

**BARNSELY METROPOLITAN BOROUGH COUNCIL****Audit Committee****24th July, 2013**

17. **Present:** Councillors T Sheard (Chairman), Barnard, P Birkinshaw and D Green together with Co-opted Members – Ms D Brown and Messrs Johnston, Lunn and Marks

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

Mr M Lunn declared a non pecuniary interest in any items relating to Berneslai Homes in view of his membership of Berneslai Homes Board and in relation to Community Build.

19. **Minutes**

The minutes of the meeting held on the 12th June, 2013 were taken as read and signed by the Chairman as a correct record.

20. **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 reminded Members that a series of briefing sessions was to be organised on various aspects of Information Governance, the new Performance Management Framework and the Strategic Risk Register prior to meetings of the Committee later in the year. Further details would be provided nearer the date.

It was noted that following the request made at the June meeting, an item on the current position and potential financial liabilities of the Council of the Digital Region Project was to be submitted to the September meeting.

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

21. **Audit Committee - Draft Annual Report 2012/13**

Further to minute 7 of the previous meeting held on the 12th June, 2013, the Committee received the final version Annual Report of the Audit Committee for 2012/13 which had been amended slightly to take account of comments and suggestions made at the previous meeting.

This was the sixth annual report and it illustrated how the Committee had successfully fulfilled its terms of reference and improved the Council's Governance and Control environments.

The report would be presented to the full Council and would be published on the Council's website as a demonstration of the Council's commitment to operate an effective Audit Committee.

**RESOLVED** that the Audit Committee Annual report 2012/13 be approved; and

**RECOMMENDED TO COUNCIL** that the Council receive the Annual Report 2012/13 and that it be published on the Council's website in order to demonstrate the Council's Commitment to operate an effective Audit Committee.

**22. Internal Audit Quarterly Report 2013/14 - Quarter Ended 30th June, 2013**

The Assistant Executive Director (Finance) (Audit and Risk Management) submitted a report presenting a comprehensive overview of the key activities and findings of Internal Audit based on the Division's work to the end of June, 2013 being the first quarter of the 2013/14 audit year.

The report covered:

- The issues arising from the completed Internal Audit work in the quarter incorporating, where appropriate, management's response to the recommendations made
- Matters that had required investigation
- An opinion on the overall assurance Internal Audit were able to provide based on the work undertaken regarding the adequacy and effectiveness of the Authority's internal control environment.
- Progress on the delivery of the Internal Audit Plan for the period to the end of the first quarter of 2013/14
- Details of Internal Audit's performance for the quarter utilising performance indicators

The report was presented by Ms J Winham, Senior Audit Manager who indicated that the reports that had been issued during the period predominantly covered the core systems audit as detailed within Appendix 1. One report included one fundamental recommendation relating to the absence of effective internal controls within a payment system, however, the control weaknesses highlighted were not collectively sufficiently serious to jeopardise the overall assurance opinion.

Twenty seven recommendations had been followed up and 56% had been implemented by the original agreed date compared to 17% in the

previous quarter. Of the remaining, a further 33% had been implemented after the original target date, 7% had been implemented by the revised target date and 4% after the revised target date.

A number of matters requiring investigation were still in progress and any control issues identified by Internal Audit had been highlighted for management attention.

The internal control assurance remained adequate based upon the results of the work undertaken during the quarter. There was a slight shortfall of days against the overall plan which was attributable to a higher profile of leave. Overall, Divisional performance remained satisfactory with only the discussion/issue of draft reports performance indicator being slightly below target.

In the ensuing discussion, and in response to detailed questioning, the following matters were highlighted:

- the division was currently preparing details of report recommendations which had been outstanding for in excess of 6 months and this information would be submitted for consideration at the November meeting
- in response to concerns there was a detailed debate about management's failure to adhere to target dates for the implementation of recommendations, of the reasons for this and the mitigating actions that could be taken in response. It was noted that the percentage of recommendations implemented by the original agreed date had improved compared to the previous quarter. There was very good co-operation from management, this situation was monitored closely and mitigating actions were agreed where appropriate. It was acknowledged, however, that management were under increasing pressure and were having to prioritise their efforts. Internal Audit were working closely with management to monitor the situation
- the reasons for the limited assurance given in relation to operational procedures for Foster Care Payments were detailed. It was noted that the situation was now improving
- the progress made by the Authority in addressing the requirements of the Payment Card Industry Data Security Standard accreditation required by the Banking Code was outlined. It was noted that the issues previously identified, which were in relation to chip and pin machines, had now been addressed and resolved
- the issues identified in respect of the raising of retrospective orders, in contravention of Financial Regulations were being addressed. The need to raise awareness of the requirements of financial regulations would be discussed with the Assistant Chief Executive (Finance, Property and Information Services)
- the current situation with regard to Payroll suspense account reconciliations and the action taken to ensure that under/over

payments and/or other errors were identified on a timely basis was outlined

- the recommendations in relation to the application of debt recovery procedures and the audit trail of debt recovery action within SAP and Civica ARMS were being followed up. It was noted that VAT not reclaimed through the HMRC bad debt relief scheme was relatively minor but this matter would be addressed

## **RESOLVED**

- (i) that the issues arising from the completed Internal audit work for the first quarter along with the responses received from management be noted;
- (ii) that the assurance opinion on the adequacy and effectiveness of the Authority's Internal Control Framework based on the work of Internal Audit in the period to the end of June, 2013 of the 2013/14 audit year be noted;
- (iii) that the progress against the Internal Audit Plan for 2013/14 for the period to the end of June 2013 be noted;
- (iv) that the performance of the Internal Audit Division for the first quarter be noted.

### **23. Draft 2012/13 Statement of Accounts**

The Assistant Chief Executive (Finance, Property and Information Services), for information, a report on the 2012/13 Statement of Accounts, the Council's third set of accounts prepared in accordance with International Financial Reporting Standards (IFRS).

The report indicated that the accounts had been submitted to the External Auditor on the afternoon of 28th June, 2013 in advance of the statutory deadline, in addition, there was no longer a requirement to submit them for approval to the Council prior to that deadline. This was primarily to enable additional time to prepare the accounts under the more complex and time consuming IFRS and to place public bodies on a similar reporting footing with the private sector.

The Council would receive the External Auditor's report on the accounts prior to the statutory deadline of 30<sup>th</sup> September 2013.

The Summary of Accounts together with the Draft Statement of Accounts 2011/12 were appended to the Assistant Chief Executive's report. The report also outlined the main elements of the Accounts, gave details of the consultation that had taken place together with the main elements of the requirements of the International Financial Reporting Standards.

The Committee also received a brief update on the Statement of Accounts and reference was made to a minor amendment now identified in relation to the housing Revenue Account detailed within page 3 appendix 1 (Summary of Accounts).

The Committee noted the significant work undertaken by the Assistant Director (Finance) (Finance and Business Support) and his Team in relation to the preparation of the Statement of Accounts which was commendable bearing in mind the staffing reductions that had taken place within the section.

**RESOLVED** that the work that has taken place to prepare the Authority's Draft 2012/13 Statement of Accounts on an International Financial Reporting Standards basis be noted.

#### **24. Draft Annual Governance Statement 2012/13**

The Chief Executive, Assistant Chief Executive (Legal and Governance) and Assistant Chief Executive (Finance, Property and Information Services) submitted a joint report on the Draft Annual Governance Statement for 2012/13.

The Statement gave details of:

- The purpose of the Governance Framework
- The Governance and Internal Control Framework
- The process of annually reviewing the effectiveness of the Governance and Internal Control Framework
- The development and improvement issues arising from the Annual Evaluation which would have to be addressed during 2013/14

The Draft Governance Statement was appended at Appendix 1 and the 2011/12 Action Plan was attached as Appendix 2.

The Assistant Chief Executive (Legal and Governance) and Assistant Director (Finance) (Audit and Risk Management) gave a brief resume of the key issues highlighted. Although the review of the Authority's Governance, Risk and Control Arrangements in 2012/13 had not identified any fundamental issues, the process had raised awareness of a number of emerging and current issues that were worthy of comment for the 2013/14 financial year and beyond. A summary of the Development and Improvement Issues identified were detailed within the report and the ways in which these issues would be addresses was outlined.

In the ensuing discussion, and in response to detailed questioning, the following matters were highlighted:

- there was a detailed discussion of the implications and action to be taken following the transfer of the Public Health Function to the Council from April 2013.
- Arising out of the above, reference was made to the action being taken to develop a Clinical Governance Policy/Framework and the timescale for this. This engendered a discussion of
  - the potential risks facing the Authority following the transfer of health functions and the mitigations in place
  - the action taken/being taken to address outstanding issues
  - the safeguards currently in place
  - the current position with regard to the appointment of the Director of Public Health
  - the role and terms of reference of the Health and Well Being Board
  - the need for an awareness/training session to be provided for Members of the Committee on this whole area prior to a future meeting.
- there was a further discussion of the need to bring to a more acceptable level the percentage of Internal Audit recommendations that were implemented on time together with the ways in which this could be achieved. The Chair stated that he would discuss this matter further with the Assistant Director (Finance) (Audit and Risk Management)

## **RESOLVED**

- (i) that subject to further consideration being given to the emerging issues arising from the transfer of the Public Health functions and subject also to no major changes being required, the Chair and Vice Chair be authorised on behalf of this Committee the Draft Annual Governance Statement 2012/13; and
- (iii) that an awareness/training session be provided prior to a future meeting on the implications of the transfer of the Public Health function to the Council from April 2013.

## **25. Review of Contract Standing Orders**

The Assistant Chief Executive (Legal and Governance) submitted a report on proposed revisions to the Council's Contract Standing Orders, which would in future be known as the Contract Procedure Rules, which would be submitted to Cabinet on the 31st July and subsequently to Council on the 26th September, 2013.

The Assistant Chief Executive stated that the previous Standing Orders had been largely fit for purpose but had been reviewed to take account of, amongst other things:

- increased thresholds prior to the requirement to tender

- a review of the tendering process to maximise opportunities for local businesses/companies
- clarification of various aspects of the delegation scheme
- the use of Frameworks and the development of EU requirements
- procedural changes in relation to electronic tendering, the witnessing of opening of bids and procedural requirements for the execution of contracts

In the ensuing discussion, particular reference was made to the following:

- there was a need to provide supporting guidance for those undertaking procurement exercises
- the Assistant Chief Executive outlined the current position with regard to developing EU law and directives
- the importance of ensuring the correct compilation of tender documentation was stressed. Arising out of this, reference was made to the pre-procurement requirements and the matters to be considered prior to any procurement activity
- the difficulties associated with tenders and matched funding were outlined
- the role of Internal Audit in the review process was noted
- the potential implications of procurement fraud and the ways in which this could be addressed were outlined

**RESOLVED** that insofar as this Committee is concerned, the revised Contract Standing Orders be noted.

## **26. Appointment of Co-optees to the Audit Committee**

The Assistant Chief Executive (Legal and Governance) submitted a report requesting Members to consider a process for addressing the appointment and re-appointment of Co-opted Members to the Committee.

The report acknowledged that there was a range of experience and length of service amongst the existing co-opted Members of the Committee and that it was now timely to establish a clear process for the appointment and re-appointment, where applicable, of members of the Committee having regard to recognised principles as the duration of terms of appointment to public office.

It was important to ensure some continuity in succession arrangements given the length of experience of those co-opted members who would be retiring. It was suggested, therefore, that officers draw up for consideration at the next meeting, a protocol to be adopted for the appointment/re-appointment process.

It was proposed that arrangements be made to put in place arrangements to advertise for expressions of interest to fill a vacancy on the Committee with effect from May 2014 and a further vacancy from May 2015. Thereafter, arrangements would be made to advertise as appropriate for vacancies following the expiry of a four year term of office in respect of the remaining co-opted members of the Committee. An existing Co-opted Member would be eligible to be considered for re-appointment for a second term in office.

It was also proposed to follow the previous practice whereby applicants expressing an interest would be interviewed by the Chair and Vice Chair of the Committee supported by the Assistant Chief Executive (Legal and Governance and the Assistant Director (Finance) (Audit and Risk Management).

A schedule detailing the appointment dates of existing co-opted representatives on the Committee was circulated. It was also suggested that in view of the joint Municipal and European Elections being held in May, 2014, the new arrangements for appointment and re-appointment of co-optees should commence in October 2014 rather than in May.

## **RESOLVED**

- (i) that the report be received; and
- (ii) that the Chair and Vice Chair together with the Assistant Chief Executive (Legal and Governance) and the Assistant Director (Finance) (Audit and Risk Management) draw up a protocol for the appointment and re-appointment of co-opted members for consideration by this Committee at its meeting in September, 2013.

## **27. Future Council and Financial Planning 2014/15 - 2016/17**

The Committee considered a report which was being submitted to the Council on the 25th July, 2013 on the Future Council and Financial Planning 2014/15 - 2016/17.

The report provided:

- an overview of the significant challenges that the Council was facing over the planning period and the new approach that would be taken to develop the organisation to a sustainable 'Future Council'. gave details of the significant challenges
- an overview of the budget for the period 2014/15 - 2016/17
- the Medium Term Financial Forecast
- a summary of the three year plan
- the Key lines of Enquiry (KLOE's) for 2014/15
- the recommendations to be considered by council on the 25th July, 2013 as a means of taking things forward



In the ensuing discussion, reference was made to the following:

- it was acknowledged that this was the start of the process and that there was still an element of uncertainty, however, the proposals provided a more flexible approach to the delivery of savings
- the KLEO's proposed would, if approved, provide savings in the order of £9m, however, it was likely that savings of around £13m and £10m would be required in successive future years
- it was noted that as part of the Corporate Services KLOE's Internal Audit was to potentially lose two posts and the implications of this, including the reduction in audit days, was discussed. The Chair gave a reassurance that if, in future, this Committee had concerns about the operation of the Internal Audit function, it was within it's remit to discuss this issue further. The Assistant Director (Finance) (Audit and Risk Management) commented that staffing within his section was of a similar size to other comparable authorities.

**RESOLVED** that the report and the recommendations contained therein be noted.

## **28. Corporate Finance Summary for the 2012-13 Financial Year**

The Assistant Chief Executive (Finance, Property and Information Services) submitted a report summarising the 2012/13 draft revenue final accounts position for General Fund Services (including Schools)

In response to questioning, the Assistant Chief Executive commented that the Executive Director (Children, Young People and Families) was addressing the overspend relating to Looked after children placement costs which particularly related to out of authority residential and fostering placements.

**RESOLVED** that the report be noted.

## **29. External Audit Progress Statement**

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 a statement for the external audit programme for 2012/13.

Details of the current position with regard to Financial Statements, Value for Money and Grants work were detailed within the report and there were no significant issues to report.

The audited accounts would become available for public inspection from 12th August, 2013.

In presenting the audit timetable for the remainder of 2013 and for 2014, the Committee was informed that the outcomes from the audit of the 2013/13 Financial Statements and the Value for Money conclusion would be presented to the meeting of this Committee on the 23rd September and to Full Council on the 26th September, 2013.

**RESOLVED** that the External Audit Progress Statement be noted.

**30. 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 Assistant Director referred to the number of awareness sessions that were currently outstanding and he sought clarification as to the most appropriate times for holding these bearing in mind the timetable for previously agreed sessions would now extend to November 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 awareness/training sessions continue to be held at 3.00 pm immediately prior to meetings of this Committee.

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Chairman

Council Governance Unit  
29th July, 2013