

BARNSELY METROPOLITAN BOROUGH COUNCIL**Audit Committee****22nd April, 2015**

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

The Chair informed Members of the Committee that the appointment of the Independent Members Ms Armitage and Mr Johnson had been approved.

Ms Armitage was then formally welcomed to this her first meeting.

96. **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.

97. **Minutes**

The minutes of the meeting held on the 25th March, 2015 were taken as read and signed by the Chairman as a correct record.

98. **Actions Arising from Previous Meetings**

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

It was noted that the presentation on the creation of Business/Trading Units was to be made prior to the meeting to be held on the 22nd July, 2015

The Committee was also asked to consider appointing an Independent Member to the Scrutiny Panel dealing with Treasury Policy and Strategy Statement matters. It was noted that Mr Johnson had asked if he could be considered for this appointment.

It was also noted that a report on the rationale behind the MRP Options contained with an Appendix to the report on the Treasury Policy and Statement was to be submitted to a future meeting following a review and determination of a way forward.

RESOLVED:

- (i) that the report be noted; and
- (ii) that Mr Johnson be appointed to the above Scrutiny Panel.

99. **Internal Audit Quarterly Report 2014/15 – Quarter Ended 31st March, 2015**

The Head of Internal Audit 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 2015 being the fourth quarter of the 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 fourth quarter of 2014/15
- Details of Internal Audit's performance for the quarter utilising performance indicators

Reports issued during the quarter did not include any fundamental recommendations. The control weaknesses highlighted within the reports issued were not collectively sufficiently serious to jeopardise the overall assurance opinion.

Of the nine recommendations followed up, 6 (68%) had been implemented by the target date, 2 (22%) had been implemented after the original target date and one (10%) by the revised target date. In addition, a further 35 recommendations were awaiting evidence to confirm whether the action had been addressed.

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 and there was a decrease in the number of audit days spent against the total number of planned audit days as at the end of the year. Overall, Divisional performance remained satisfactory although the Performance Indicators relating to chargeable time and the issuing of reports were slightly less than the target.

In the ensuing discussion the following matters were highlighted:

- Reference was made to the number of jobs to be carried forward and to the rationale for that which was largely because of the timing of this Committee which was close to the start of the new Audit Year. All would be followed up within the next few weeks but there were no matters of concern to report
- all four recommendations outstanding as reported in January had now been completed

- reference was made to the commitment of the Service to the provision of and undertaking of training for all staff
- details were provided of the work and allocation of resources to update the Corporate Asset register
- Members attention was drawn to the key issues arising from completed Internal Audit work. The Head of Internal Audit was satisfied that there were no outstanding issues to bring to Members attention
- Arising out of the above, reference was made to the number of actual audit days undertaken with comparisons to the original and revised plans together with the reasons for any changes. This information was highlighted for the various Directorates and for external clients. The Head of Internal Audit reported that he had achieved his budget targets and there were no significant issues to report
- Information was provided on the matters which had required investigation with particular reference to four completed cases. In response to questioning, the Head of Internal Audit commented on a number of procedural irregularities which had resulted in claw back of £10,080 and to the action that had been taken to remedy the situation. It was noted that action was to be taken to ensure that such irregularities could not occur again
- The impact of the significant savings and service changes aimed at meeting budget savings targets was outlined. Work was ongoing to assess whether or not the savings within Barnsley and the subsequent impact on the Service was comparable with other neighbouring authorities and a further report would be submitted to a future meeting
- The Head of Internal Audit in referring to the summary of audit activity commented on the number of formal reports issued during the year. He reminded Members that there was little correlation between the number of formal reports issued and the overall work of the service. It was suggested that this matter should be clarified within future report in order to give an indication of the true reflection of the productivity of the service

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 2015 of the 2014/15 audit year be noted;
- (iii) that the progress against the Internal Audit Plan for 2014/15 for the period to the end of March 2015 be noted; and
- (iv) that the performance of the Internal Audit Division for the fourth quarter be noted.

100. Risk Management Framework Review

The Risk and Governance Manager presented a report of the Service Director (Financial Services) 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 2014 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 following:

- 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 review identified that inclusion of the development and embedding of business units as part of the Future Council programme should be maintained. A revised version of the Policy Objective Statement was appended to the report
- the Risk Management Strategy document set out the essential elements for the successful delivery of the Policy Objectives and outlined how assurance would be provided. The documents contained within the Framework were outlined
- the iteration of the Strategy had been significantly amended to reflect services to the structure and positioning of the Risk Management Strategy within the Council. The Strategy was also attached as an appendix to the report.
- The Risk Acceptance Model had been reviewed to ensure that it remained proportionate and beneficial to risk owners and managers. This too was appended to the report
- A summary of both the Risk Management Strategy and Risk Acceptance Model was provided

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 2015/16. 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:

- It was suggested that in future reports should be annotated in such a way so as to easily identify changes made to previous plans and strategies
- In response to questioning reference was made to the training which was provided for staff and senior managers in relation to the risk management process
- It was noted that the Council's Competency Framework had been reviewed and as a result of this further recommendations were being considered
- The differing and changing position of the Council in relation to Risk Management was referred to within the context of concerns expressed that the Authority was becoming risk averse and in response to the Future Council initiatives

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

101. Strategic Risk Register – Full Review February 2015

The Director of Finance, Property and Information Services submitted a note presenting a report to be submitted to Cabinet on the 20th May, 2015 on a full review of the Strategic Risk Register undertaken in February 2015.

The report, which was presented by Mr A Hunt, Risk and Governance Manager, formed part of the Committee's assurance process where it was agreed that following the completion of the review of the Strategic Risk Register, the Committee consider the latest version and provide appropriate comments thereon.

The Register contained those high level risks that were considered significant potential obstacles to the achievement of the Authority's Corporate objectives. The 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 review of the Strategic Risk Register in September, 2014, a further review had been undertaken in February 2015 the outcomes of which were detailed within the report. Mr Hunt 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 items included.

The February 2015 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 Future Council activity

The report then went on to outline:

- the issues which the Chief Executive had asked be given be specific consideration including:
 - Child Sexual Exploitation – in the light of recent issues within South Yorkshire
 - The Customer Service Organisation Programme in relation to service re-design, the growth of online digital services
 - The development of a city region devolution deal
- The significant/red risks and new and emerging risks and risks associated with the delivery of the Councils Capital Programme and the emotional and physical health, safety and well being of employees
- The key risks and the distribution of the risks across the six 'concern' rating classifications
- the risk mitigating actions and new or significantly updated risk mitigation actions
- the risks that had been allocated a 'red' rating

A further review of the Register were now programmed with other governance reports relating to Corporate Finance and Performance management in order for Cabinet to receive and consider governance related reports as a broad suite of documents

The report and Register indicated how assurance against significant risks was being managed appropriately and Appendices to the report provided details of the improved Risks and those that had been closed or completed, the red risk mitigation actions, now or significantly updated Risk Mitigation Actions together with a copy of the full Strategic Risk Register.

The Register listed those significant risks that could impact on the Authority's objectives and focused on those risks that were considered to be significant potential obstacles to the achievement of the corporate objectives. Reference was also made to the embedding of the risk management culture throughout the Authority.

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

- risk 3030 – Failure to be prepared for an emergency response or business continuity threat – the Director of Finance, Property and Information Services commented on the decision of the Council to bring back into the Council, IT Services and to the improvements this would be about particularly in relation to business continuity. A further report would be submitted in due course on this matter
- risk 3028 – Workforce Planning Issues - - particular reference was made in this context to mitigating actions and to training that was being put in place in relation to the changing organisational change and Future Council initiatives. The ways in which issues of concern would be raised including escalation procedures and processes would be examined

- Reference was made to certain issues not contained within the Strategic Risk Register. In this respect it was noted that underpinning the Corporate document were Departmental Risk Registers. The rationale for the inclusion of issues within each register was explained.
- Risk 3029 – Failure to safeguard information – it was noted that appropriate mitigations were in place
- There was a discussion of the arrangements for dealing with Waste and Waste Management contracts, to the challenges encountered and the which Risk Register this should be included in. The mitigating actions were briefly touched upon and it was noted that arrangements for concerns could also be raised within the Overview and Scrutiny Committee and within Area Councils.
- The ways in which Members could feed information into the Risk Management process was outlined. The Area Council process was crucial in raising awareness
- There was concern at the poor attendance of Members at training events on Risk Management and the ways of improving this were discussed including making attendance compulsory

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.

102. Corporate Whistleblowing Policy – Annual Report

The Director of Legal and Governance and Head of Internal Audit submitted a joint report on the annual review of the Council's Corporate Whistleblowing Policy. The Policy and supporting procedures and guidance were appended to the report.

The latest policy had been re-launched through new posters being issued for every council building including schools. It was an important part of the overall ethical framework and one that required regular review. A fundamental review of a suite of ethical framework policies was proposed as part of the work of the new Corporate Anti-Fraud Team within Internal Audit which would include this Policy.

Members were reminded that the Whistleblowing Policy was just one vehicle through which employees could raise concerns.

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

There had only been one referral directly through the whistleblowing arrangements during 2014/15 and this matter remained the subject of continuing investigation.

The low level activity did not mean that the policy was ineffective or that there was necessarily a low level of fraud or that fraud was not being reported. What was important was to have a mechanism whereby staff had a mechanism which allowed them to feel able to speak out and have trust in the corporate arrangements.

Effective whistleblowing arrangements were a key element of any organisations attempt to minimise the risk and incidence of fraud, corruption and other wrongdoing. Whilst fraud could not be reduced to nil, having good policies and procedures in place supported by proactive awareness and regular reviews could contribute considerably to minimising risk. It was noted that there was no benchmarking data available in this area.

In the ensuing discussion, the following issues were raised:

- There was a discussion of the use of whistleblowing arrangements within the context of Future Council, the use of external agencies, business/trading units and within schools and to the differing arrangement that were in place for raising concerns. This matter would be considered further as part of the wider review of ethical framework policies
- It was noted that the Senior Management Team was to consider wider governance issues within the context of Future Council
- The Director of Legal and Governance reported that whilst the number of referrals was low, he had also received two significant expressions of concern in relation to a residential care setting.

RESOLVED

- (i) that the report be received;
- (ii) that the Committee concluded that the current Corporate Whistleblowing Policy and arrangements continues to provide a practical and effective means to encourage and facilitate the raising of concerns.
- (iii) that a further report be submitted in approximately 6-9 months following the fundamental review of the corporate arrangements.

103. Audit Committee Work Plan 2014/15 and 2015/16

The Committee received a report providing the indicative work plan for the Committee for its proposed scheduled meetings for the remainder of the 2014/15 municipal year and for 2015/16.

The Head of Internal Audit reminded Members of the Committee that they could ask for items to be included for discussion at future meetings.

RESOLVED that the core work plan for 2014/15 and 2015/16 meetings of the Audit Committee be approved and reviewed on a regular basis.

104. Councillor T Sheard

Members noted that this was the last meeting to be chaired by Councillor T Sheard as he was not seeking re-election at the Municipal Elections to be held on the 7th May, 2015.

They asked to place on record their thanks and appreciation for his services to the Council and to this Committee and they gave him their best wishes for the future.

Councillor Sheard, in response, thanked Members for their kind remarks. He thanked everyone for their held and support and extended to all his best wishes.

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Chairman