

BARNSELY METROPOLITAN BOROUGH COUNCIL

Audit Committee

20th September, 2013

31. **Present:** Councillors T Sheard (Chairman) and Barnard together with Co-opted Members – Ms D Brown and Messrs Ellis, Johnston and Lunn.

Also in attendance, at the invitation of the Chairman:

Councillor Sir Steve Houghton (Leader of the Council) who made a presentation in relation to minute 34.

Councillor M Sheard (Chair of the Overview and Scrutiny Committee)

32. **Declarations of Pecuniary and Non-Pecuniary Interest**

There were no declarations of interest from Members in relation to items on the agenda.

33. **Exclusion of the Public and Press**

RESOLVED that the public and press be excluded during consideration of the following items because of likely disclosure of confidential or exempt information as defined by Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972 as amended.

34. **Digital Region Ltd**

The Leader of the Council, Councillor Sir Steve Houghton, gave a presentation on the current position with regard to Digital Region Ltd.

He explained the background to and rationale for the establishment of the project together with the funding and partnership arrangements that had been entered into. He went on to outline the reasons for the winding up of Digital Region Ltd, he referred to the potential liabilities relating thereto and gave details of the transfer of existing customers to alternative Internet Service Providers.

Councillor Houghton also explained that an independent investigation was being undertaken on behalf of all Partner Authorities/organisations in order to ensure that proper arrangements had been made to secure economy, efficiency and effectiveness in relation to the involvement with Digital Region and to see what lessons could be learned for the future.

A further report would be submitted to the Committee following the completion of the independent Investigation.

The presentation engendered a full and frank discussion during which matters of a detailed and general nature were raised and answers were given to Members questions where appropriate.

RESOLVED that the report be received and the Leader be thanked for attending the meeting and for answering Members questions.

Note: at this point in the proceedings, Members of the Public were re-admitted to the meeting.

35. Minutes

The minutes of the meeting held on the 24th July, 2013 were taken as read and signed by the Chairman as a correct record.

Arising out of the discussion and further to minute 26(ii), the Chair reported that he had contacted the Assistant Chief Executive (Legal and Governance) to ensure that a protocol for the appointment and re-appointment of co-opted members was submitted to a future meeting.

36. Actions Arising from Previous Meetings

The Assistant Director (Audit and Risk Management) submitted a report detailing actions taken and arising from previous meetings of the Committee.

The Assistant Director reported that because the date and time of the meeting had been changed to enable the Leader to attend to make a presentation on Digital Region Ltd, it had not been possible to provide a briefing session on the Authority's Performance Management Framework prior to this meeting. This would now be held prior to a future meeting.

Members were reminded that a series of briefing sessions was to be organised on various aspects of Information Governance. Public Health functions (including Strategic Risk Register and Clinical Governance arrangements) and the Strategic Risk Register prior to meetings of the Committee later in the year.

An update on Internal Audit Reports which had been outstanding for more than six months was to be submitted to the November meeting and, in accordance with Members wishes, a meeting with the Scrutiny Chair and Task Group Leads was to be arranged as soon as possible.

Arising out of the above, the Chair gave a brief update on the rationale for the establishment and role of Task and Finish Groups.

RESOLVED that the report on action arising from the previous meeting be noted.

37. External Audit - Annual Governance Report 2012/13

The Committee considered the report of the External Auditor (KPMG) which had been submitted in accordance with International Standard on Accounting 260, the External Audit Annual Governance Audit Annual Report for 2012/13. Damian Murray (Director) and Rachel Lindley (Manager) (accompanied by Nicola Hallas (Assistant Manager) from KPMG presented report which incorporated the following:

- the Headline findings
- the including the proposed opinion and audit differences
- the Value for Money Conclusion
- the key issues and recommendations
- the Audit differences
- the Declaration of independence and Objectivity
- the Draft Management Representation Letter

They gave a summary of the key headline messages from the 2012/13 audit, which was substantially complete subject to final review of all financial statements and completion and review of audit work performed over the whole of government accounts pack.

An appendix to the report gave details of the key issues and recommendations of the External Auditor together with the proposed Management response/action to those recommendations.

From the work undertaken, it was the intention to give an unqualified audit opinion shortly and indicating that the wording of the Annual Governance Statement accords with the understanding of the Authority and its governance arrangements.

It was reported, however, that on the 16th September, 2013 a letter of objection had been received from an elector in relation to taxi fees charged and operators licences. Until the Auditor had determined the approach and response to this objection it was not possible to close the audit and issue the certificate of completion. It was anticipated that an unqualified Value for Money conclusion would be issued by September 30th.

Ms Lindley then gave a detailed update on the following:

- the audit adjustments with specific reference to short term loans, the disposal of Penistone Grammar School and in relation to exit packages
- control weaknesses and recommendations

Mr Murray and Ms Lindley both commented on the high quality accounts and supporting working papers and the efficient way in which officers of the Authority dealt with queries and completed work within the prescribed timescales.

The presentation engendered a full and frank discussion during which matters of a detailed and general nature were raised and answers were given to Members questions where appropriate.

The following issues were referred to:

- details of the objection to the accounts were outlined. It was noted that this had been submitted despite discussion between the Authority's legal department and objector to try to remedy the situation. It not considered to be a 'repeat' of the objection raised to previous accounts albeit it was in relation to the same service area. It was noted that additional fees may have to be charged for any further work undertaken
- Work had been undertaken and completed following the concerns expressed by the External Auditor to ensure that staff leaving the Authority had access rights removed immediately
- Further to minute 34 above, the Committee noted that the impact of the decision to wind up Digital Region Ltd had been considered by the External Auditor who had concluded that proper arrangements had been made to secure economy, efficiency and effectiveness in respect of the Authority's involvement in this project. Arising out of this, Mr Murray indicated that subject to clarification that there would be no potential conflict with his independence, he and his staff would be assisting in the independent review to be undertaken in relation to Digital Region

RESOLVED:-

- (i) that the External Auditor's Report 2012/13 be received and referred for consideration by the Council to be held on the 26th September, 2013;
- (ii) that the Auditor's findings on the effectiveness of the Council's internal controls and his conclusion on the Council's arrangements for securing Value for Money be noted;
- (iii) that the Committee place on record their thanks and appreciation to the hard work of the External Auditor and the Assistant Chief Executive (Finance, Property and Information Services) and their respective Teams in this process.

RECOMMENDED TO FULL COUNCIL ON THE 26th SEPTEMBER:-

- (i) that the External Auditor's Draft Annual Governance Report 2012/13 be approved; and

- (ii) that the findings on the effectiveness of the Council's internal controls and his conclusions on the Council's arrangements for securing Value for Money be noted.
- (iii) that the financial statements and draft letters of representation be approved and accordingly, the final accounts 2012/13 be approved subject to the determination by the External Auditor of the approach and response in respect of the objection received;
- (iv) that the Management response to the key issues and recommendations identified and detailed within page 10 of the report now submitted by approved; and
- (v) the Council's response to the External Auditor's recommendations and the Assistant Chief Executive (Finance, Property and Information Services) letter of representation, be approved.

38. Final Annual Governance Statement 2012/13

Further to minute no 24 of the last meeting held on the 24th July, 2013, the Committee considered a joint report of the Assistant Chief Executive (Legal and Governance) and Assistant Chief Executive (Finance, Property and Information Services) on the final Annual Governance Statement for 2012/13, requesting the Committee to refer it to the Council for consideration and adoption as part of the process for approving the 2012/13 Statement of Accounts. A copy of the Statement was appended to the report.

It was noted that:

- the final Statement was substantially the same as the draft submitted to the previous meeting and, following consideration and approval by Council on the 26th September, 2013, would be placed on the Council's website in order to demonstrate that the Authority's financial and internal control related procedures were being complied with.
- as discussed at the previous meeting, consideration was being given and progress was being made in relation to the emerging issues arising from the transfer of the Public Health functions to the Authority. it was noted that the Acting Executive Director (Public Health) would be invited to make a presentation on clinical governance arrangements to a future meeting.

RECOMMENDED TO FULL COUNCIL ON THE 26th SEPTEMBER: that the final Annual Governance Statement 2012/13 be approved and adopted.

39. Annual Governance Statement 2012/13 – Action Plan Update

The Assistant Director (Finance) (Audit and Risk Management) submitted a report presenting, supporting and reviewing the updated Action Plan relation to the issues identified within the Annual Governance Statement for 2012/13.

The meeting noted that the action plan, a copy of which was attached, would be updated and reviewed and reported to the meeting in December. In all cases, actions had continued and were in progress. In most areas the nature of the issue was such that work was of a longer term nature and consequently the original issue had not been completely resolved. All actions remained on schedule.

RESOLVED that the report be received and that the progress being made against each item in the Annual Governance Statement Action Plan for 2012/13 be noted and that explanations be sought, where appropriate, regarding any poor progress.

40. Annual Treasury Report 2012/13

The Assistant Chief Executive (Finance, Property and Information Services) submitted a report that had been submitted to the Cabinet on the 1st July, 2013 presenting the Treasury Management Annual Report 2012/13 for information and comment.

The report had been prepared in accordance with the revised CIPFA Treasury Management Code and the Code of Practice and included information covering the Treasury Management Activities and Performance against Prudential Indicators with particular reference to the following areas:-

- The prevailing economic conditions
- capital expenditure and financing requirements 2012/13
- the reform of Council Housing
- Debt Management Activity 2012/13
- A review of the borrowing and investment activities for the year
- Prudential Indicators for 2012/13
- Leasing activities for 2012/13
- Security and Credit Risks
- Governance and Scrutiny arrangements

The Treasury Strategy had centred around two key themes:

- Minimising interest costs using internal resources in lieu of external borrowing; and
- maximising investment returns within the key principle of capital preservation.

Borrowing costs had been kept low through a variety of measures including internal borrowing and temporary borrowing from other local authorities at low rates.

The Annual Investment Strategy continued to emphasise the primary objective of the security of capital and the Authority had adopted a conservative strategy with all fixed term deposits being placed with UK institutions. Capital, therefore, remained secure and no deposits were considered to be at immediate risk. Sufficient liquidity had been maintained through the use of money market funds and temporary borrowing from other local authorities and a competitive yield of 0.91% had been achieved on investments (in excess of the benchmark based on market rates by over 0.4%).

An appendix to the full report demonstrated compliance with the prudential Indicators and indicated that all borrowing and investment transactions undertaken during the year had been in accordance with agreed policies and strategies.

RESOLVED that the Annual Treasury Report for 2012/13 be noted.

41. Corporate Finance and Performance Management Position for the Month ended 30th June, 2013 and Capital Programme 2013/14 – 2015/16 Update

The Assistant Chief Executive (Finance, Property and Information Services) submitted a report summarising the Corporate Finance and Performance Management Position and the Authority's Capital Programme for the three year period 2013/14 to 2015/16 as at 30th June, 2013.

The reports had been presented to the Cabinet on the 14th August, 2013. In relation to the Corporate Finance and Performance Management position, overall, there was a potential in year end operating surplus of £3.4m but this included surpluses or under-spends which had already been factored into future year's budgets as reported in the recently revised Medium Term Financial Strategy.

Slippage on previously agreed Key Lines of Enquiry totalled £0.1m although it should be noted that £45m of Key Lines of Enquiry savings had been delivered over the three year period to 31st March, 2013.

In addition, the overall operating surplus took into account continuing cost pressures relating the Children in Card where a £2m deficit was forecast in the current financial year. An Action Plan to address this over the next 2 years was currently being drawn up and would be reported to Cabinet in due course.

Over and above this, the projected surplus £3.4m was being transferred to strategic reserves following the receipt of new Homes Bonus during

the period. This was being considered in the light of the Council's one off investment needs including those related to the funding requirements of the Economic Plan. incorporated a number of cost pressures and surpluses as detailed within the report now submitted. Overall, however, the position for the current financial year was a health one but given the funding outlook over the medium term, it was crucial that Executive Directors continued to ensure that spending remained within agreed budgets profiles.

With regard to the Capital Programme, the total estimated cost was around £161m including £92m for improving Council dwellings to meet the Barnsley Homes Standard. Overall, however, there were no problems anticipated in funding the programme at this time.

Latest forecasts indicated that £2.3m was specifically ring-fenced that was still to be allocated over the life of the programme, however, the potential for new capital investment over the financial planning period continued to be significantly constrained and, therefore, there continued to be a need to ensure that the performance and efficiency of the Council's existing asset portfolio was maximised in the first instance. These matters would continue to be monitored closely throughout the remainder of the year.

RESOLVED that the report be received and the Corporate Finance and Performance Management position and Capital Programme for the three year period 2013/14 to 2015/16 as at 30th June, 2013 be noted.

42. External Audit Progress and Technical Update

The Committee received a progress report from the Council's External Auditor (KPMG) which was presented by Mr D Murray and Ms R Lindley

The report:

- provided an overview of the progress made by the External Auditor in delivering their responsibilities to the Council. At the end of each stage of the audit the Auditor issued certain deliverables including reports and opinions and a summary of progress against these deliverables was appended to the report.
- highlighting the main technical issues which were currently having an impact on local government and which were being addressed.

The progress report detailed the current position with regard to Financial Statements, Value for Money and Grants work were detailed within the report. There were no significant issues to report. The Auditor had also been commissioned by Financial Services to provide advice on the tax implications of alternative methods of service provision. Consideration was being given to this and training was to be provided to key officers within the Council. Arising out of this, however, reference was made of

the need to the External Auditor to remain impartial in its dealings with the Council.

The technical update outlined the likely level of impact of issues affecting the Authority together with their comments and timescale for action where appropriate.

RESOLVED that the External Audit Progress Statement and Technical Update be received and noted.

43. Audit Committee Work Plan 2013/14

The Assistant Director (Finance) (Audit and Risk Management) submitted a report providing the indicative work plan for the Committee for its proposed scheduled meetings for the remainder of the 2013/14 municipal year. The report also gave details of the indicative timetable of meetings from June to December 2014, the work plan for which would be issued nearer the date.

The Assistant Director reminded Members of the awareness sessions that were currently outstanding which would be extended to January 2014 and possibly beyond.

RESOLVED

- (i) that the core work plan for 2013/14 meetings of the Audit Committee be approved and reviewed on a regular basis; and
- (ii) that details of the outstanding awareness/training sessions be noted.

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Chairman

Council Governance Unit
23th September, 2013