIELD - UPDATE ON FOLLOW-UP WORK

13.1 Further to the request of this Committee at its meeting on 13 December 2012, the Assistant Director Finance (Business Partnering, Children Young People and Families and Internal Audit) submitted a report on the follow-up audit of Marketing Sheffield.

13.2 **Resolved:** That this Committee:-

- (a) notes the contents of the report now submitted; and
- (b) requests the Executive Director, Place to submit an update report to the next meeting of the Committee on the recommendations/actions that had not been implemented from the audit of Marketing Sheffield in 2012.

14. WORK PROGRAMME

14.1 The Director of Legal and Governance submitted a report setting out an outline work programme for 2013/14.

14.2 **Resolved:** That the Committee approves the outline work programme for 2013/14 with the inclusion of the following items:

- a report on the Corporate Risk Register twice a year but consideration to be given to whether there should be more regular reporting.
- a report tracking the recommendations from High Opinion Audit reports.
- a progress report on the new Internal Auditing standards in November 2013.
- A report from the Executive Director, Place to the next meeting of the Committee providing an update on the recommendations/actions that had not been implemented from the audit of Marketing Sheffield in 2012.

15. DATE OF NEXT MEETING

- 15.1 It was noted that meeting dates for 2013/14 were being arranged and the next meeting would be held in July 2013.