

## **BARNSELY METROPOLITAN BOROUGH COUNCIL**

### **Audit Committee**

**11<sup>th</sup> June, 2014**

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

2. **Mr S Gill – Independent Co-opted Member**

The Chair and Members welcomed Mr S Gill, the newly appointed Independent Co-opted Member to this his first meeting of the Audit Committee.

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

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

4. **Appointment of Vice Chairman**

**RESOLVED** that consideration of this matter be deferred until the appointment of a full complement of Independent Co-opted Members.

5. **Minutes**

The minutes of the meeting held on the 30<sup>th</sup> April, 2014 were taken as read and signed by the Chairman as a correct record.

6. **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.

With regard to the replacement Member from this Committee to take over the scrutiny role on the Treasury Management Panel the Chairman suggested that he take over this position until such time as the Committee had a full complement of Independent Co-opted Members.

**RESOLVED**

- (i) that the report be noted; and

- (ii) that the Chairman be appointed to the Treasury Management Panel as a temporary measure until such time as the Committee has a full complement of Independent Co-opted Members

## **7. 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.

He reported that at the meeting held on the 6<sup>th</sup> June, 2014 the Annual Council had approved the appointment of Mr S Gill as an Independent Co-opted Member following successful interview by himself, the Chairman and the Head of Internal Audit and Risk Management earlier that day.

This appointment left vacancies for two co-opted Members and arrangements were being put in hand to seek suitably qualified persons to fill these positions.

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

## **8. Internal Audit Annual Report 2013/14**

The Head of Internal Audit and Risk Management submitted his Annual Report on the adequacy and effectiveness of the Authority's framework of Governance, Risk Management and Control (the internal control arrangements) based on the work of Internal Audit during 2013/14 which had been prepared in accordance with recommended practice contained within the new Public Sector Internal Audit Standards.

The report contained:-

- (i) an opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control
- (ii) a summary of the audit work undertaken to formulate the opinion
- (iii) details of key control issues identified, particularly in the context of the Annual Governance Statement
- (iv) the extent to which the work of other review or other bodies had been relied upon
- (v) a comparison of the Audit work undertaken with the work which was planned
- (vi) a summary of the performance of the Internal Audit Service
- (vii) a statement on conformance with the Public Sector Internal Audit Standards and the results of its quality assurance and improvement programme and

(viii) a summary of the training and development activities undertaken with the Internal Audit Section

The meeting noted that the Head of Internal Audit and Risk Management was able to provide an adequate assurance opinion. This opinion was based upon the completion of the annual programme of risk based audit coverage.

Key issues arising from all completed audits had been reported throughout the year within the quarterly Internal Audit reports. A number of reports issued resulting in a negative assurance opinion had decreased and most of the findings related, in the main, to 'people' issues and the non-compliance regarding the application of the necessary controls and checks. This non compliance would be monitored throughout the year along with the number of negative report assurance opinions.

The implementation of audit report recommendations had continued to be an issue throughout the year and monitoring would continue to be a priority for the service.

A number of investigations had been completed during the year and no major issues had arisen although the control issues identified had been highlighted for management attention.

In addition, Divisional performance had remained satisfactory with most areas exceeding the target although three performance indicators marginally varied from the target. The percentage feedback received noted as 'good' or 'very good' from Senior Managers was slightly below target and the issue of draft reports performance indicator was below target largely due to delays obtaining details required to finalise audit reports. The days allocated to training was also slightly less than the target due to the implementation of a Professional Training Programme during the current year.

The Committee's attention was drawn to the results of the core system reviews. Overall, assurance opinions were positive with all systems receiving either adequate or substantial assurance.

In the ensuing discussion, and in response to detailed questioning, the following matters were highlighted particularly within the context of the Annual Governance Statement:

- It was pleasing to note that the percentage of recommendation implemented by the due date had increased compared to 2012/13
- In relation to Fixed Assets, the reasons for the reduction from Substantial in 2012/13 to Adequate assurance in 2013/14 was outlined
- Reference was made to Cash Receipting and Banking. The reasons for the maintenance of such systems was explained although it was anticipated that this would reduce over time as more people moved to electronic payments.

- Attention was drawn to the control issues impacting upon the effectiveness of the Council's contract and payments systems and to the relatively high number of audit report recommendations which had not been implemented by the agreed target implementation date. These two issues were considered relevant to the preparation of the Annual Governance Statement
- The Assistant Chief Executive Finance, Property and Information Services briefly reported on the potential impact of the Future Council proposals and to the changes that would result in relation to the structure and nature of the Council's Control Framework
- The way in which the Service made assessments about the level of assurance issued was explained by the Head of Internal Audit and Risk Management. Arising out of this discussion, reference was made to the management arrangement for identifying issues and to the underlying framework of financial controls, the various codes of practice, procedures and other financial governance arrangements in place, all of which were reviewed both internally and externally and were considered to be appropriate and working satisfactorily within the Services of the Authority.

#### **RESOLVED:-**

- (i) that the assurance opinion provided by the Head of Internal Audit and Risk Management on the adequacy and effectiveness of the Authority's internal controls be noted;
- (ii) that the key issues arising from the work of Internal Audit in the context of the Annual Governance Statement, be noted; and
- (iii) that the satisfactory performance and activities of the Internal Audit functions for 2013/14 be noted.

#### **9. Annual Review of the Effectiveness of Internal Audit**

The Head of Internal Audit and Risk Management submitted a report presenting information and evidence in support of the statutory review of the effectiveness of the audit function and requesting the Committee to form a view as to its satisfaction that the audit function is effective and, where improvements had been identified, to monitor these during the year.

The Head of Service reminded Members that the Public Sector Internal Audit Standards had come into effect on the 1st April, 2013, replacing the 2006 Code of Practice for Internal Audit. These standards required the Head of Internal Audit to develop and maintain a quality assurance and improvement plan covering all aspects of internal audit activity (QAIP). The programme should be designed to enable an evaluation of the internal audit activity's conformance with the Standards and assess the efficiency and effectiveness of the internal audit activity and identified opportunities for improvement. It was considered, therefore, appropriate that the QAIP would also form the basis of the annual review of the effectiveness of the Internal Audit Function.

The Head of Internal Audit and Risk Management went on to outline in more detail how the review had been undertaken together with the evidence that had been collected to support that review.

Overall, the report highlighted a high level of satisfaction with the internal audit function as evidenced by various sources of feedback from auditees and other consultees. Areas for improvement were summarised and related predominantly to those arising from the implementation of the new professional standards. These were the subject of an action plan which would be monitored during the course of the year.

In the ensuing discussion reference was made to the following:

- The way in which the Service had been assessed against the application note in relation to the requirements of the Public Sector Internal Audit Standards and the rationale for the elements included within the action plan were outlined.
- The action being taken to ensure the organisational independence of the Service was outlined.
- The impact of the restructure to meet the requirements of Future Council was highlighted
- A review of Internal Audit was to be undertaken by the Council's External Auditor's KPMG. The arrangements for undertaking the required external assessment of the Service were outlined
- In relation to issues raised via the Feedback Questionnaire, the Head of Service and Assistant Chief Executive Finance, Property and Information Services outlined the ways in which the Service ensured that it remained 'visible' at all times and not just at the time of an audit. Work on raising the profile of Internal Audit was being undertaken via the Senior Management Team and Departmental Management Team and with individual Heads of Service

#### **RESOLVED:**

- (i) that the information contained in the report now submitted in support of the review of the effectiveness of the audit function be noted and that the Audit Committee expresses its satisfaction with the service; and
- (ii) that a progress report be submitted in approximately 6 months time to monitor progress against the Internal Audit Action Plan as detailed within Appendix 4 of the report now submitted.

#### **10. Annual Fraud Report 2013/14**

The Head of Internal Audit and Risk Management submitted a report summarising the various aspects of anti-fraud and corruption activity across the Authority for the 2013/14 financial year and highlighting the planned activity for 2014/15.

The report provided information and assurance to the Committee regarding key aspects of the Authority's Internal Control and Governance Framework.

Of particular note were the following:-

- the mitigating controls available to prevent fraud and corruption including Benefits Investigation Section and Benefits Taxation work and work of enforcement officers in other services
- the significant amount of work achieved from limited resources in response to the constant need to ensure high levels of anti-fraud awareness and the effective preventative measures
- the work and improved awareness which had been recognised through the Annual Governance Review process which had enabled the total average score for the Authority in respect of the anti-fraud element to remain constant for the third year
- the drive to improve awareness led by Internal Audit and the issuing of bulletins and guidance throughout the year
- the development and launch of an e-learning anti-fraud training module on the corporate learning Pool Website
- the number of referrals had reduced from 29 to 16 compared to the previous year and the types of issues identified were outline. Eight cases remained in progress at the end of the year
- Departmental restructures within the Benefits Investigation Section had resulted in the loss of a full time investigator position. This had not affected the number of sanctions achieved, however, the number of successful prosecution had remained consistent with those reported in 2012/13
- Several prosecutions had been widely publicised to ensure maximum deterrent was achieved
- the work with joint operations and with other enforcement agencies was continuing and this was also serving as a deterrent
- Work on anti-fraud work during 2013/14 had totalled 119 days plus a further 60 days spent on reactive investigations
- The implications of Future Council were touched upon and arising out of this reference was made to the development of a Corporate Fraud Team and to the review of the various policies which were due in July and September, 2014
- A schedule was presented detailing an analysis of the matters raised and investigated with comparisons to previous years
- The difficulties of benchmarking fraud work/ activities with other authorities was highlighted
- Mr Cornett (KPMG) commented that the Audit Commission summary report for 2013/14 ('Protecting the Public Purse') could be made available to Members of the Committee
- The Council's approach to the zero tolerance of fraud was highlighted as were the 'triggers' for the commencement of investigations.
- A consistent approach was taken to all fraud investigations
- It was noted that significant issues were reported to South Yorkshire Police with whom the Service had an excellent relationship

- Learning points from every investigation were disseminated as good practice guidance

#### **RESOLVED:-**

- (i) that the Annual Fraud report, which forms part of the framework of the assurances to support the Annual Governance Statement, be approved;
- (ii) that the continued embedding of a culture of zero tolerance and high levels of awareness regarding fraud and corruption be supported; and
- (iii) that regular update reports be submitted regarding the implementation and success of the Corporate Anti-Fraud and Corruption Strategy.

### **11. Risk Management Annual Report 2013/14**

The Head of Internal Audit and Risk Management submitted his annual report outlining the progress made in 2013/14 towards the achievement of the goals set out in the Council's Risk Management Policy and signposting the further work to be undertaken in 2014/15.

The report provided assurance that the significant risks to the achievement of corporate objectives had been identified and were being appropriately managed within a comprehensive risk management framework.

Specific reference was made to the following:

- The Risk Management Framework (including the Risk Management Policy and Strategy) had been significantly reviewed and updated to reflect the context within which the Authority was operating in terms of the Future Council and the development of Business Units. It was noted that a report on the Future Council Change Programme had been submitted and approved at the Cabinet meeting held on the 4<sup>th</sup> June, 2014
- Risk Champion meetings were continuing to be held focussing on activity within Directorates aimed at further embedding a culture of Risk Management within the Authority
- The Strategic Risk Register had received its third review and was now subject to regular reports to this Committee
- The Authority's Corporate Risk Management System had now been upgraded and was being rolled out and embedded into the Authority's normal business processes
- Risk Management Training and Awareness programmes for 2014/15 had been prepared and complemented the Risk Management Training package, which together with others, was now included within the Barnsley on-line development platform (BOLD)
- the Risk Management Workplan for 2013/14 had been completed and the Risk Management Section was now working towards the delivery of the 2014/15 Workplan. The Head of Internal Audit and Risk

Management was confident that staff of the Authority were now substantially aware of this process.

- Details of the Projects and Partnership risks were identified by risk category

Appendices to the report provided details of the Risk Management Section Workplan which had been completed for 2013/14 and the current plan for 2014/15 together with an evaluation of the responses to assurance questionnaires which indicated consistently high scores in relation to the application of the Risk Management Strategy. Any issues identified as a result of these questionnaires had been included within the current workplan. It was pleasing to note that the Risk Management Framework and Processes had achieved the highest rating which suggested that respondents recognised that the framework and processes were 'fit for purpose'.

#### **RESOLVED:**

- (i) that the Risk Management Annual Report for 2013/14 and the assurances contained therein be received and noted as part of the overall consideration of the control framework for the purposes of the Annual Governance Statement; and
- (ii) that periodic reports be presented to the Committee during the year to monitor the progress in achieving the actions identified for 2014/15.

#### **12. Audit Committee Draft Annual Report 2013/14**

The Head of Internal Audit and Risk Management submitted the draft of the Annual Report of the Audit Committee for 2013/14.

This was the Committee's seventh Annual Report and it illustrated how the Committee had successfully fulfilled its Terms of Reference and improved the Council's Governance and Control arrangements

It was emphasised that the Annual report would need to be finalised and presented to the next meeting for formal approval prior to submission to the Council meeting. Following its approval it would also be placed on the Council's website as was the case in previous years.

Members were invited to submit comments as a matter of urgency.

**RESOLVED** that the draft Audit Committee Annual Report 2013/14 be amended in the light of any further comments received and presented to the next meeting for approval prior to submission to the Council.



### **13. Audit Committee – Annual Self Assessment and Review of the Terms of Reference**

The Head of Internal Audit and Risk Management submitted a report a report on the review of the Terms of Reference and on the results of the Self Assessment Review.

The self assessment exercise together with the review of meetings and business of the Committee during the year had been undertaken and the Terms of Reference had been changed to ensure compliance with the latest CIPFA recommended practice guidance, the Public Sector Internal Audit Standards and the Local Government Activation Note so that they remained appropriate.

With regard to the Self assessment, it was proposed to utilise the checklist provided in the CIPFA document 'A toolkit for Local Authority Audit Committees' and the checklist questions would be emailed to all members of the Committee. The returns would be analysed and a composite assessment reported back to the July meeting. This would also serve to further challenge members' understanding and awareness of the Audit Committee and identify any areas of training and further development required.

Previous reviews had found that the Council's arrangements were very close to best practice and in some areas exceeded it, however, whilst it was not envisaged that there would be any major areas found to be deficient, the 'Toolkit' and Members responses may prompt areas for further development.

#### **RESOLVED**

- (i) that Members of the Committee consider whether any changes are required to the current Terms of Reference or Constitutional arrangements and forward comments to the Head of Internal Audit and Risk;
- (ii) that Members of the committee undertake the self assessment checklist and submit their completed responses to the Head of Internal Audit; and
- (iii) that responses to (i) and (ii ) above be submitted to the Head of Internal Audit by no later than 1<sup>st</sup> July, 2014 in order for any proposed changes to be considered at the next meeting of the Committee scheduled for 16<sup>th</sup> July, 2014.

### **14. External Audit Reports**

#### **(a) Certification of 2013/14 Grant Claims and Returns**

The Council's External Auditor submitted a letter dated 22<sup>nd</sup> April, 2014 detailing the current position with regard to the arrangements for certifying the 2013/14 grant claims and returns.

Mr J Cornett, representing KPMG, gave a brief resume of the current position and indicated that the indicative fee for work on the 2013/14 claims and returns

had reduced and included a 12% reduction for the indicative fee for the Housing Benefit Subsidy Claim reflecting the reduction in work from the abolition of Council Tax Benefit. Appendices to the report gave details of the work on the Housing Subsidy Claim and all other grants and returns.

He advised the Committee of the situation in which additional charges may be required in relation to the indicative composite certification fee set by the Audit Commission and he indicated that fees for 2014/15 were to be reduced to reflect changes in work required.

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

(b) Progress Report and Technical Update

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

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.

The Technical update outlined the likely level of impact of issues affecting the Authority together with comments and timescales for action where appropriate. Particular reference was made to the current position with regard to:

- the transfer of funds from the NHS to local authorities. It was noted that the work of the Health and Well Being Board was to be examined as part of this process
- the Housing Revenue Account Borrowing Programme
- the LLAP Bulletin 98 in relation to the closure of the 2013/14 Accounts and Related matters

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

- the action required by the authority to any concerns identified within the Technical Update
- the funding implications for the Joint Strategic Needs Assessment for local populations and existing commissioning plans for both health and social care

- it was noted that in relation to the Technical Update, plans were in place to address all issues raised or appropriate action had already been taken

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

#### 15. **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 the remainder of the 2014/15 municipal year.

The Committee noted that:

- various awareness sessions would be planned prior to meetings of the Committee
- the next meeting would now be held on the 16<sup>th</sup> July, 2014
- a report suggested by the Mr Cornett, representing the Council's External Auditor, entitled 'Protecting the Public Purse' would be submitted to a future meeting,.

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

Council Governance Unit

.....  
Chairman