

Audit Committee

Meeting held 9 July 2013

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

Co-opted Independent Members
Beryl Seaman and Rick Plews.

Officers in attendance
John Mothersole (Chief Executive), Laraine Manley (Executive Director, Resources), Allan Rainford (Deputy Director of Finance, Strategic Finance), Lynne Bird (Director of Legal and Governance), (Laura Pattman (Assistant Director Finance, Business Partnering and Internal Audit), Kayleigh Inman (Senior Finance Manager, Internal Audit), David Phillips (Senior Manager, KPMG) and Dave Ross (Principal Committee Secretary, Democratic Services).

Attending for Specific Items
Item 5 – Sue Palfreyman (Head of Human Resources - Business Systems, Capability Development & Change) and Shaun Lee (Payroll Manager, HR Solutions, Capita).
Item 6 - Clair Sharratt (Finance Manager, Strategic Finance)
Item 8 - Simon Green (Executive Director, Place) and Brendan Moffett (Director, Marketing Sheffield).
Item 15 - Anna Peysner (Assistant Director of Finance, Project and Commercial).

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1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Councillors Helen Mirfin-Boukouris and Joe Otten.

2. DECLARATIONS OF INTEREST

2.1 Rick Plews declared a personal interest in item 15 (Financial/Commercial Monitoring of External Relationships) as a Trustee/Director of the Seven Hills Leisure Trust.

2.2 Councillor Martin Lawton declared personal interests in item 5 (South Yorkshire Pensions Update) as a member of the South Yorkshire Pensions Authority and item 15 (Financial/Commercial Monitoring of External Relationships) as a Director of the Manor and Castle Development Trust Limited.

3. APPOINTMENT OF DEPUTY CHAIR

- 3.1 **Resolved:** That Councillor Joe Otten be appointed the Deputy Chair of the Committee for 2013/14.

4. MINUTES OF PREVIOUS MEETINGS

- 4.1 The minutes of the meetings of the Committee held on 17 April and 15 May 2013 were approved as correct records.

5. SOUTH YORKSHIRE PENSIONS UPDATE

- 5.1 Further to the information reported to the meeting of the Committee on 31 January 2013, Shaun Lee (Payroll Manager, HR Solutions Capita) provided a further update on progress to address the Council's pensions' backlog and its impact on the South Yorkshire Pensions Authority (SYPA) Service Level Agreement (SLA) Quarterly statistics. He stated that the backlog related to pension queries and not errors. The backlog of nearly 10,000 cases was close to being cleared by the SYPA and significant signs of improvement in the SLA statistics would be seen in Quarter 3 (October to December 2013).

- 5.2 Sue Palfreyman (Head of HR – Business Systems, Capability Development and Change) stated that the backlog had not affected individual employees and their pension entitlement.

- 5.3 In response to a question from a member of the Committee seeking an assurance going forward that there would be system improvements, Shaun Lee referred to work that was underway with the SYPA to synchronise payroll and pension records whilst simultaneously amending and improving monthly submissions.

- 5.4 **Resolved:** That the information now reported is noted.

6. SUMMARY OF THE STATEMENT OF ACCOUNTS

- 6.1 The Deputy Director of Finance introduced a report of the Executive Director, Resources that provided a summary of the 2012/13 Statement of Accounts and explained the core statements and a number of the key notes to the accounts. A full set of the draft accounts was available on the Council's website and copies were available at the meeting. The final audited accounts would be presented to the Audit Committee on 25 September 2013.

- 6.2 The report also outlined the approval process for the Statement of Accounts and the Committee's role in this process. A training workshop for members of the Committee would be held prior to the meeting in September.

- 6.3 The Chief Executive and the Deputy Director of Finance responded to questions from members of the Committee relating to reserves, surpluses and the deficit on the Income and Expenditure Statement.

6.4 **Resolved:** That the Committee notes the core statements and the key notes to the Statement of Accounts for 2012/13.

7. EXCLUSION OF PUBLIC AND PRESS

7.1 **Resolved** that the public and press be excluded from the meeting before discussion takes place on the following item of business to be considered 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.

8. MARKETING SHEFFIELD

8.1 Further to the Internal Audit report on Marketing Sheffield published in 2012, the Executive Director, Place submitted a report on the conclusions from an investigation into the overspend on the MADE Festival held in 2011. The Executive Director stated that a full statement of accounts for the event had been submitted to Internal Audit. The situation in 2011 did not occur in 2012 and a new way of procuring a partner for the event was in place for the 2013 event.

8.2 In response to questions from members of the Committee, the Senior Finance Manager, Internal Audit provided an update on the 5 outstanding recommendations from the Internal Audit Report on Marketing Sheffield (this was also covered in the report to be considered later in the meeting on 'Progress on High Opinion Audit Reports'). She reported that since the last report to the Committee on Marketing Sheffield in January 2013, evidence had been received from the Executive Director, Place and the Director, Marketing Sheffield that the outstanding actions had been completed. It was proposed that Marketing Sheffield was removed from the action tracker.

8.3 In response to further questions from members of the Committee relating to the outstanding recommendations, the Executive Director, Place referred to the "bedding in" of Marketing Sheffield into the Council and he was confident that this had been done. The Assistant Director of Finance (Business Partnering and Internal Audit) indicated that a significant amount of effort and activity had gone into addressing the Internal Audit recommendations. Any further monitoring would need to be considered against the level of audit risk and available Internal Audit resources.

8.4 **Resolved:** That the Committee:-

- (a) notes the contents of the report now submitted; and
- (b) requests the Assistant Director of Finance (Business Partnering, and Internal Audit) to:
 - (i) undertake a light touch review of Marketing Sheffield over the next 18 months to ensure that the actions in relation to the audit recommendations in the Internal Audit report were being delivered;

and

- (ii) report to the next meeting of the Committee on the availability of Audit resources to undertake that work.

9. ANNUAL GOVERNANCE STATEMENT 2012/13

- 9.1 The Director of Legal and Governance submitted the Council's Annual Governance Statement (AGS) which formed part of the Council's Statutory Accounts. The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk. The AGS also explained how the Council had complied with the Code of Corporate Governance.
- 9.2 The Director referred to the two significant control weaknesses that had been identified relating to Adult Social Care and Capital Project Management. The report set out the officer action to address those issues.
- 9.3 The Chief Executive highlighted the assurance the report gave in terms of the 'bottom up' escalation of issues. He referred to the two control weaknesses and, in respect of Adult Social Care, indicated that it was not an issue of both demand and cost pressures and the purchasing budgets were over committed in 2012/13. Plans were in place to manage the situation in 2013/14. The Comprehensive Spending Review was also seeking to address this issue from 2015 onwards.
- 9.4 In respect of Capital Project Management, the Chief Executive indicated that spend was significantly different from the profile but expenditure was not over budget. A full scale review was underway and there would be a revised profiling methodology and more accurate profiling from month 3.
- 9.5 In response to questions from members of the Committee relating to Adult Social Care, the Chief Executive indicated that there was a balanced outturn position for the service two years ago and he was keen that the expectation of an overspend was not institutionalised. There were different ways of providing Adult and Social Care but this took time to achieve. The budget provision for 2014/15 would be revisited but it would be necessary to accept the scale of reductions. It was necessary to find a more affordable service delivery model. Adult Social Care did not always overspend and it was important to move away from an expectation that it always would.
- 9.6 In response to a question on the impact of the transfer of health to the Council on Adult Social Care, the Chief Executive indicated that the health service was picking up a lower proportion of some costs than three years ago and this was contributing to the problem. In the medium term, integrated commissioning would be taking place. The Health and Wellbeing Board would sign off the joint involvement from the Council and the Clinical Commissioning Group when it

received a robust and clear plan on Health and Social Care investment. He was keen to see improved forecasting of future costs.

- 9.7 The Chief Executive responded to questions from members of the Committee relating to Capital Project Management and indicated that there was reduced capacity. The Director of Capital and Major Projects was looking at a different business model to ensure that the right capacity was in place to manage the capital projects.
- 9.8 In response to questions from members of the Committee relating to control mechanisms and the AGS process, the Chief Executive indicated that clear control mechanisms were in place and the report was considered by the Executive Management Team. The Director of Legal and Governance outlined the process for the inclusion of control weaknesses in the AGS.
- 9.9 **Resolved:** That the Committee notes the contents of the Annual Governance Statement 2012/13 and that it has been signed by the Leader of the Council, the Chief Executive and the Executive Director, Resources and that the Statement forms part of the Annual Accounts.

10. PROGRESS ON HIGH OPINION AUDIT REPORTS

- 10.1 The Assistant Director of Finance (Business Partnering and Internal Audit) submitted a report on progress made against the recommendations in Internal Audit reports that had been given a high opinion and indicated those audits that should be removed from future reports.
- 10.2 The Senior Finance Manager, Internal Audit responded to questions from members of the Committee relating to implementation of the recommendations for the audit of Self Directed Support and the incomplete actions on the Risk Management audit.
- 10.3 **Resolved:** That the Committee:-
- (a) notes the contents of the report now submitted;
 - (b) agrees that the audits relating to Critical Incident Planning, Carbon Reduction Commitment, Youth Commissioning, Performance Monitoring Process and Establishment Control are removed from future reports; and
 - (c) requests the Assistant Director of Finance (Business Partnering and Internal Audit) to;
 - (i) include in the covering report, a list of the audits that are proposed to be removed from future progress reports; and
 - (ii) circulate further Information to members of the Committee on the implementation of the recommendations relating to the audit on Self Directed Support.

11. INDEPENDENT MEMBER RECRUITMENT

11.1 The Director of Legal and Governance submitted a report outlining the recruitment process for filling a vacancy that would arise for a co-opted non-voting member on the Committee as Beryl Seaman would be standing down at the end of the year. To allow flexibility in filling any future vacancies, it was proposed to recommend to Council that the maximum term of the appointment of co-opted members is increased to five years but that a four year term would be the norm. This would be of assistance where a member retired during their last year.

11.2 **Resolved:** That the Committee:

- (a) approves the process and timetable set out in the report for the filling of Beryl Seaman's vacancy for a non-voting co-opted independent member of the Committee from January 2014 to May 2017; and
- (b) recommends to Council that the maximum term for the appointment of the co-opted members of the Audit Committee is increased to five years to allow for flexibility in the recruitment process.

12. AUDIT COMMITTEE ANNUAL REPORT 2012/13

12.1 The Director of Legal and Governance submitted the Committee's draft Annual Report that highlighted the work of the Committee and how it had contributed to monitoring and improving the Council's corporate governance arrangements and internal controls. It was proposed that the report would be submitted to the Council Meeting on 4 September 2013.

12.2 The Chair of the Committee (Councillor Ray Satur) thanked the Chief Executive and his team for the respect they had given to the Committee and that this had been important for the independence of the Committee. He commented that the addition of Rick Plews and Beryl Seaman as independent co-opted members had brought a new dynamic to the Committee and he would miss working with Beryl Seaman when she left at the end of the year. Councillor Satur also welcomed the independence Councillors had shown whilst attending meetings of the Committee.

12.3 A member of the Committee suggested a number of minor amendments to the Report relating to referring to the High Opinion Audit Reports as Internal Audit reports, cross referencing the Annual Governance Report in the section on the work of the External Auditor and including reference to the External Auditor having issued an unqualified opinion on the Council's financial statements for 2011/12.

12.4 **Resolved:** That the Committee approves the report, as amended, for submission to the Council Meeting on 4 September 2013.

13. WORK PROGRAMME

13.1 The Director of Legal and Governance submitted a report that provided details of a proposed draft work programme for the Committee for 2013/14.

13.2 **Resolved:** That the Committee:

- (a) approves the work programme for 2012/13 with the inclusion of a quarterly report tracking the recommendations from Internal Audit reports with a high audit opinion;
- (b) requests members of the Committee to identify, prior to the relevant meeting, any areas of concerns or issues on the quarterly report on the Internal Audit reports with a high audit opinion to enable the relevant service manager to attend.

14. EXCLUSION OF THE PRESS AND PUBLIC

- 14.1 **Resolved** that the public and press be excluded from the meeting before discussion takes place on the following item of business to be considered 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.

15. FINANCIAL/COMMERCIAL MONITORING OF EXTERNAL RELATIONSHIPS

- 15.1 The Assistant Director of Finance (Project and Commercial) introduced a report of the Executive Director, Resources providing an update on the financial and commercial monitoring of the Council's major external relationships, since the last report to the Committee on 13 December 2012.
- 15.2 Officers responded to questions from members of the Committee relating Kier and the Manor and Castle Development Trust.
- 15.3 **Resolved:** That the Committee:-
- (a) notes the contents of the report now submitted; and
 - (b) requests the Assistant Director of Finance (Project and Commercial) to include a column in future reports showing the trend/direction of travel.

16. DATES OF FUTURE MEETINGS

- 16.1 It was noted that the meetings of the Committee would be held on:
- Wednesday 25 September - 6.30 p.m.
 - Thursday 14 November – 6.00 p.m.
 - Thursday 12 December – 6.00 p.m. (additional meeting if required)
 - Thursday 9 January 2014 – 6.00 p.m.
 - Thursday 13 February – 6.00 p.m. (additional meeting if required)
 - Thursday 13 March – 6.00 p.m. (additional meeting if required)
 - Thursday 10 April – 6.00 p.m.

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