

**BARNSELY METROPOLITAN BOROUGH COUNCIL****Audit Committee****26th March, 2014**

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

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

Councillor T Sheard and Mr and Lunn declared a non pecuniary interest in any matters relating to Berneslai Homes being Board Members on that Organisation.

97. **Minutes**

The minutes of the meeting held on the 26th March, 2014 were taken as read and signed by the Chairman as a correct record.

98. **Actions Arising from Previous Meetings**

The Head of Internal Audit and Risk Management submitted a report detailing actions taken and arising from previous meetings of the Committee.

It was noted that the Awareness Session on various aspects of Information Governance was to be arranged prior to a future meeting and details would be circulated as soon as this had been arranged.

**RESOLVED** that the report be noted.

99. **Appointment of Co-opted Members**

The Director of Legal and Governance gave an oral report on the current position with regard to the recruitment of Co-opted Members.

The Committee noted that there was currently one vacancy following the resignation of Mr G Ellis and that, in addition, this was the last meeting to be attended by Messrs Johnston and Lunn whose term of office was to expire at the Annual Council meeting on the 6th June, 2014.

It was noted that following the publication of a notice within the local and regional press seeking applicants to fill the vacancies, no applications had been forthcoming. This was particularly disappointing, however, steps were being taken to proactively seek potential applicants by approaching Authorities outside the region to see whether or not they had potential applicants they could recommend. In addition, the Head of

Internal Audit and Risk Management was contacting his colleagues within the region to ascertain if there were any recently retired senior officers with sufficient 'audit' experience who would be willing to put themselves forward for consideration.

A meeting was planned with the Chair and Vice Chair, the Director of Legal and Governance and the Head of Internal Audit to discuss this matter further and to interview and potential applicants.

**RESOLVED** that the report be received and the action taken to recruit Co-opted Members be approved.

**100. Internal Audit Quarterly Report 2-13/14 - Quarter Ended 31st March, 2014**

The Head of Internal Audit and Risk Management submitted a report providing a comprehensive overview of the key activities and findings of Internal Audit based on the work of the Division to the end of March 2014.

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 fourth quarter of 2013/14
- Details of Internal Audit's performance for the quarter utilising performance indicators

The Committee was informed that reports had been issued during the quarter did not include any fundamental recommendations and the control weaknesses highlighted within the reports issued were not sufficiently serious to jeopardise the overall positive assurance opinion.

Of the 13 recommendations followed up, 84% had been implemented by the original agreed date compared to 64% in the previous quarter. Of the remaining, a further 8% had been implemented by the revised target date and 8% after the revised date.

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

The internal control assurance remained adequate based on work undertaken within the quarter.

The Head of Internal Audit would submit a report to the next meeting scheduled for the 11th June, 2014 providing an overall assurance opinion based on the work across the whole of the 2013/14 year. This would include the results of all core and financial systems reviews. The Head of Internal Audit reported that to date, based on current analysis, he anticipated being able to issue a positive opinion in this respect.

There was a slight shortfall of days against the overall plan which was attributable to the time required to deal with the integration of the Joint Secretariat Internal audit Service and the re-location of the Internal Audit Office.

Overall, Divisional performance remained satisfactory with only the issue of draft reports performance indicator and the number of training days being lightly less than target.

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

- in response to detailed questioning the Head of Internal Audit explained the rationale for and the factors taken into account in relation to the allocation of the categories of Assurance Opinion. Specific reference was made to the Assurance Opinion for:
  - Corporate Services: HR, Performance and Communications - Agency Workers; and
  - Public Health: Absence Management Arrangements
- the Head of Internal Audit commented on his role in examining all final audit reports
- it was noted that for the last two years there had been an overspend on Children in Care and there was a discussion of the reasons and questions were raised as to the need for further audit involvement. It was noted that there were no underlying issues in this respect. The matter had been identified as an issue for consideration by Cabinet, however, the overspend was largely demand driven and over which the Department had little control
- information was provided on the service involvement in providing advice and in attending meetings of the Project Group meetings for the establishment and implementation of the Premier Supplier Programme within Corporate Services. It was noted that this work was ongoing.

## **RESOLVED**

- (i) that the issues arising from the completed Internal Audit work for the fourth 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 March 2014 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 March 2014 be noted; and
- (iv) that the performance of the Internal Audit Division for the fourth quarter be noted.

### **101. Risk Management Framework Review**

The Head of Internal Audit and Risk Management submitted a report on the draft revised Risk Management Framework which was submitted for consideration and comment prior to the submission for approval by Cabinet.

The report outlined the importance of keeping the Framework up to date in order to accurately reflect the effective and efficient management of risks to the achievement of objectives. This was of particular importance given the Future Council Programme.

The report outlined the background to the Risk Management and Policy Framework which had last been reviewed in 2013 and indicated that the full review of the complementary framework was required in order to ensure that it reflected the changing national and local context.

The report outlined:

- the key issues contained within the Framework which was crucial to the successful embedding of a culture where Risk Management was considered part of normal business
- the changes proposed to the Framework since the previous review including:
  - the incorporation within the Strategy of the recommendations identified following the completion of the ALARM/CIPFA Benchmarking exercise for 2013/14
  - the significant changes to the Risk Management Strategy, Risk Champion Role and the Risk tolerance and Escalation Model (to be known as the Risk Acceptance Model) all of which were detailed within the report

It was envisaged that following approval by this Committee, the Chief Executive and Cabinet Spokesperson for Corporate Services would sign and endorse the revised Risk Management Policy Objective Statement for 2014/15. This Statement and Strategy sought to ensure that the significant risks which could impact upon the delivery of the Authority's objectives set out within the Corporate Plan were appropriately managed in order to minimise the significant potential obstacles to the achievement of corporate objectives and would also support the consideration of innovative solutions relating to the Future Council Programme.

Particular reference was made to the following:

- the introduction of a Forward to the Risk Management Policy Statement
- referring to the Risk Acceptance Policy the rationale for the reduction in the number of red risks from 141 to 48. It was noted that risk management and mitigation work would be required to reduce the risk profile to a level that 'fitted' the principle of acceptable risks or risks within the Authority's appetite
- the current position with regard to payment by cheques was outlined as were the proposals for future payment options. It was noted that changes to payment methods were usually accepted once new options were understood and explained
- the development framework for managing risks was being developed year on year. Arising out of this discussion reference was made to the need to monitor awareness of risk control/governance issues as Future Council options were developed and taken forward

**RESOLVED** that the report be received and the Risk Management Framework be approved insofar as this Committee is concerned and referred to Cabinet for further consideration and approval

## **102. Corporate Whistleblowing Policy - Annual Report**

The Director of Legal and Governance and the Head of Internal Audit and Risk Management submitted a joint report on the annual review of the Council's Corporate Whistleblowing Policy as part of the general review of the governance arrangements supporting the Annual Governance Statement Process. A copy of the Policy was appended to the report.

Members were reminded of recent reviews of the Policy which had taken account of a number of the Council's anti-fraud policies and guidance together with the introduction of legislative changes and, most recently, the update in January 2014 to take account of the provisions of the Enterprise and Regulatory Reform Act 2013. As a consequence it was not necessary to consider the policy at this time.

The report provided an update on the use of the policy together with an overview of the Policy in operation.

There had been 8 specific referrals using the whistleblowing provisions and in all cases an investigation had been undertaken or was in progress. In summary:

- 3 cases had been referred via the Whistleblowing telephone number and had been referred for investigation to the Benefits Fraud Team
- 4 cases had been investigated and closed

- 1 case remained in progress as at 31st March, and was under investigation

Although not every referral resulted in the identification of wrongdoing, where there had been important control issues identified these were referred to and acted upon by management. All issues raised were deemed having been raised in good faith and, therefore, none were deemed to be vexatious or malicious.

In the ensuing discussion, the following issues were raised:

- it was difficult to judge the success or otherwise of the Whistleblowing Policy as low usage could either be regarded negatively (indicating that employees had very little trust) or positively (indicating that there were very few cases to raise). High levels of usage, on the other hand, could reflect that there were a high number of issues with little of poor control, or that employees were happy with the arrangements and found them to be trustworthy
- the provisions of the Whistleblowing Policy were widely known to all employees and the ways in which this was undertaken was outlined. It was noted that there was to be a 'refresh/re-launch' of the Policy with employees being informed by email and poster campaign on staff notice boards etc.

## **RESOLVED**

- (i) that the report be received;
- (ii) that the Committee confirm its continuing support towards the development of a strong counter fraud culture; and
- (iii) that further reports be submitted on the review and progress of the Whistleblowing policy on an annual basis.

### **103. External Audit Reports**

#### **(a) Interim Letter**

The Council's External Auditor submitted an interim letter dated 9th April, 2014 providing an update on the progress of their Audit.

Ms L Wild, representing KPMG, gave a brief resume of the work in which the External Auditor was involved including:

- Procurement controls, budgetary controls and related issues
- Pension Liability issues
- Journal Control
- Reconciliation for Cash in Bank
- Risk assurance issues around Value for Money

It was noted that currently there were no issues of concern to report.

**RESOLVED** that the letter and update report be received.

(b) Fee Letter 2014/15

Mr J Cornett, representing KPMG, presented the External Auditor's Annual Fee Letter for 2014/15.

The following issues were raised:

- the indicative fees had been based on a number of assumptions as detailed within an appendix to the report. If these assumptions were not met, the fees would be subject to change
- Details of the Planned Output Reports were provided within Appendix 2 to the report
- work had not yet been completed on the 2013/14 audit or the audit planning process for 2014/15 (including the risk assessment) and, therefore, the fees might have to be reviewed and updated as necessary.
- Using current projections, the indicative fees for Code of Audit Practice and Audit fee for 2014/15 was the same as the previous year and was in line with the scale fee recommended by the Audit Commission. The fee for Certification of grant claims and returns 2014/15 was potentially less than the previous year and the rationale for this was explained.
- it was noted that work being undertaken by the DCLG and HM Treasury with grant paying bodies to develop assurance arrangements for certifying claims and returns following the closure of the Commission. In addition, certain schemes were expected to fall outside the Commission's arrangements and these were outlined.
- Details of the work planned and current position in relation to the Housing Benefit Subsidy Certification for 2014/15 and proposals for future arrangements for certification for 2015/16 onwards were outlined.

**RESOLVED** that the Annual Audit Fee letter for 2014/15 be received and the potential implications of the issues identified therein be noted.

**104. Audit Committee Work Plan 2014/15**

The Head of Internal Audit and Risk Management submitted a report providing the indicative work plan for the Committee for its proposed scheduled meetings for 2014/15.

The Head of Service and Chairman reminded Members that:

- various awareness sessions would be planned and details of the revised date for the session on Information Governance would be provided in the near future

- the September meeting was to be held on Friday 19th September, 2014 in order to accommodate the timetable for the approval by Council of the Final Accounts.

**RESOLVED** that the core work plan for 2014/15 meetings of the Audit Committee be approved and reviewed on a regular basis

**105. Mr F Johnston and Mr M Lunn - Co-opted Members**

The Chairman reported this would be the last meeting attended by Mr F Johnston and Mr M Lunn (Co-opted Members).

The Chairman and Members of the Committee asked to place on record their thanks and appreciation to Messrs Johnston and Lunn for the work and service to this Committee and they wished them all the best for the future.

Mr F Johnston, on behalf of himself and Mr Lunn, asked to place on record their thanks and appreciation to all Members of the Committee and especially to officers of the Authority for the help and support provided during their tenure as Co-opted Members. They asked particularly to express their thanks to Messrs Copley, Frostdick and Winter.

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Chairman

Council Governance Unit  
2nd May, 2014