

BARNSELY METROPOLITAN BOROUGH COUNCIL**Audit Committee****11th December, 2013**

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

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

There were no declarations of Pecuniary and Non-Pecuniary Interest from Members in respect of items on the agenda.

56. **Minutes**

The minutes of the meeting held on the 6th November, 2013 were taken as read and signed by the Chairman as a correct record.

57. **Actions Arising from Previous Meetings**

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

It was reported that because of a clash of meetings which Members had to attend, the awareness sessions on the implications of the transfer of the Public Health Function to the Council and various aspects of Information Governance programmed for the 22nd January, 2014 might have to be postponed to the meeting scheduled for the 26th March.

It was noted that, in accordance with the Committee's Terms of Reference, a meeting had been held with the Chairperson of the Overview and Scrutiny Commission on the 11th December, 2013. This meeting had been attended by the Chair and Vice Chair of this Committee and also by the Chair of one of the Task and Finish Groups. The meeting, which would be held on a regular basis, had been very useful and issues of mutual interest to both the Overview and Scrutiny Committee and this Committee were discussed. It was noted that in future, the outcome of discussions, reports and work of the Overview and Scrutiny Committee would be fed into this Committee workplan and that this would contribute to the broader assurance in relation to governance.

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

58. Strategic Risk Register - Full Review - October, 2013

The Assistant Executive Director (Finance) (Audit and Risk Management) submitted a note presenting a report which was to be submitted to the Cabinet Meeting on the 18th December, 2013 on a full review of the Strategic Risk Register undertaken in October, 2013.

The report formed part of the Committee's assurance process where it was agreed that following the completion of the 'zero-based' review of the Strategic Risk Register, the Committee consider the latest version and provide appropriate comments thereon.

The Register contained those risks that were considered significant potential obstacles to the achievement of the Authority's Corporate objectives. The Assistant Director commented that it was important that the Register remain up to date and be reviewed regularly in order to accurately reflect the most significant risks to the achievement of objectives and facilitate timely and effective mitigations to those risks.

Following a zero-based review of the Strategic Risk Register in the early part of 2013, a full review had been undertaken in October the outcomes of which were detailed within the report. The Assistant Director outlined in some detail the way in which the register had been reviewed together with the role and involvement of the Senior Management Team in this process. He commented on the main components of the review and the change in emphasis in items included.

The October 2013 review had included consideration of the following:

- the correct expression of risk
- the level of 'concern' for each risk
- the existing and new risk mitigation actions
- the fallback plans, should any risk occur

The report then went on to outline:

- those risks that had worsened since the last review
- those risks that had improved since the last review
- the mitigation actions that were now complete or where new mitigation actions had been identified for particular risks - it was noted that no risk mitigation actions were currently logged as being 'red'
- the key risks and the distribution of the risks across the six 'concern' rating classifications
- the risks that had been allocated a 'red' rating

A further review of the Register would take place in February/March 2014 which would also allow the associated risks to be fully considered as part of Service and Delivery Planning.

A copy of the full Strategic Risk Register was appended to the report.

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

- in response to detailed questioning, the Assistant Chief Executive (Finance, Property and Information Services) commented on the mitigation action plans in place to address the following risks:
 - 3029 - Failure to safeguard information; and
 - 3030 - Failure to be prepared for an emergency response of a business continuity threat' mitigation action sin place to address

She was confident that these matters would be satisfactorily addressed and that further information would be provided at the awareness session on Information Governance scheduled for early in the New Year

- the reasons for risk 3026 'Failure to achieve a reduction in health inequalities within the Borough' being allocated a 'red' concern were outlined. It was noted, however, that the mitigation actions were logged as either 'amber' or 'green' as, for the most part, actions to mitigate the risks were largely on track or achievable. It was noted that whilst structures and processes were in place to control the risk, time was required to gauge the overall effect and impact of the mitigations. Concern was expressed by some members at the potential for delay and lack of urgency, however, it was noted that this matter was being kept under strict review by Cabinet and by the Director of Public Health. Arising out of this, it was noted that an awareness session was to be arranged in the New Year on the implications of the transfer of the Public Health function to the council which would include issues relating to the Strategic Risk Register and Clinical Governance arrangements when many of the issues now raised would be addressed
- with regard to Workforce Planning issues (risk 3028) concern was expressed that only 37% of employees appeared to have undertaken a Performance Development Review. The Assistant Chief Executive (Legal and Governance) commented on the possible reasons for this. He stated that this matter had been recognised by the Senior Management Team which was to address this issue.

RESOLVED that the report on the outcome of the recent review of the Strategic Risk Register in relation to the management, challenge and development of the Register be noted and the Committee continue to receive periodic updates as to the progress of the actions taken and their impact on the Strategic Risk Register.

59. Risk Management Update Report 2013/14

The Assistant Executive Director (Finance) (Audit and Risk Management) submitted a report outlining the progress made to date in 2013/14 towards the achievement of the goals set out in the Authority's Risk Management Policy, signposting further work to be undertaken within the year and seeking to provide suitable assurance that the Risk Management Framework remains fit for purpose.

The role of the Risk Champions who assisted in further embedding a culture of Risk Management Across the Authority had been revised to align activities and tasks against expected competencies and the ways in which Risk Champions were 'appointed' was outlined.

As previously reported, the first full review of the Strategic Risk Register had been completed in October, 2013 and an overview had been discussed with the Senior Management Team and discussed by this Committee earlier in the meeting. The review was to be considered by the Cabinet on the 18th December, 2013.

The Risk Management Strategy continued to support significant projects and partnerships in the management of risk. This also included the potential Central Library Relocation and the visit of the Tour de France in 2014. In addition, revisions and improvements to the existing Risk Tolerance Model had resulted in the development of a 'Risk Acceptance' Model.

The decision to move to a hosted environment in relation to Morgan Kai Insight was envisaged to deliver benefits to the system in terms of the look, the available functionality and the overall usability of the system.

Robust training and awareness programmes were continuing to be delivered and developed throughout 2014 for both Elected Members and officers.

The Assistant Director concluded by stating that recent benchmarking activities suggested that the Authority's Risk Management Framework had moderately improved compared to previous years.

RESOLVED:

- (i) that the report on the Risk Management Update and the assurances provided as part of the overall consideration of the Authority's Control Framework for the purposes of the Annual Governance Statement be noted; and
- (ii) that the Committee continue to receive periodic reports during the year to monitor the progress in achieving the actions identified for 2013/14.

60. Fraud Management - Update

The Assistant Executive Director (Finance) (Audit and Risk Management) submitted a report giving details of the progress and information in the development of arrangements to effectively assess and manage the risk of fraud and corruption.

The report highlighted the progress made since the submission of the Annual Fraud report to the meeting in June 2013 and indicated that the Framework served as a key vehicle through which anti-fraud and corruption activity was identified and managed.

The Annual Fraud report 2012/13 had included an action plan and an update was attached as appendix 1 together with an updated list of completed actions. A further appendix provided an updated list of completed actions and both documents outlined continuing good progress.

A summary of the key priorities was outlined and would be updated for the committee within the next report submitted in approximately six months time. It was anticipated that the timescales detailed would be met. Particular reference was made to the issuing of the annual fraud risk assessment questionnaire to all Assistant Directors which would enable an analysis to be made of how well fraud issues were managed by the Authority.

A number of investigations were ongoing and would be included in more detail in the Internal Audit Quarterly report. Internal Audit had made positive moves to increase resources targeted at prevention and detection of fraud rather than investigations. The 2013/14 annual fraud risk self assessment process was due to commence shortly and the results would be utilised to undertake proactive anti-fraud audits. It was noted that advice, guidance and instruction was still being offered to managers on matters of fraud and fraud prevention in addition to giving support in dealing with their own investigations.

Whilst there were no direct financial implications arising from the report there were inherent financial issues concerning anti-fraud and corruption and an increase in controls may have cost implications both in terms of additional checks, potentially slowing down service delivery, and computer system changes. These costs would have to be balanced against the risk of loss and such costs would have to be discussed with management. The emphasis at all times would be to improve controls without increasing costs or jeopardising efficient and compliant service delivery.

RESOLVED:-

- (i) that the progress made in the development of effective arrangements and measures to minimise the risk of fraud and corruption be noted; and
- (ii) that the Committee receive 6 monthly progress reports on the implementation of the identified key actions.

61. Internal Audit Recommendations - Implementation Update

Further to minute 49 of the meeting held on the 6th November, 2013, the Assistant Executive Director (Finance) (Audit and Risk Management) submitted a report providing details, as at 31st October, 2013, of the audit report recommendations which had been outstanding for more than six months since the original implementation date.

The report, by way of background, provided a resume of the requirements of the Public Sector Internal Audit Standards and the responsibilities of the Head of Internal Audit and of this Committee in managing, monitoring and ensuring compliance with Internal Audit reports.

An analysis of all the audit report recommendations had revealed that six had been outstanding for more than six months five of which had been classed as significant and one as fundamental details of which were outlined within an appendix to the report.

One recommendation due for completion on the 30th November, 2013 had been addressed and in relation to the remaining five recommendations, four were expected to be complete by the end of December and the remaining recommendation was on track for completion. Internal Audit was satisfied that sufficient management attention was being given to address the agreed actions/recommendations.

Good co-operation existed between Internal Audit and management and that, as such, it was able to closely monitor any implications that may arise from any delay in implementation of recommendations. It was noted, however, that Internal Audit was finding that management were generally under increasing pressure arising from the Future Council arrangements which were giving rise to increased workloads. This was evident in respect of some of the reasons provided for the delay in responding to audit recommendations.

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

- if Internal Audit had concerns that recommendations were not being addressed appropriately, those concerns would be

escalated to the Departmental/Senior Management Team as appropriate. It was stressed that this was not the situation with the current outstanding recommendations

- the commitment of the Senior Management Team to this process was acknowledged
- the delay associated with
 - the Staff Exit Process/Corporate Guidance/Policy was largely as a result of the conflict of significant priorities
 - the Private Sector Leasing Scheme/Empty Homes Strategy was because of the need to complete the Empty Homes Strategy
 - the Residential Homes Framework/Submission of Management Information was not 'safeguarding' related but was around the processing of payments

RESOLVED:-

- (i) that the information provided in support of the monitoring responsibilities of Internal Audit be noted; and
- (ii) that a further progress report be submitted as part of the next Quarterly Internal Audit Report in order to continue monitoring progress in implementing agreed recommendations.

62. Annual Review of the Effectiveness of Internal Audit - Progress Report

The Assistant Executive Director (Finance) (Audit and Risk Management) submitted a report providing an update on progress made in addressing the issues arising from the annual review of the effectiveness of the Internal Audit Function which had been presented to Committee on the 12th June, 2013.

Appendix 1 to the report provided an Action Plan outlining the progress on issues identified. With the exception of changes required to the filing structure within the document management system, all actions had been addressed.

The self assessment, which was a key part of the Quality Assurance Improvement Programme and a requirement arising from the implementation of the new Public Sector Internal Audit Standards, had resulted in a detailed action plan. The priority attached to addressing each action had been based on the value of the outcome added to the client/auditee. The areas for improvement and action along with an update regarding progress in addressing these was summarised in Appendix 2 to the report.

The actions which remained outstanding or delayed predominantly related to the Internal and External Assessment process. Work was progressing on the internal assessments and discussions were taking

place with the various West and South Yorkshire Internal Audit Services in relation to the external assessments in order to establish the feasibility of undertaking a programme of peer assessments. These two areas remained the current focus in respect of the completion of the outstanding actions.

Approximately 50% of the actions were complete in relation to the issues detailed within appendix 2. In addition, whilst it was noted that this appendix contained detailed information extracted from the 'standards' a wish was expressed that in future, this be written in plainer English if possible.

RESOLVED that the progress made in implementing the actions contained with the updated Action Plans as detailed within Appendices 1 and 2 of the report now submitted by noted.

63. Review of Ombudsman Complaints 2012/13

The Assistant Chief Executive (Legal and Governance) submitted a report providing an overview of the position with regard to complaints against the Authority received by the Local Government Ombudsman for the financial year 2012/13.

The Ombudsman's Annual Letter , which was appended to the report, was, contrary to previous years, very much a summary document which provided no statistical information due to a change in the recording of information and transition to a new reporting system.

A schedule of statistics had, however, been compiled from the information held within the Council with regard to individual complaints received from the Ombudsman and this was attached to the report. This also provided comparable figures for 2011/12.

The following matters were highlighted:

- 29 new complaints had been received which compared favourably with the benchmark average number of complaints for Metropolitan Authorities
- there had been a significant number in the drop of complaints received which continued the trend in previous years - this was possibly due to the increasing effectiveness of the approach taken by the Ombudsman's office through the development of its Central Advice team and also because of the increasing effectiveness and awareness of the Council's in house complaints procedure. It was noted that the reductions in capacity within the Ombudsman's Service was requiring a more selective judgement as to those cases which were forwarded for consideration and this, therefore, may be another reason for the drop in the number of complaints received

- None of the complaints received which were subject to detailed investigation had revealed any significant concerns with regard to matters relating to internal control or effective operation of core systems and processes
- there had been three local settlements, however, the settlement figures were modest and essentially by way of compensation representing the time and trouble of the complainant in needing to bring the complaint rather than any substantial reimbursement of loss or injustice incurred.

It was pleasing to note that there was nothing arising from any complaints to the Ombudsman for the financial year 2012/13 which raised any wider internal control or governance issues which impacted upon the role of the Audit Committee.

RESOLVED that the report be noted

64. Annual Governance Statement 2012/13 - Action Plan Update

The Assistant Executive Director (Finance) (Audit and Risk Management) submitted a report supporting the updated action plan relating to the issues identified in the Annual Governance Statement for 2012/13.

The Action Plan was attached to the report and had been last reviewed by this Committee in September.

Generally progress had been positive against all actions identified and two of the issues raised in the Annual Governance Statement had been completed. A summary of these actions was detailed within the action plan.

It was noted that a further review would be undertaken in May 2014 as part of the 2013/14 Annual Governance Statement process.

RESOLVED that the report and the progress being made against each item in the Action Plan be noted.

65. External Audit Progress Report and Technical Update

The Committee received a progress report from the Council's External Auditor (KMPG) which was presented by Ms R Lindley.

Ms Lindley explained that she was to leave the services of KPMG at Christmas and that her place would be taken by Ms L Wild, who was present at the meeting.

The report:

- provided an overview of the progress made by the External Auditor in delivering their responsibilities to the Council. At each

stage of the audit the Auditor issues certain deliverables including reports and opinions and a summary of progress made against these deliverables was appended to the report

- highlighted 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 Audit Planning, Financial Statements for 2012/13 and 2013/14 Value for Money, Certification of claims and returns and other work. There were no significant factors to report and the current position with regard to the objection to the 2012/13 Financial Statements was noted.

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

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

- the intention to issue a draft audit plan in January which would be considered by this Committee in either January and March
- the audit approach to the 2013/14 Financial Statements
- the audit of the 2012/13 grant claims which required certification had been completed. Draft reports had been prepared for Management and it was intended to submit a report on this work to the Committee in January

RESOLVED:-

- (i) that the External Audit Progress Statement and Technical Update be received and noted; and
- (ii) that the Chairman and Members of the Committee place on record their thanks and appreciation to Ms R Lindley for her work and service to this Committee and she be issued their best wishes for the future.

66. 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 that, as previously reported, the awareness session planned for prior to the January meeting may have to be postponed until the March meeting.

RESOLVED that the core work plan for 2013/14 meetings of the Audit Committee be approved and reviewed on a regular basis

At the conclusion of the meeting, the Chairman, Councillor T Sheard, thanked Elected Members, Co-opted Members and Officers for their hard work and dedication to this Committee during 2013 and he wished them all best wishes for a Merry Christmas and a Happy and Prosperous New Year.

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Chairman

Council Governance Unit
17th December, 2013