

# Public Document Pack



<b>MEETING:</b>	Audit Committee
<b>DATE:</b>	Wednesday, 15 June 2016
<b>TIME:</b>	4.00 pm
<b>VENUE:</b>	Reception Room, Barnsley Town Hall

## AGENDA

### Procedural/Administrative Items

1. Declarations of Pecuniary and Non-Pecuniary Interest
2. Appointment of Vice Chair  
  
To consider the appointment of Vice Chair from amongst the Independent Members of the Committee.
3. Minutes (*Pages 3 - 16*)  
  
To receive the minutes of the meeting held on 20<sup>th</sup> April, 2016
4. Actions Arising From the Previous Meetings (*Pages 17 - 18*)  
  
The Committee will receive a report detailing action taken and arising from previous meetings of the Committee.

### Items for Discussion/Decision

5. Annual Fraud Report 2015/16 (*Pages 19 - 30*)  
  
The Head of Internal Audit and Corporate Fraud will submit a report providing his Annual Report on the counter fraud activities undertaken by the Internal Audit Corporate Anti-Fraud Team for the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> March, 2016 and providing information and assurance to the Committee regarding key aspects of the Authority's risk management, control and governance framework.
6. External Audit - Local Authority Corporate Risk Register Analysis 2015/16 (*Pages 31 - 38*)  
  
The Council's External Auditor (KPMG) will submit a report on an analysis undertaken of the content of various Local Authority Corporate Risk Registers, highlighting the most frequent risks featured across those Registers and detailing the current position in relation to Barnsley.
7. External Audit - Response to the Local Authority Corporate Risk Register Analysis 2015/16 (*Pages 39 - 42*)  
  
The Director of Finance, Assets and Information Services will submit a response to the report of the External Auditor (KPMG) on the Local Authority Corporate Risk Register Analysis 2015/16 following the completion of a gap analysis of the Authority's own risk management arrangements undertaken as a direct response to that report.

## Items for Information

8. Overall Debt Position as at 31st March, 2016 (*Pages 43 - 44*)

The Service Director Finance will submit a paper, for information, detailing the overall debt position for the Authority as at 31<sup>st</sup> March, 2016 and providing comparisons to previous year's positions.

9. External Audit Progress Report and Technical Update (*Pages 45 - 52*)

The Committee will receive the External Audit Progress Report and Technical Update.

10. Audit Committee Work Plan 2016/17 (*Pages 53 - 54*)

The Committee will receive the indicative Audit Committee Work Plan for 2016/17.

To: Chair and Members of Audit Committee:-

Councillors Richardson (Chair), Barnard, Clements and Lofts; together with Independent members Ms K Armitage, Ms D Brown, Mr S Gill, Mr P Johnson and Mr M Marks

Diana Terris, Chief Executive

All Executive Directors

Andrew Frosdick, Director Legal and Governance

Frances Foster, Director Finance, Assets and Information Services

Rob Winter, Head of Internal Audit

Neil Copley, Service Director Finance

Ian Rooth, Head of Technical Services

Adrian Hunt, Risk Management Manager

Michael Potter, Service Director Organisation and Workforce Improvement

Julie Winham, Senior Audit Manager

Council Governance Unit – 3 copies

Please contact William Ward on 01226 773451 or email [governance@barnsley.gov.uk](mailto:governance@barnsley.gov.uk)

Monday 6<sup>th</sup> June, 2016

<b>MEETING:</b>	Audit Committee
<b>DATE:</b>	Wednesday, 20 April 2016
<b>TIME:</b>	4.00 pm
<b>VENUE:</b>	Reception Room, Barnsley Town Hall

**Present** Councillors Richardson (Chair), Barnard and Clements together with Independent Members - Ms K Armitage, Ms D Brown, Mr M Marks, Mr P Johnson and Mr S Gill

## 62. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

There were no declarations of interest from Members in respect of items on the agenda.

## 63. MINUTES

The minutes of the meeting held on the 23<sup>rd</sup> March, 2016 were taken as read and signed by the Chair as a correct record.

## 64. ACTIONS ARISING FROM THE PREVIOUS MEETINGS

The Committee received a report detailing actions taken and arising from previous meetings of the Committee.

**RESOLVED** that the report be noted.

## 65. INTERNAL AUDIT QUARTERLY REPORT 2015/16 - QUARTER ENDED 31ST MARCH, 2016

The Head of Internal Audit submitted a report providing a comprehensive overview of the key activities and findings of Internal Audit based on the Divisions work to the end of March, 2016.

The report covered:

- The issues arising from the completed Internal Audit work undertaken within the quarter
- Matters that had required investigation
- An opinion on the ongoing overall assurance Internal Audit was 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 2015/16
- Details of Internal Audit's performance for the quarter utilising performance indicators

Reports issued and the Internal Audit work completed during the quarter had raised two fundamental recommendations relating to the adequacy of IT change

management control processes and compliance failures in relation to the administration of personal budgets.

Internal control assurance opinion overall remained adequate based upon the results of the work undertaken during the quarter.

Of the 29 recommendations followed up, 10% had been implemented by the original target date and a further 52% after that date. Eleven recommendations remained not implemented and had been given revised implementation dates.

In relation to the Audit Plan, slightly less than the profiled days had been delivered at the end of the fourth quarter.

Overall, Divisional performance remained satisfactory with only the chargeable time performance indicator being slightly less than target due to a higher number of special leave and training days.

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

- It was noted that issues relating to fraud were now picked up and addressed within the Corporate Anti- Fraud Team report which was to be discussed later in the meeting
- The low number of recommendations implemented by the original target date was disappointing and the reasons for this were discussed as were the actions taken to address the issue. It was noted that none of the cases raised any specific concerns. It was important to realise, however, that the implementation dates were agreed with the individual service but Internal Audit would ask for earlier implementation dates in the event of significant/fundamental issues being identified. Unrealistic dates might be attributable to an over ambitious desire to address issues identified. Many delays, however, were attributable to issues arising which were outside the service area control. In addition, the failure to implement recommendations was not attributable to the same service areas as if this were the case, the matter would be escalated to the Senior Management Team.
- Arising out of the above discussion, the Director of Finance, Assets and Information Services commented that the Senior Management Team now regularly programmed consideration of audit, finance and governance issues so that matters of concern could be addressed as a matter of urgency. The Director of Legal and Governance stated that issues identified would be dealt with via the appropriate Executive Director, in this way it was hoped that no 'regular trends' would arise and that there would be no need to escalate to this Committee for consideration. Arising out of this discussion, the Head of Internal Audit commented that procedures had been put in place to ensure that the Director of Finance, Assets and Information Service, Director of Legal and Governance and Service Director Finance had the necessary information to ensure that recommendations were implemented appropriately. These

procedures would also be reviewed to ensure that they remained fit for purpose

- The Head of Internal Audit's annual report would be submitted to the Committee meeting in June and would provide an overall opinion, details of the recommendations made and implemented and the performance of the function
- In relation to the limited assurance opinion with regard to IT change management and control procedures, it was noted that the issues identified via the audit were previously known and recognised by the Service which had commissioned a piece of work to review the issue and make recommendations
- With regard to Personal Budgets reference was made to the limited assurance in relation to identified shortfalls in compliance with established processes and controls. In addition, limited work had been undertaken to recover excess monies (around £47,000 at the time of the Audit) from service users and in relation to delays in issuing recharges to recover money due to the Council. These matters were now being addressed as a matter of urgency
- Following an analysis of creditor payment data matches arising from the National Fraud Initiative a recommendation had been made to improve the internal controls framework in respect of the creditor payments system. It was noted that £129,000 of duplicate payments had been identified. In response to detailed questioning the Committee was informed of how these issues had been identified, the reasons for them and the steps taken to prevent a recurrence. In response to specific questioning, an assurance was given that all duplicate payments had now been captured, tracked and appropriate action taken to recover the overpayments
- In quarter 4, there were three fundamental recommendations not yet completed and a revised target date agreed. Details of these were outlined but, in summary, related to
  - the allocation of roles regarding the SAP system
  - issues relating to Home to School Transport – it was noted that the Head of Service had also requested a further audit
  - Procedures relating to the control of small plant and equipment
- The Head of Internal Audit updated the Committee of the current position with regard to the recruitment to the posts of Senior Auditor and Auditor. It was noted that the Auditor post had been filled as at 15<sup>th</sup> February, 2016 but that the post of Senior Auditor was to be re-advertised. The Service was exploring various options to aid recruitment

#### **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 2016 of the 2015/16 audit year be noted;

- (iii) that the progress against the Internal Audit Plan for 2015/16 for the period to the end of March 2016 be noted;
- (iv) that the performance of the Internal Audit Division for the fourth quarter be noted.

## **66. CORPORATE ANTI-FRAUD TEAM PROGRESS REPORT**

The Head of Internal Audit submitted a report providing an overview of the work of the Corporate Anti-Fraud Team for the period 1<sup>st</sup> October, 2015 to 31<sup>st</sup> March, 2016.

The report provided details of the following activities in which the Team were currently involved:

- Council Tax Support investigations
- Council Tax fraudulent liability claims – including the review of Single Person Discount
- Right to Buy investigations
- Corporate Investigations
- National Fraud Initiative involvement
- Tenancy Fraud.

The positive impact the Team was having in tackling fraud was very much welcomed and the Team's work was now beginning to have significant results as initiatives were rolled out. It was reported that since April 2015 a total of around £500,000 had been saved/recovered as a result of the work of Anti-Fraud initiatives and it was felt that this very much justified the Team's establishment.

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

- The number of cases, workload and agencies in which the Team was involved
- The number of referrals received particularly in relation to Council Tax Support was highlighted and it was noted that sometimes intelligence received was not sufficient to trigger an investigation
- A significant amount of work had been undertaken and there had been considerable success in relation to the pro-active data matching exercise to identify council tax payers who were erroneously or fraudulently claiming a single person discount. This had commenced in October 2015 and detailed statistics on the work of the Team in this area was provided. To date, 70 tax payers had indicated that they had declared date of change of circumstance was incorrect. This had resulted in the removal of discounts from earlier dates and an increase of £20,699 Council Tax being raised across the identified Council Tax accounts. A subsequent second verification exercise had established that a number of taxpayers had contacted the Council directly to cancel their Single Person discounts and that other accounts no longer required follow up due to financial records held by third party credit reference agency being updated. 1,177 accounts had been cancelled to date and an additional £321,947 Council Tax

income had been raised. It was noted that the review was not yet complete and an update would be included within the Annual Report to be submitted in June

- It was noted that, in relation to Right to Buy, following liaison with the RTB Team and the Council's Enforcement Unit, one sale had been stopped prior to a valuation being carried out and the second resulted in a saving of £27,360 (the value of the discount which would have applied)
- The Anti-Fraud Team had also assisted in identifying two properties that could be recovered due to non-occupancy
- It was noted that as the success of the Team grew in preventing Fraud, the 'savings' accrued would naturally diminish as the amount of fraud reduced
- In response to specific questioning, the ways in which investigations were undertaken and liaison between departments was outlined. It was noted that one member of staff had been dismissed for gross misconduct as a result of Single Person Discount Fraud. Any irregularities identified would automatically trigger an investigation
- Appropriate systems and processes were now being put in place to tackle fraud and it was noted that in relation to Single Person Discount in particular, fraud identified was not attributable to the failure of systems and processes but to individuals' dishonesty
- It was noted that through the National Fraud initiative and protocols in place with Electoral Registration, the 'rising 18's' were identified within households and this assisted in identifying Single Person Discount anomalies. In response to further questioning, however, the Director of Legal and Governance commented on the legal limitations on the use of the Electoral Register which could prevent the Authority using such a resource to assist in the identification of other types of fraud.

## **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 six monthly progress reports on internal and external fraud investigated by the Corporate Anti-Fraud Team.

## **67. STRATEGIC RISK REGISTER - FULL REVIEW MARCH 2016**

The Director of Finance, Assets and Information Services submitted a report presenting a draft report to be submitted to the Cabinet on the 18<sup>th</sup> May, 2016 on a review of the Strategic Risk Register undertaken in March 2016.

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. 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 October 2015, a further review had been undertaken in March 2016 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 of the Senior Management Team in this process. He commented on the main components of the review and the items included.

The report outlined:

- The key risks across the six 'concern' rating classifications
- The changes to the risks logged since the last review
  - The upgrading from 'amber 4 to amber 3' of risk 3034 'Failure to deliver the Medium Term Financial Strategy' in view of the uncertainties surrounding the Comprehensive Spending Review and Autumn Statement and the potential impact on future cuts arising from savings yet to be identified from the Chancellors statement in March 2016
  - The removal of risk 3030 'Failure to be prepared for an emergency response of business continuity threat'
  - The inclusion of risk 3792 'Failure to be prepared to assist in the event of an emergency resilience event in the region' and risk 3793 'Failure to ensure that appropriate disaster recovery arrangements are in place to ensure the Council is able to recover in the event of a business continuity threat or incident' as this gave a clear distinction between the two activities and mitigations proposed
  - The development and inclusion, following recommendation made at the last review, of risk 3794 'Failure to influence the governance arrangements underpinning and controlling the emerging City Region Deal Devolution Deal enable an appropriate blend of risk and reward for the Council'
  - Details of the average risk category score for the SRR from the 'Zero-based' review in March 2013
  - The slight variance in the average concern rating which was directly attributable to the changes to risk 3034 and the inclusion of the new risks
- The significant/red risks and new and emerging risks and the risk mitigating actions
- Other significant changes to the Strategic Risk Register

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



The report and Register indicated how assurance against significant risk was being managed appropriately and Appendices to the report provided details of:

- The background to the Strategic Risk Register
- The worsened risks
- The 'direction of travel' trends
- The risks that had been completed/closed
- The new and updated risk mitigation actions
- A copy of the full Strategic Risk Register

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

- In relation to risk 3027 'Failure to manage organisational change – 'Risk of Destabilisation of the Organisation', details of the Employee Engagement: 'Tell Us What You Think' Month and Employee Survey, an analysis of and consideration of the results and feedback would be provided. It was noted, however, that this had been an extremely positive exercise
- No risks had been included in relation to the potential impact of Brexit. Arising out of this discussion the Director of Legal and Governance briefly commented upon the restrictions placed upon Local Authorities in relation to comments which could be made about issues upon which there was a Referendum within a 28 day period of such a Referendum
- One Member questioned whether or not cognisance had been given to the inclusion of a risk to take account of what was referred to colloquially as the LGA 'Graph of Doom' - the point at which Local Authority Spending became unsustainable as a result of the reduction in funding. The Director of Finance, Assets and Information Services commented that this was not strictly a risk but more a Financial Management matter
- Arising out of the above, and referring to risk 3034 'Failure to deliver the Medium Term Financial Strategy', it was noted that a full review was to be undertaken the results from which would be fed into the 17/18 four year plan
- Referring to risk 3303 'Failure to adapt the Authority into a sustainable organisation – Failure to maintain current services', questions were asked as to whether or not the Council had a methodology to assess how services were received by citizens. In response, the Director of Finance, Assets and Information Services, the Service Director Finance and the Director of Legal and Governance commented upon the surveys which had been undertaken both with staff and with residents. Arising out of this discussion, it was suggested that these matters should be reflected within the risk register
- Reference was made to risk 3025 'Failure to safeguard Service Users' and particularly in the light of issues arising within a neighbouring authority questions were raised regarding the paucity of information about children and mitigating actions and levels and assessments of risk. It was noted, however, that underpinning the strategic plan were individual department and service plans. In addition it was also important to note the Safeguarding Adults and Safeguarding Children's Boards roles in this area. Mr Hunt, however, stated that reference to these issues would be noted within the SRR.

**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.

#### **68. ANNUAL GOVERNANCE REVIEW PROCESS 2015/16**

The Service Director Finance submitted a report which was presented by the Risk and Governance Manager providing the Committee with an update regarding the revised Annual Governance Review Process that had been determined for 2015/16 which would be used to influence and assist in the preparation of the Council's statutory Annual Governance Statement for 2015/16.

The report provided information on the background to the previous Annual Governance Review Process together with the reasons for change and gave details of the revised process together with the Local Code of Corporate Governance. It was noted that whilst there was no requirement to have a Local Code, its underlying purpose was to demonstrate the Council's commitment to high standards of corporate governance through the ARG process and also gave an assurance that the arrangements were effective.

**RESOLVED:**

- (i) That the revised Annual Governance process for 2015/16 be noted;
- (ii) That the revised Local Code of Governance be noted; and
- (iii) That outputs from the Revised Annual Governance Review process for 2015/16 be reported to the Committee later in the year where consideration can be given as to whether the process provides sufficient and suitable evidence and assurances upon which the Committee can refer the Annual Governance Statement for full Council approval in September.

#### **69. RISK MANAGEMENT FRAMEWORK REVIEW**

The Service Director Finance submitted a report providing the Committee with assurance that, following review, the Risk Management Framework remained fit for purpose prior to the Framework being considered and approved by Cabinet.

It was important that the Framework remain up to date in order to accurately reflect the effective and efficient management of risks to the achievement of the objectives. This was of particular relevance and importance given the Future Council programme. The Framework (including the Risk Management Policy Objective Statement and Risk Management Strategy) were key elements in the implementation

of good governance arrangements and formed key elements of the Council's Annual Governance Review process.

The report gave details of the contents of the Risk Management Framework and outlined the importance that the Risk Management Policy Objective Statement and Strategy in seeking to ensure that any significant risks that could impact upon the delivery of the Authority's objectives were appropriately managed in order to minimise the significant potential obstacles to the achievement of the corporate objectives. It also focused on the development of the Risk Management Policy Objective Statement and Strategy and the contribution this would make to the embedding of a risk management culture throughout the Council.

In response to questioning, the Risk and Governance Manager commented that issues for further consideration included the devolution proposals and the potential implications of Brexit.

**RESOLVED** that the assurances of the Risk Management Framework and the fact that it remains fit for purpose be noted and the report be referred to Cabinet for consideration and approval.

## **70. THE COUNCIL'S REVISED MINIMUM REVENUE PROVISION (MRP) POLICY**

The Director of Finance, Assets and Information Services submitted a report prefacing a report to be submitted to Cabinet on the 24<sup>th</sup> February, 2016 on the rationale behind the Council changing its MRP Policy which was approved by the Council on the 31<sup>st</sup> March, 2016.

The report gave details of the rationale behind and justification for the revision of the Policy which would solely adopt the annuity method of only repaying debt over the standard 50 year repayment period unless there was a more appropriate timescale suitable.

The changes were considered to be consistent with the statutory duty on the Council to make prudent provision, having regard to statutory guidance. In addition, they took account of the Council's strict and cautious approach to MRP to date as well as the Council's future financial arrangements. It was also reported that officers had worked up detailed modelling to reflect these changes and these had been incorporated within the Authority's final accounts position for 2015/16.

In the ensuing discussion reference was made to the following:

- The key driver for the changes introduced was to ensure consistency and standardisation
- An update on the progress would be provided within the Medium Term Forecast
- Reference was made to the current position with regard to PFI/BSF schools and to the potential implications for the authority of more schools pursuing academisation following the publication of the Government White Paper 2016.

It was noted that these issues had been raised with Government particularly in relation to the removal of local authority assets

- The Service Director Finance referred to the factors taken into account in revising the policy. These factors were also acceptable to the External Auditor KPMG and with the views of the Chief Estates Officer particularly in relation to local authority assets. They were also consistent with the approach of other Local Authorities

**RESOLVED** that the Cabinet report and decision of the Council in relation to the revised MRP policy for 2015/16 be noted.

## **71. RESERVES AND BALANCES UPDATE - JANUARY 2016**

Further to Minute 58 of the previous meeting held on the 23<sup>rd</sup> March, 2016, the Director of Finance, Assets and Information Services submitted a report updating the Committee of the reserves position as at January, 2016.

The report gave details of the current banked reserves and the Director gave a breakdown of the following matters:

- Unavailable – Statutory items – Minimum working balance, school balances, funding to cover anticipated liabilities including the Council’s down-sizing, insurance costs and sums set aside for the Council priorities such as the Town Centre redevelopment
- Unavailable – Investment Decisions – previously agreed by Cabinet following approval of the Council’s Reserves Strategy
- Available resources – including unallocated reserves previously reported in the 2014/15 audited position

She commented that a full review of the reserves would be undertaken as part of the refresh of the Council Reserves Strategy which would form part of the fully updated 2017/18 – 2018/19 Medium Term Financial Strategy to be reported later in the year.

It had also been considered prudent to bolster the Authority’s Minimum Working Balance (MWB) from its current level of £10m to £15 and the rationale for this was outlined. This amount equated to approximately 10% of the anticipated 2016/17 net spend budget and was considered appropriate and proportionate to the risks faced by the Council over the medium term.

The capital position had also been reviewed. The previous Reserves Strategy had identified “24.2m of investment decisions requiring capital investment which resulted in an oversubscribed position of £3.4m. Subsequently further unallocated capital receipts had been identified of around £3.2m resulting in a minor over-subscribed position of around £0.2m.

In the ensuing discussion reference was made to the following:

- A further explanation was provided of the rationale for the increase in reserves within the context of the move to the new business rates position and the volatility associated with potential income
- In response to detailed questioning, the Director explained that no information was available which would allow comparisons/benchmarking to be made with other authorities.
- Arising out of the above discussion the External Auditor commented on their approach to assessing the robustness of the proposals particularly in relation to Value for Money, contextual information and the Medium Term Financial Plan. One member made reference to information available via the Tax Payers Alliance but commented that this made no reference to contextual information
- The rationale for the following was outlined:
  - The Insurance Fund position. It was noted that this had been reviewed and that the value would reduce in future years.
  - The over achievement of 2015/16 savings with particular reference to the contribution to savings. It was suggested that a briefing/training session be provided on this prior to one of the meetings in months 1, 2 or 3 of the next municipal year
- The Director of Finance, Assets and Information Services reported that a further update of the Reserves Strategy would be provided in June/July. The Authority was currently in a healthy position with adequate reserves to assist in meeting its objectives and particularly in helping to grow the economy. The primary aim was to ensure the appropriate balance of funds for investment against available reserves

**RESOLVED** that the report and position with regard to reserves and balances be noted.

## **72. AUDITOR APPOINTMENTS BEYOND 1ST APRIL 2017**

The Director of Finance, Assets and Information Services submitted a report providing an update on the process for the appointment of auditor beyond 1<sup>st</sup> April, 2017.

**RESOLVED:**

- (i) That the report be noted; and
- (ii) That the intention of the Director of Finance, Assets and Information Services to submit an expression of interest to the Local Government Association to explore the possibility of participating in a sector let procurement exercise for the appointment of its auditor from 1<sup>st</sup> April, 2018 be noted.

## **73. EXTERNAL AUDIT - ANNUAL AUDIT FEE 2016/17**

Ms L Wild, representing KPMG, presented the External Auditor's Annual Fee Letter for 2016/17

The audit work and fee proposed was based on the risk based approach to audit planning as set out in the Code of Audit Practice and Public Sector Audit Appointments Ltd's published work programme and scales.

The fees were detailed within the letter together with a comparison to the fees for 2015/16 and an explanation of:

- the way in which fees had been calculated. It was noted that the Code of Audit Practice and audit fee was the same as the previous year (£135,998) with a slight increase in the fees for the certification of the Housing Benefit Grant Claim (£22,118 – an increase from £15,236). It was reported that as KPMG had not completed the audit for 2015/16 the audit planning process for 2016/17, including the risk assessment, would continue as the year progressed and fees reviewed and updated as necessary
- the redistribution of the Audit Commission Surplus – which was likely to be 15% of the scale fee
- the factors affecting audit work for 2016/17
- the certification work to be undertaken
- the assumptions made which have led to the assessment of the fees details of which were outlined within Appendix 1 to the letter

Further appendices to the letter provided details of the planned outputs with the indicative date for completion together with KPMG's the statement of independence.

**RESOLVED** that the Annual Audit Fee Letter for 2016/17 be received and the potential implications of the issues identified therein be noted.

#### **74. AUDIT COMMITTEE WORK PLAN 2016/17**

The Committee received a report providing the indicative work plan for the Committee for its proposed scheduled meetings for the 2016/17 municipal year.

It was noted that prior to the first three meetings in the next municipal year, training/awareness sessions were to be held and any Member wishing to have an item raised should contact the Head of Internal Audit.

**RESOLVED** that the core work plan for 2016/17 meetings of the Audit Committee be approved and reviewed on a regular basis.

#### **75. OVERALL DEPT POSITION AS AT 31ST MARCH, 2016**

In response to a request from Members of the Committee, the Service Director Finance circulated a paper detailing the overall debt position for the Authority as at 31<sup>st</sup> March, 2016 with comparisons to previous years.

The Director of Finance, Assets and Information stated that this item would be placed on the agenda for the next meeting to enable Members to ask questions of the Service Director on any issues identified.

**RESOLVED** that the report be received and consideration thereof be deferred until the next meeting of the Committee.

.....  
Chair

FIELD\_SUMMARY

This page is intentionally left blank



**AUDIT COMMITTEE – 15<sup>th</sup> June, 2016**

**ACTIONS ARISING FROM MEETINGS OF THE AUDIT COMMITTEE**

<b>Date of Meeting</b>	<b>Agenda Ref</b>	<b>Subject</b>	<b>Details of Actions Arising</b>	<b>Person Responsible</b>	<b>Status / Response</b>
22 <sup>nd</sup> July, 2015	6	Draft Annual Governance Statement 2014/15	To receive a report on the multi agency approach to safeguarding and the creation by the Police of multi-agency hubs	Chief Executive, Director of Legal and Governance, Director of Finance, Assets and Information Services	To be built into the Future Work Plan when invitations are sent to 'external witnesses/speakers'

This page is intentionally left blank

# Item 5

## Report of the Head of Internal Audit and Corporate Anti-Fraud

**AUDIT COMMITTEE – 15<sup>th</sup> JUNE 2016**

### **ANNUAL FRAUD REPORT 2015/16**

#### **Executive Summary**

- i. According to figures from the National Fraud Authority (June 2013), it has been estimated that the annual loss to Local Government due to fraud (excluding Benefit Fraud) is £2.1billion. As a local authority responsible for the administration of large amounts of assets and finances, Barnsley MBC is a target for fraudsters. It is therefore important to maintain robust policies and procedures to safeguard the Council's integrity against potential fraud.
- ii. From April 2015, all fraud functions for the Authority were centralised within Internal Audit Services Corporate Anti-Fraud Team (CAFT). This has enabled the Council to focus its preventative and investigative resource to tackle the different types of fraud that may occur against a Local Authority.
- iii. The team covers a wide range of tasks including implementing the Anti-Fraud and Corruption Policy across the authority, providing a comprehensive counter-fraud service for all directorates, co-ordinating and managing the council's participation in the National Fraud Initiative (NFI), the introduction of council wide Fraud Awareness training and the prevention and detection of all types of fraud.

## **Report of the Head of Internal Audit and Corporate Anti-Fraud**

**AUDIT COMMITTEE – 15<sup>th</sup> JUNE 2016**

### **ANNUAL FRAUD REPORT 2015/16**

#### **1. Purpose of the Report**

- 1.1 This report provides an account of counter fraud related activity undertaken by Internal Audit's Corporate Anti-Fraud Team from 1 April 2015 to 31 March 2016.
- 1.2 The Corporate Anti-Fraud Team provides the Council with a full, professional counter fraud and investigation service for fraud attempted or committed against the Council.
- 1.3 This report provides information and assurance to the Audit Committee regarding a key aspect of the Authority's risk management, control and governance framework.

#### **2. Recommendations**

##### **2.1 It is recommended that the Audit Committee:**

- i. **Consider the Annual Fraud Report as part of the framework of assurances to support the Annual Governance Statement;**
- ii. **Continue their support in embedding a culture of zero tolerance and high levels of awareness regarding fraud and corruption;**

#### **3. Background**

- 3.1 As a major employer continually seeking to change and transform how it delivers services, and one that is engaged in a range of partnerships and activities, the Council is inherently vulnerable to acts of fraud, corruption or irregularity committed both from within and outside the Council.
- 3.2 In the current economic climate there is a perceived increased risk of fraud due to a tightening of available credit and borrowing. This is certainly true in local government, where budgetary pressures, large spending cuts and difficult decisions over priorities may weaken controls and increase the likelihood of fraud.
- 3.3 Greater focus is now being placed on local government to protect public funds and Barnsley Council is committed to ensure that increasingly scarce resources are used for the purposes intended, preventing unnecessary loss to fraud or theft and to tackle areas where abuse may occur.

- 3.4 To safeguard public funds and ensure these funds are used for their intended purpose the Council has a zero tolerance approach supported by a strong policy statement and commitment to tackling fraud and corruption. This is backed up by various policies, procedures and codes linked to the Anti-Fraud and Corruption Strategy to help ensure that the people of Barnsley and stakeholders have confidence that the affairs of the Council are conducted in accordance with the highest standards of probity and accountability and that Members and officers demonstrate the highest standards of personal and professional honesty and integrity.
- 3.5 It is of course an unrealistic expectation to remove and avoid all fraud or loss from an organisation, and particularly one as big and diverse as a local authority. However with a concerted effort from elected members, senior management and all employees it is reasonable to expect that we can reduce and ultimately minimise the incidence and impact of fraud and corruption and thus release valuable resources for front line services.
- 3.6 The Audit Committee have received update reports summarising work undertaken in respect of anti-fraud work and investigations.
- 3.7 Senior managers continue to be aware and accept that anti-fraud and corruption measures start with them. Internal Audit and the Corporate Anti-Fraud Team provide an important advisory and guiding role but cannot assume the responsibility for operational anti-fraud controls within services and systems.
- 3.8 The following sections summarise the activity during the year covering corporate pro-active anti-fraud matters and reactive investigation work.

#### **4. Pro-active Anti-fraud and Corruption Activity 2015/16**

##### **Structure and Roles**

- 4.1 Internal Audit's Corporate Anti-Fraud Team acts on behalf of the Director of Finance, Assets and Information Services in ensuring the Council has appropriate arrangements to deter, detect and investigate fraud. This role includes the following:
- Driving the continual development of a framework of anti-fraud policies and procedures;
  - Raising awareness and understanding of fraud risks and developing mechanisms to maximise the opportunities for fraud risk reporting;
  - Responding to Whistleblowing allegations, referrals and other concerns including those received under the Council's Money Laundering Policy;
  - Investigation of reports of financial or other irregularity;
  - Liaising with South Yorkshire Police to support criminal prosecutions;
  - Delivering a programme of proactive anti-fraud reviews;
  - Providing advice and support to managers across the Council and within schools in their own investigation of irregularities;
  - Providing advice and recommendations to managers on appropriate controls to help prevent and detect fraud and corruption;
  - Monitoring anti-fraud activity across the Council.

- 4.2 In discharging this wide range of roles Internal Audit has a dedicated Corporate Anti-fraud Team comprising a Principal Auditor for countering fraud and corruption, a Senior Corporate Fraud Investigator and a Corporate Fraud Investigator.
- 4.3 In 2015/16 the Corporate Anti-Fraud Team had a total budgeted plan of 580 days. In the first year of work the team has undertaken preventative anti-fraud work totalling 165 days whilst 415 days were spent on reactive investigations.
- 4.4 Advice, guidance and instruction have been given to departmental managers throughout the year as a matter of course, in order to equip them when undertaking their own investigations.

### **Developing an Anti-Fraud Culture**

- 4.5 In seeking to minimise losses to fraud and corruption, the ideal situation is one where those contemplating these acts are deterred from doing so. An anti-fraud and corruption culture whereby fraudulent activity is seen as unacceptable, combined with individuals' doubts as to whether acts of fraud and corruption can succeed, can serve as a powerful deterrent. Deterrence can in practice be achieved where strong prevention, detection, investigation, sanction and redress processes are in place and effective publicity and communication are developed around them.
- 4.6 In the work to develop the anti-fraud culture throughout the Council, the Corporate Anti-Fraud Team is always looking for new ways to promote the anti-fraud message to reach the largest possible audience. By stressing to all, not only the unacceptability of fraud and corruption but also its serious consequences, the anti-fraud culture is strengthened. Our reactive investigation work and our commitment to take seriously any reported allegations of suspected wrongdoing positively seek to discourage potential fraudsters.

### **Guidance and Training**

- 4.7 Publicising the anti-fraud message, the successes achieved and the work undertaken by the Corporate Anti-Fraud Team to prevent, detect and investigate fraud, apply sanctions and seek redress stimulates the internal anxieties of individuals and influences their subsequent behaviour. Such messages are communicated in corporate bulletins and press releases and will continue to feature during the current year.
- 4.8 The Corporate Anti-Fraud Team has also delivered a high level fraud awareness session to Berneslai Homes Board Members. Further training is planned for 2016/17.

### **Preventing Fraud**

- 4.9 Effective preventative systems are put in place to try and ensure that if fraud is attempted, it will be discovered and fail.

- 4.10 Fraud prevention in the Council means ensuring that sound policy and procedural measures are in place in all Council departments. Internal Audit and the Corporate Anti-Fraud Team continuously review reported system weaknesses to identify areas of high fraud risk. Follow-up audits or themed anti-fraud audits are undertaken in all departments where common weaknesses have been identified.
- 4.11 Internal Audit is a member of the West and South Yorkshire Fraud Investigators Group (SWYFIG) which comprises West and South Yorkshire Internal Audit investigators.
- 4.12 The group meets twice a year with the following aims:-
- To promote and share best practice with regard to fraud and corruption prevention, detection and investigation work;
  - To discuss areas of interest which will to assist group members in undertaking reactive and proactive counter fraud work;
  - To discuss investigation, data matching, risk assessment and other specialist techniques/methodologies/training opportunities that could be of benefit in the course of duties;
  - To discuss current/future legislative issues, data matching exercises and other developments that impact on LA counter fraud strategy and operational work;
  - To share and benchmark anonymised information on cases and other work to identify best practice within the group that can be used proactively at other local authorities to prevent, detect, identify and/or recover losses due to fraud and corruption;
  - To share with other group members intelligence regarding local/regional/national issues and training which could impact on other members; and
  - To create contact points in each local authority, for future liaison, advice

### **National Fraud Initiative**

- 4.13 The NFI is a regular (biennial) data matching exercise. As the name suggests, the exercise is carried out on a national basis with the vast majority of the UK's local authorities taking part. The aim of the exercise is to identify possible cases of fraud and error within public bodies, e.g. local authorities, central government, the NHS. The Council has routinely participated in this initiative from its inception in 1996/97, and is currently addressing the matches received in January 2015 and the Council Tax matches received in January 2016.
- 4.14 The Council provided information relating to 12 mandatory sets of data. These datasets consisted of information from Payroll, Housing Rents, Creditors, Private Residential Care Homes, Blue Badges, Residential Parking Permits, Licensing, Market Traders, Insurance, Personal Budgets, Council Tax and Electoral Registration.
- 4.15 The datamatches relating to the 2014-2015 exercise were received at the end of January 2016. Data filters, recommended and supplied by the Cabinet Office, were used to sort the matches based on the quality of the data in the

match. There is no requirement for the Authority to review 100% of the matches, as long as an effective system of sampling is used to manage the risk of identifying frauds and errors.

- 4.16 The exercise has highlighted 32 cases of fraud or error which has resulted in £135,879 being identified to be recovered by the Council. It should be noted that the majority of these errors (£129,748) related to duplicate creditor payment error which was reported to the Audit Committee in April 2016.
- 4.17 As a result of these findings the Director of Finance has requested that the CAFT undertakes further datamatching exercises.
- 4.18 Data will be submitted for the 2015/2016 NFI exercise later this year (October 2016).

## **5. Reactive Fraud Work**

### **Detecting and Investigating Fraud**

- 5.1 Despite strong preventative measures, there are inevitably a minority of dishonest people who will be intent on attempting fraud and corruption and finding new ways to evade preventative systems or indeed taking an opportunistic risk. When this happens it is essential that we are able to promptly detect instances of fraud and corruption that have occurred.
- 5.2 The Council remains focussed in its commitment to take all necessary action to investigate fraud and take appropriate sanctions.
- 5.3 All of the Corporate Anti-Fraud Team members dedicated to preventative and investigative work are professionally qualified in this area.

### **Corporate Investigations**

- 5.4 Corporate investigations are defined as fraud cases which relate to employee fraud or other third party fraud which does not fall within a specific service area such as council tax or tenancy fraud.
- 5.5 Since 1 April 2015 work in this area has included:
  - Advice to managers undertaking management investigations and disciplinary proceedings;
  - Review of the recruitment exercise within an Authority's service;

### **Council Tax Support (CTS) Investigations**

- 5.6 As CTS has only been in legislation for three financial years the levels of fraud identified nationally are still relatively low. CAFT have identified fraudulent council tax support claims of £4,304.61 with additional savings of £2,100.60 identified since April 2015.

NB. The value of the fraud is the total council tax support fraudulently claimed with projected savings upto the end of the current financial year. The savings record the value of the overpayment had the fraud not been identified.



- 5.7 A summary of the Council Tax Support workload of CAFT for the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016 is shown below.

Referrals	170
Accepted for investigation	20

- 5.8 A summary of referrals not pursued for investigation is shown in the table below.

<b>Details</b>	<b>No.</b>
Change in circumstance already known - no issue	20
Poor intelligence – not enough evidence to pursue	25
Referred to DWP for investigation	52
No benefit in payment – no issue	8
No evidence of fraud	37
Uneconomical to pursue - CTS adjustment less than £500	8
<b>Total</b>	<b>150</b>

### **Council Tax**

- 5.9 CAFT have identified fraudulent council tax liability claims of £12,181.74 with additional savings of £951.46 identified since April 2015.

NB. The value of the fraud is the total council tax discount / liability fraudulently claimed / identified with projected savings up to the end of the current financial year. The savings record the value of the overpayment had the fraud not been identified.

- 5.10 A summary of the Council Tax workload of CAFT for the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016 is shown in the table below.

Referrals	116
Accepted for investigation	23

- 5.11 A summary of referrals not pursued for investigation is shown in the table below.

<b>Details</b>	<b>No.</b>
Change in circumstance already known - no issue	15
Poor intelligence – not enough evidence to pursue	15
No evidence of fraud	63
<b>Total</b>	<b>93</b>

### **Review of Single Persons Discount**

- 5.12 A pro-active data matching exercise to identify council tax payers fraudulently claiming a single person discount commenced in October 2015.
- 5.13 A total of 6,942 single person discount review letters were issued in respect of discounts which required follow-up.

- 5.14 The cancellations to date (1,179 accounts) have resulted in an additional £321,947 Council Tax income being raised across the identified Council Tax accounts.
- 5.15 In addition, CAFT have challenged a number of the above responses (104) and 70 taxpayers have subsequently confirmed that their declared date of change was incorrect. This has resulted in the discounts being removed from earlier dates and an increase of £20,699 Council Tax income being raised across the identified Council Tax accounts.
- 5.16 A total of 5,229 taxpayers returned their review forms which resulted in no impact on the discount e.g. property vacated, alternative discount applicable. However, a number of these taxpayers indicated that a single person discount should still be applicable (4,317). The Corporate Anti-Fraud Team will be following up a number of these returns to verify the entitlement.
- 5.17 A number of queries are still outstanding (534) and are being pursued by the Benefits, Taxation and Income Section. It should be noted that the majority of these (473) relate to unreturned review forms where the taxpayer also receives a council tax support reduction.
- 5.18 The review is not yet complete and additional outcomes will continue over the next few months.

#### **Right to Buy (RTBs)**

- 5.19 The number of RTB applications has continued to rise over the last 12 months with tenants benefiting from the scheme's discounts up to a maximum of £77,000.
- 5.20 With such large discounts available to prospective purchasers there is a greater risk of fraud, and to this effect the Corporate Anti-Fraud Team now apply an enhanced fraud prevention process to all new RTB applications.
- 5.21 The additional checks, which include financial and residential verification, provide assurance that tenants are eligible to the discount and fulfil the criteria of the scheme ahead of completion.
- 5.22 CAFT has undertaken checks against 131 RTB applications during the financial year 2015/2016.
- 5.23 Liaison with the RTB Team and the Council's Enforcement Unit has resulted in two RTB sales being stopped and the properties being recovered due to non-occupancy. One sale was stopped prior to a valuation being carried out and the second resulted in a saving of £27,360 i.e. the value of the discount which would have been applied.
- 5.24 The prevention work undertaken by the Corporate Anti-Fraud Team in respect of RTBs continues to protect valuable Council housing stock.

## Housing/Tenancy Fraud

- 5.25 The Corporate Anti-Fraud Team have provided fraud awareness training to officers within Berneslai Homes. As a result of guidance given at the training sessions a number of Berneslai Homes officers have sought advice from CAFT in respect of tenancy fraud.
- 5.26 A basic investigative support service has been provided to Berneslai Homes to help identify potential fraudulent tenancies. This support has enabled Berneslai Homes to recover a property which was not being used by the tenant as their main home.
- 5.27 A summary of alleged tenancy fraud referrals received for investigation is shown in the table below.

Details	No.
Alleged non-residency – not pursued, no evidence of fraud	11
Alleged breach of tenancy agreement – not pursued, no evidence of fraud	1
Alleged breach of tenancy agreement – referred to Berneslai Homes for investigation	1
Allegation of sub-letting - not pursued, no evidence of fraud	1
<b>Total</b>	<b>14</b>

- 5.28 In November 2013, legislation criminalising tenancy fraud was brought into force. On conviction, tenancy fraudsters could now face up to two years in prison. The main types of Housing Tenancy Fraud are:
- **Application** - obtaining social housing under false pretences e.g. misrepresentation of identity or circumstances.
  - **Tenancy succession** - unauthorised retention of a property following the death or vacation of the tenant or tenants.
  - **Non-Residency** - property is obtained legally but then a change in circumstances means that the tenant moves out but keeps the tenancy running 'just in case'. In the vast majority of these cases Housing and Council Tax Support are in payment which means that there is no cost to the tenant in maintaining the ongoing tenancy.
  - **Sub-Letting** - whilst the Council can consent to lodgers in some circumstances, this fraud involves the unlawful sub-letting of a property by a tenant to others, usually for profit.

## 6. Key Priorities 2016/17

- 6.1 The need to respond quickly and comprehensively to allegations of fraud and corruption impacts on the ability to deliver proactive anti-fraud work. The Corporate Anti-Fraud Team will continue to advise managers to investigate lower risk referrals.
- 6.2 The Corporate Anti-Fraud Team has allocated 581 chargeable days for reactive and proactive fraud work in 2016/17.
- 6.3 The key priorities over the next few months are shown below. These will be

reported back to the Committee within the next update in approximately 3 months.

Ref	Action	Timescale
1	Development of additional BOLD Fraud Awareness E-Learning	July 2016
2	Council tax Single Person Discount Review	July 2016
3	Further data-matching exercise of creditor payments	July 2016
4	Review of counter fraud policy framework	September 2016
5	Investigation of instances of Council tax Reduction Scheme fraud	Ongoing

## **7. Local Area Implications**

7.1 There are no Local Area Implications arising from this report.

## **8. Consultations**

8.1 All audit reports are discussed with the main auditee. Individual audit reports are provided to the appropriate Executive and/or Assistant Director to apprise him/her of key issues raised and remedial actions agreed.

## **9. Compatibility with European Convention on Human Rights**

9.1 In the conduct of investigations, the Corporate Anti-Fraud Team operates under the provisions of the Data Protection Act 1998, the Human Rights Act 1998, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

## **10. Reduction of Crime and Disorder**

10.1 An inherent aspect of counter fraud work is to prevent, detect and investigate incidents of fraud, theft and corruption. The control issues arising from audit investigations have been considered to ensure improvements in overall controls. Additionally, Internal Audit Services ensures that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.

## **11. Risk Management Considerations**

11.1 Whilst there are no specific risks emanating as a result of this report there are a range of risk issues worthy of consideration and note.

11.2 There is a risk to the control and governance of the Authority if management fail to implement recommendations. In mitigation Internal Audit has introduced a more rigorous 'follow-up' process to ensure the most significant issues are implemented. This is reported to the Audit Committee within the quarterly and annual reports.

## **12. Employee Implications**

- 12.1 All employees are under an obligation through their contracts of employment to be honest and adhere to the Code of Conduct.
- 12.2 There will be further guidance and opportunities for all employees to ensure their personal awareness of anti-fraud and corruption measures continues to be high. Management are charged to ensure that awareness is high and maintained.

## **13. Financial Implications**

- 13.1 There are no financial implications arising directly from this report. The costs of the Corporate Anti-Fraud Team function are included within the Authority's base budget.
- 13.2 There are financial consequences in both losses from fraud and also the cost of controls to minimise fraud. Internal Audit Services carefully assess both aspects of the financial consequences of fraudulent activity when making recommendations and advising management.

## **14. Background Papers**

- 14.1 Various previous Audit Committee reports  
Corporate Anti-Fraud and Corruption Policy and Strategy  
Corporate Whistleblowing Policy

Contact Officer: Head of Internal Audit  
Telephone: 01226 773241  
Date: 2<sup>nd</sup> June 2016

This page is intentionally left blank



# Local Authority Corporate Risk Register Analysis

**Single Tier Authorities**  
**Barnsley Metropolitan Borough Council**

# Local authority corporate risk register analysis

## Background

Risk management is a critical management tool to manage, assess and prioritise risks therefore enabling resources to be applied to minimise, monitor and control the probability and/or the impact of negative events.

An important component of the risk management process is the corporate risk register, which identifies those risks which are critical for management to minimise, monitor and control.

KPMG has used its extensive audit client base to undertake Corporate/Strategic risk register analysis. The exercise compared the corporate risk registers from a range of local authorities covering:

- Single Tier Councils;
- County Councils;
- District Councils;
- Fire and Rescue Services; and
- Police bodies.

The outcome highlights the most frequently featured risks across local authority risk registers and changes from 2014 when a similar exercise was carried out.

We also considered the arrangements in place to maintain and review risk registers at the local authorities and fire and police bodies.

Finally, we considered the degree to which risk registers are used as an integrated management and assurance tool, which is especially important given other parts of the Public Sector are increasingly using tools such as Board Assurance Frameworks and Assurance Mapping.

## Purpose

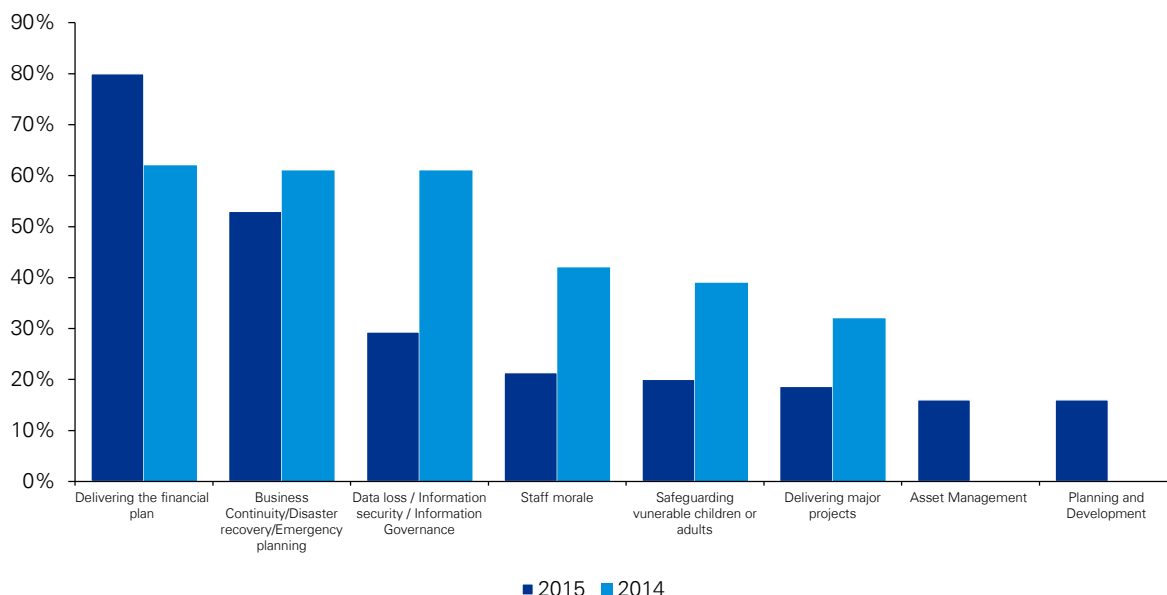
Organisations should use the comparative information to help consider:

- Whether there are potential risks that may have been omitted from their own risk register;
- Whether potential risks are given sufficient priority;
- The mechanics of the risk management process at their organisations; and
- How managing risks and providing assurance can be developed further.



# Local authority corporate risk register analysis (cont.)

## Most frequently featured risks across all authority types



The top three residual risks occurring most frequently are:

- Delivering the medium term financial plan/saving targets/delivering funding cuts;
- Business continuity/disaster recovery incidents/emergency planning; and
- Data loss/information security/information governance risks.

A much higher number of bodies (80% compared to 62% in 2014) identified **Delivering the medium term financial plan/saving targets/delivering funding cuts** as a risk, although this is still not as high as might be expected given the significant reduction in grants seen in recent years and on-going financial pressures.

Risks in relation to **Business continuity and disaster recovery** were identified in 53% of risk registers (compared to 61% in 2014) and Data loss/information security and information governance were identified in 29% of risk registers (compared to 61% in 2014). So whilst these risks remain high in terms of frequently occurring risks – It is noticeable that both risks occur less often than in prior years. This fall is a surprise but may be as a result of investments in arrangements reducing the residual risks across the sector.

The risk that no longer features in the above analysis is **Partnership arrangements/governance**, which is surprising given the emergence and growth of initiatives such as the Better Care Fund.

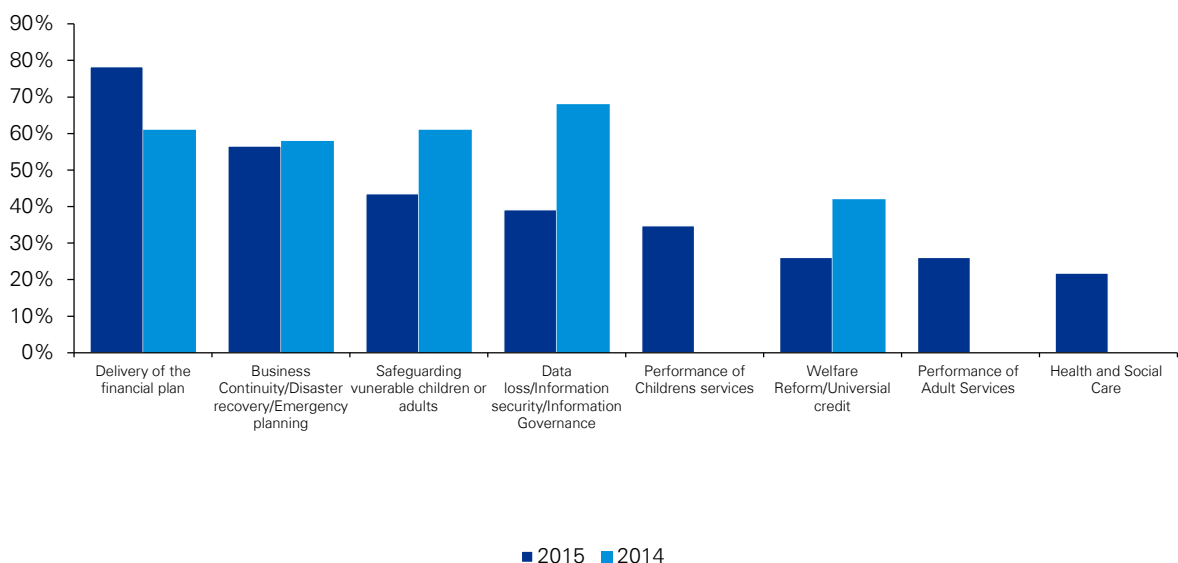
Compared to the same analysis last year the following risks are new for 2015:

- Asset management; and
- Planning and development issues.

# Local authority corporate risk register analysis (cont.)

## Most frequently featured risks across single tier authorities

The chart below shows the eight most frequently identified risks at the single tier authorities included in the exercise.



If you exclude the **safeguarding risk**, which is clearly not a relevant risk for all authorities (e.g. District Councils), the three most common risks for single tier authorities are the same as the all authority type analysis, with **delivery of the Medium Term Financial Plan** again the highest risk.

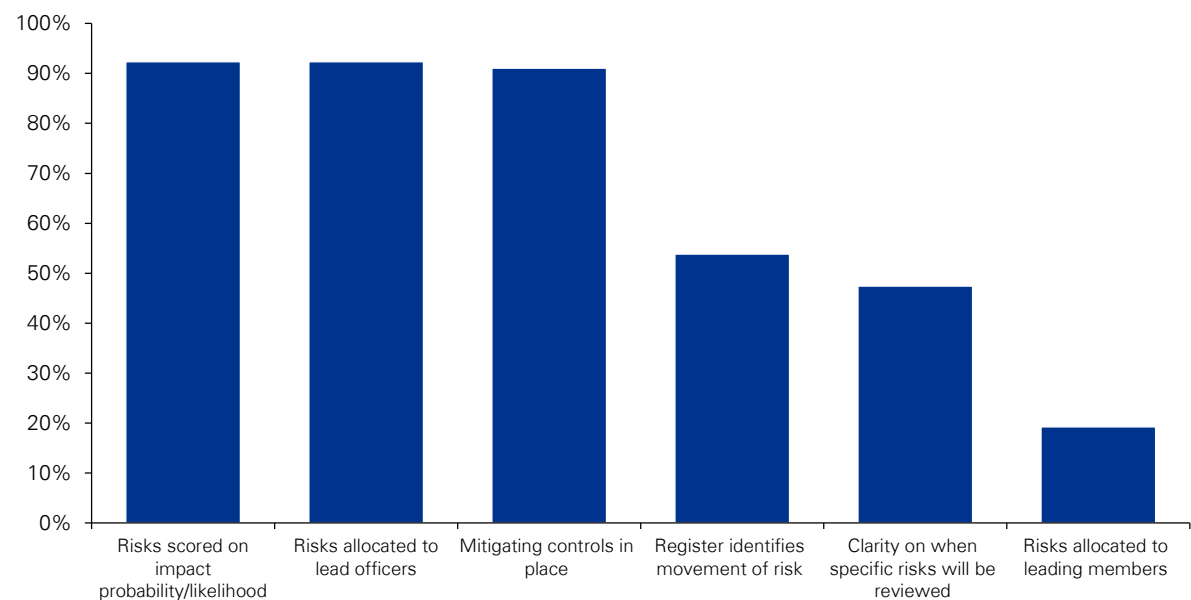
We note we see more risks in relation to **Health and Social Care**, (21% of single tier authorities), which is understandable given the arrival and growth of the Better Care Fund. This also possibly explains the reduction in **Partnership Governance risks**, which are now better defined as Health and Social care. We also note that concerns over operational performance in Children and Adults services are now being seen in more risk registers.

Against a background of the significant reputational and business impact of safeguarding cases, it is also noticeable that safeguarding vulnerable children or adults was only identified in 43% of single tier authorities, which is down from 61% in 2014.

Barnsley MBC (the Council) currently has two significant / 'red' risks on its strategic risk register, relating to **Health Inequalities** and **Emergency Resilience/Disaster Recovery**. The remaining items on the Council's risk register are broadly in line with those listed above which confirms that the Council is in line with the common risks being recorded within single tier authorities.

# Local authority corporate risk register analysis (cont.)

## Survey Responses on Risk Register Reporting and Responsibilities



The chart above analyses the risk registers reviewed across all authorities. As expected, a high level of registers score risks on impact and probability, the controls in place and are allocated to lead officers.

However, less risk registers clarify when a risk is to be reviewed, which could result in the risk not being dealt with appropriately and provides less assurance. Further to this, risks do not appear to be regularly/widely allocated to lead members, which could reduce the scrutiny of these risks.

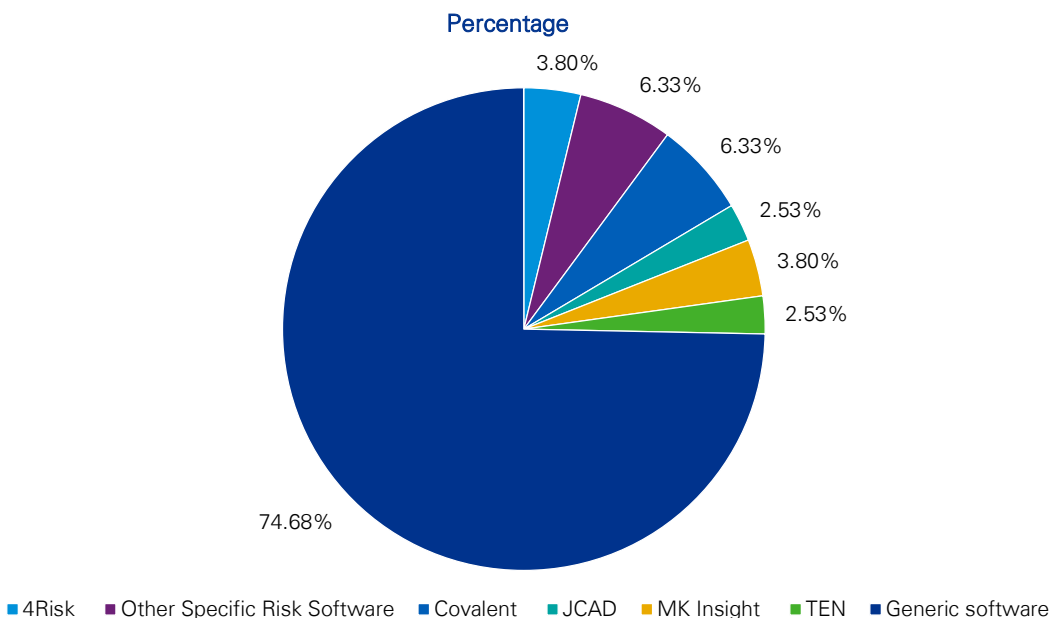
The Council’s risk register covers the main elements you would expect to see in a risk register. However, it does not allocate risks to leading members, which is seen in 19 per cent of risk registers we reviewed.

# Local authority corporate risk register analysis (cont.)

## Software used to support risk management

The chart below shows that 75% of authorities do not use specific risk management software, often preferring to use spreadsheet systems to record the risks. These systems are potentially less robust compared to specific software. Of the authorities that do use specific software, the most commonly used packages are Covalent, 4risk and MK Insight.

The Council uses MK Insight as its risk management software.



## Moving forward

It is noted that in the wider Public Sector, many bodies are now using Board Assurance Frameworks/Assurance Mapping. Assurance mapping is the process where risk reports set out the controls and assurances in place to confirm that risks are being addressed. Setting out the assurances can give lead Officers and Members confirmation that assurance is in place and that the quality of the assurance is sufficient against the risk.

Our work has identified limited use of such tools in the local authority sector.

Our comparison exercise identified that:

- Risks were linked to strategic objectives in 57% of reports;
- Assurances were reported in 53% of the reports; and
- Effectiveness of controls were reported in 49% of the reports.

These are important elements of assurance mapping processes and our work suggests there is significant scope for local authorities to develop in this area.



[kpmg.com/uk](http://kpmg.com/uk)



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2016 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Produced by Create Graphics/Document number: CRT059749A

This page is intentionally left blank

# Item 7

## BARNSELEY METROPOLITAN BOROUGH COUNCIL

### Report of the Director Finance, Assets and Information Services

**Audit Committee – 8<sup>th</sup> June 2016**

#### **KPMG – LOCAL AUTHORITY CORPORATE RISK REGISTER ANALYSIS**

##### **1. Purpose of Report**

- 1.1 The purpose of this report is to provide a response to the report supplied by KPMG regarding the analysis that has been undertaken regarding elements of the Council's Risk Management arrangements.

##### **2. Recommendations**

###### **2.1 It is recommended that the Audit Committee:-**

- (i) Considers the response to the KPMG report; and,**
- (ii) The Audit Committee approves the response to the KPMG report.**

##### **3. Background**

- 3.1 The Authority is in receipt of a report compiled by KPMG regarding Local Authority Corporate Risk Registers. The exercise compared the content of corporate risk registers from a range of Local Authorities. The outcome highlights the most frequent risks featured across Local Authority Risk Registers.
- 3.2 The report also considered the arrangements in place to maintain and review risk registers. This analysis undertaken by KPMG focused on the following key questions:
- Do Local Authorities use a specific software package to support risk management?
  - How often are strategic risks reported, and the responsibilities of officers and Members in the strategic risk review process; and,
  - How developed are the Councils arrangements regarding Corporate Assurance Mapping.
- 3.3 A gap analysis of BMBC's own risk management arrangements has therefore been undertaken to:
- Assist in identifying 'gaps' within BMBC's own Strategic Risk Register (SRR), or, provide assurances that the SRR remains fit for purpose;
  - Provide details of the software packaged used to support risk management; and,
  - Provide details of the reporting and responsibility arrangements in place regarding the SRR.

#### 4. Gap Analysis – SRR

- 4.1 The following table details the most frequently featured risks within Single Tier Councils which were identified by KPMG.

Details of the corresponding BMBC risks are logged, with further comments also included where appropriate:

KPMG Risk Area	BMBC SRR Risk
Delivery of the Financial Plan	Risk 3034 – Failure to deliver the MTFs - 'Failure of Future Council to achieve the required level of savings'
Business Continuity / Disaster recovery / Emergency Planning	Risk 3792 – Failure to be prepared to assist in the event of an emergency resilience event in the region Risk 3793 – Failure to ensure that appropriate disaster recovery arrangements are in place to ensure the Council is able to recover in the event of a business continuity threat or incident
Safeguarding of Vulnerable Children or Adults	Risk 3025 – Failure to safeguard vulnerable service users
Data Loss / Information Security / Information Governance	Risk 3029 – Failure to safeguard information
Performance of Children's Services	Risk 3024 – Lack of educational attainment Risk 3025 – Failure to safeguard vulnerable service users
Welfare Reform / Universal Credit	Included within Risk 3034.
Performance of Adult Services	Included within Risk 3031 – Strategic Performance, governance or compliance failure and Risk 3023 - Failure to engage with stakeholders
Health and Social Care	Risk 3026 – Failure to achieve a reduction in Health inequalities within the Borough. Risk 3047 – Failure to protect the health of the population from preventable health threats.

- 4.2 It is noted in the report provided by KPMG, that:

'Barnsley MBC currently has two significant / 'red' risks on its strategic risk register, relating to Health Inequalities and Emergency Resilience / Disaster recovery. The remaining items on the Council's risk register are broadly in line with those listed above which confirms that the Council is in line with the common risks being recorded within single tier authorities'.

- 4.3 In order to demonstrate a level of compliance, over and above the finding identified by KPMG, it is worth noting:

- During the last review of the SRR (undertaken in March 2016), it was decided to split an existing risk regarding business continuity and emergency resilience arrangements into two discrete areas, as detailed above (risk 3792 – Failure to be prepared to assist in the event of an emergency resilience event in the region and 3793 – Failure to ensure that appropriate disaster recovery arrangements are in place to ensure the Council is able to recover in the event of a business continuity threat or incident). This is intended to provide a greater level of clarity regarding the Council's ability to respond to emergency incidents, and its own ability to recover in the event of a disaster;
- Risk 3794 ('Failure to influence the governance arrangements underpinning and controlling the emerging City Region Deal Devolution Deal enable an appropriate blend of risk and



reward for the Council') was also developed during the last review of the SRR in March 2016. This risk reflects the uncertainties that affect the Council regarding the emerging City Region Devolution Deal, and potential changes to skills, employment, housing, planning, transportation and business growth arrangements. The risk also acknowledges the potential shift in governance arrangements for the Council itself, and the Sheffield City Region;

- During the review undertaken in March 2015, a risk regarding the failure to develop the Borough's economy was replaced with a more refined risk regarding the availability of land and housing to achieve economic objectives (risk 3543 – Failure to ensure the adequate supply of land for housing and commercial property growth).

## 5. Risk Register Reporting and Responsibilities

- 5.1 The following table details process related elements identified by KMPG, that are relevant to the management of (strategic) risk:

KPMG Risk Element	BMBC SRR Risk Comment
Risks scored on Impact and Probability / Likelihood	All risks are allocated a 'Concern' Rating. All risks are assessed in terms of Probability and Impact within MKI.
Risks allocated to Lead Officers	All risks logged on the SRR are owned by SMT. All risk mitigation actions are allocated to a member of SMT or BLT;
Mitigating controls in place	All risks contain details of 'current controls' and 'risk mitigation actions'.
Register identified movement of risk	The SRR report presented to SMT details a current assessment, along with the last 3 iterations of the assessment. Details of the direction of travel for all risks logged on the SRR are included as an appendix to reports to the Audit Committee and Cabinet.
Clarity on when specific risks will be reviewed	All risk mitigations include a 'Review By' date.
Risks allocated to leading Members	No lead Members for specific risks, or risk management itself have been identified.

## 6. Software used to support Risk Management

- 6.1 The analysis provided by KPMG identifies a number of Local Authorities (75%) that are not using specialist risk management software.

- 5.2 KPMG has identified that 4% of the sampled Councils use the same system (Morgan Kai Insight) that Barnsley has selected for the logging and recording of risks. This places the Council in a strong position in terms of having a specific risk management database to log and record all risks identified by the Council. This assists in ensuring that:

- Risks are recorded in a uniform and consistent manner;
- Version control regarding risk registers can be maintained at all times; and,
- Reporting and aggregation of risk can be performed easily.

## 7. Assurance Mapping

7.1 KMPG notes that a number of Councils are now developing Board Assurance Frameworks or Assurance Maps. The Council is in the process of developing its own Corporate Assurance Map, which is envisaged to:

- Assist in identifying and addressing gaps in assurance and streamlining assurance coverage;
- Provide evidence on which to base the Annual Audit Plan; and,
- Provide a mechanism to link assurances from various sources against key governance controls to provide a quantifiable assessment of the Council's governance arrangements.

7.2 The Council has already begun its own journey to develop a Corporate Assurance Framework that intends to identify and map the governance and control environment for the Council, and provide assurances as to the strength and quality of each specific governance area. A series of workshops with internal control and governance lead officers have been delivered, and the outcomes of these workshops will be considered by the Council's Corporate Assurance Group (who have been reconvened to lead in the development of the Councils Corporate Assurance Framework) at their meeting in May 2016.

7.3 It is likely the guidance developed by KMPG in this regard will help to influence and direct this emerging framework.

## 8. Outcomes

8.1 The outcomes of the analysis of BMBC Risk Management arrangements against those identified by KMPG confirm that:

- The **content** of the SRR is in line with other similar Local Authorities;
- The **system used to record risks** within BMBC places the Council in a minority group. However, the benefits described in section 5.2 provide positive assurances regarding the use of a risk management system;
- The **risk register reporting and responsibility arrangements** in place are in line with other similar Local Authorities; and,
- The Council's emerging **Corporate Assurance Framework** arrangements are in line with other similar frameworks that are being developed by other Councils.

## 8. Further Information

8.1 Further information regarding this analysis is available by contacting the Authority's Risk Management Section.

**Contact Officers:** Risk and Governance Manager  
**Telephone:** 01226 77 3119  
**Date:** 10<sup>th</sup> May 2016

## Overall Debt Position as at 31.03.2016

Total Arrears	1982-2000/01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Arrears £	£72,248	£23,093	£33,398	£60,145	£71,859	£158,374	£241,850	£340,274	£546,775	£559,901	£847,649	£1,198,284	£2,392,587	£3,455,932	£5,406,088	£10,997,149	£26,405,605
Arrears %	0%	0%	0%	0%	0%	1%	1%	1%	2%	2%	3%	5%	9%	13%	20%	42%	100%
Provision £	£20,137	£18,143	£22,613	£37,841	£59,060	£132,968	£197,730	£285,978	£446,890	£424,881	£626,169	£874,245	£2,045,072	£2,771,163	£4,066,650	£4,304,609	£16,334,148
Provision %	0%	0%	0%	0%	0%	1%	1%	2%	3%	3%	4%	5%	13%	17%	25%	26%	100%

Trade Debt	1982-2000/01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Arrears Total £	£52,198	£1,536	£7,171	£15,527	£1,781	-£140	£10,196	£14,932	£48,511	£66,074	£134,429	£144,044	£825,242	£1,053,749	£1,597,136	£3,396,970	£7,369,356
Arrears Total %	1%	0%	0%	0%	0%	0%	0%	0%	1%	1%	2%	2%	11%	14%	22%	46%	100%
Provision Total £	£3,347	£0	£264	£529	£0	£1,989	£1,541	£3,858	£15,813	£9,588	£19,600	-£17,263	£714,949	£855,061	£1,254,925	£96,618	£2,960,819
Provision Total %	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	1%	-1%	24%	29%	42%	3%	100%

Council Tax	1994-2000/01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Arrears Total £	£20,050	£21,557	£26,228	£44,618	£69,633	£119,475	£185,924	£248,637	£335,194	£388,814	£519,488	£773,799	£1,046,591	£1,782,158	£2,472,474	£4,875,282	£12,929,924
Arrears Total %	0%	0%	0%	0%	1%	1%	1%	2%	3%	3%	4%	6%	8%	14%	19%	38%	100%
Provision Total £	£16,790	£18,143	£22,349	£37,312	£58,726	£101,360	£156,811	£209,927	£284,011	£326,842	£434,324	£647,581	£884,704	£1,461,336	£2,011,652	£2,783,688	£9,455,556
Provision Total %	0%	0%	0%	0%	1%	1%	2%	2%	3%	3%	5%	7%	9%	15%	21%	29%	100%

Business Rates	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Arrears Total £	-	-	-	-	£445	£1,139	£985	£1,010	£4,157	£4,258	£1,004	£22,104	£124,480	£189,975	£636,600	£1,657,014	£2,643,172
Arrears Total %	-	-	-	-	0%	0%	0%	0%	0%	0%	0%	1%	5%	7%	24%	63%	100%
Provision Total £	-	-	-	-	£334	£854	£739	£758	£3,119	£3,194	£753	£16,578	£95,336	£148,816	£447,098	£1,087,022	£1,804,600
Provision Total %	-	-	-	-	0%	0%	0%	0%	0%	0%	0%	1%	5%	8%	25%	60%	100%

Housing Benefit OP	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Arrears Total £	-	-	-	-	-	£37,900	£44,744	£75,694	£158,912	£100,754	£192,728	£258,337	£396,274	£430,050	£699,878	£1,067,883	£3,463,153
Arrears Total %	-	-	-	-	-	1%	1%	2%	5%	3%	6%	7%	11%	12%	20%	31%	100%
Provision £	-	-	-	-	-	£28,765	£38,639	£71,436	£143,947	£85,257	£171,491	£227,349	£350,083	£305,950	£352,975	£337,280	£2,113,173
Provision %	-	-	-	-	-	1%	2%	3%	7%	4%	8%	11%	17%	14%	17%	16%	100%

This page is intentionally left blank



*cutting through complexity*

# External audit progress report and technical update

Item 9

**Barnsley MBC**

June 2016

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

PROGRESS REPORT	
External audit progress report	3
KPMG RESOURCES	
No new items since our last update in March 2016	
TECHNICAL UPDATE	
No new items since our last update in March 2016	
APPENDIX	
Appendix 1 – 2015/16 audit deliverables	5



*cutting through complexity*

# Progress report

## External audit progress report – June 2016

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue main deliverables, including reports and conclusions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

Page 48

Area of responsibility	Commentary
<b>Audit Planning</b>	<p>We have completed our risk based audit planning for the 2015/16 audit of your financial statements and VFM conclusion. The Audit Plan has been agreed with management and was presented to the Audit Committee in March 2016.</p>
<b>Financial statements</b>	<p>Our interim audit on-site visit took place in February 2016. We covered the following areas during our interim audit:</p> <ul style="list-style-type: none"> <li>• Update of our risk assessment;</li> <li>• Review of the Authority's general control environment;</li> <li>• Testing of certain controls over the Authority's key financial systems;</li> <li>• Testing of high level controls over bank reconciliations and budgetary control; and</li> <li>• Review of the Authority's accounts production process, including some work to address the specific risk areas we have identified for this year.</li> </ul> <p>We have nothing to bring to the Audit Committee's attention as a result of our interim audit work.</p> <p>Our audit of your draft financial statements will take place during July/August 2016 and we will issue our opinion on your financial statements by 30 September 2016.</p>
<b>Value for Money</b>	<p>Our work on the VFM conclusion has commenced as part of our interim audit and will conclude during our final accounts visit in July/August 2016.</p> <p>At this stage we have nothing to report to the Audit Committee in respect of the Authority's VFM arrangements.</p> <p>We will issue our VFM conclusion by 30 September 2016.</p>
<b>Certification of claims and returns</b>	<p>The Housing Benefit &amp; Council Tax Benefit Claim is the only grant remaining under the PSAA Ltd regime. We are discussing the timing of this audit with officers and we will report before the deadline of 30 November 2016.</p> <p>We will discuss the certification of any grants outside of the PSAA Ltd regime with officers in due course.</p>
<b>Other work</b>	<p>Our work in relation to a letter from a member of the public is ongoing. Any additional fee in relation to this will be agreed with officers and reported to the Audit Committee.</p>





*cutting through complexity*

# Appendix

## Appendix 1 – 2015/16 Audit deliverables

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year	April 2015	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2016	Complete
<b>Interim</b>			
Interim report	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	Not applicable. Update provided to Audit Committee as part of this progress report	Complete
<b>Substantive procedures</b>			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2016	TBC
<b>Completion</b>			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2016	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2016	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2016	TBC
<b>Certification of claims and returns</b>			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2016	TBC



*cutting through complexity*

This page is intentionally left blank

# BARNLEY MBC AUDIT COMMITTEE – INDICATIVE WORK PROGRAMME

	Mtg. No.	1*	2*	3*	4	5	6	6	7
Committee Work Area	Contact / Author	8.06.16	20.07.16	23.09.16	2.11.16	7.12.16	18.1.17	22.3.17	19.4.17
<b>Committee Arrangements</b>									
Committee Work Programme	WW	X	X	X	WORKSHOP MEETING/TRAINING EVENT	X	X	X	X
Minutes/Actions Arising	WW	X	X	X		X	X	X	X
Review of Terms of Reference and Self Assessment	RW/CHAIR		X						X
Training Review and Skills Assessment	RW/CHAIR		X						X
Review of Terms of Reference & Working Arrangements	FF						X		
Draft Audit Committee Annual Report	RW/CHAIR								X
Audit Committee Annual Report	RW/CHAIR		X						
<b>Internal Control and Governance Environment</b>									
Local Code of Corporate Governance	AF/AH							X	
Annual Governance Review Process and Timescales	AF/AH								
Draft Annual Governance Statement & Action Plan	AF/AH		X						
Final Annual Governance Statement	AF/AH			X					
AGS Action Plan Update	AF/AH					X			
Corporate Whistleblowing Update & Annual Report	RW								X
Annual Fraud Report	RW	X							
Fraud Management Update / SPD Review	RW					X			
RIPA Update Report	AF/GK			X					
Review of Ombudsman Complaints	AF					X			
<b>Corporate Risk Management</b>									
Risk Management Policy & Strategy	AH								X
Risk Management Update	AH						X		
Annual Report	AH		X						
Strategic Risk Register Review	AH					X (from 2/11/16)	X		X
<b>Internal Audit</b>									
Internal Audit Charter & Strategy	RW							X	
Internal Audit Plan	RW							X	

	Mtg. No.	1*	2*	3*	4	5	6	6	7
Committee Work Area	Contact / Author	8.06.16	20.07.16	23.09.16	2.11.16	7.12.16	18.1.17	22.3.17	19.4.17
Internal Audit Quarterly Report	RW		X			X (from 2/11/16)	X		X
Annual Review of the Effectiveness of Internal Audit	RW		X						
Review of the Effectiveness of Int. Audit - Update	RW					X	X		
Internal Audit Annual Report	RW	X							
Corporate Fraud Team - Report	RW			X				X	
<b>External Audit (KPMG)</b>									
Annual Governance Report (ISA260 Report)	KPMG			X					
Audit Plan	KPMG							X	
Annual Fees Letter	KPMG							X	
Annual Audit Letter	KPMG					X (from 2/11/16)			
Grants Letter	KPMG		X						
Claims & Returns Annual Report	KPMG						X		
External Audit Progress report & Technical Update	KPMG		X	X		X	X	X	X
<b>Financial Reporting and Accounts</b>									
Budget Proposal Section 25 Report	FF/NC							X	
Draft Statement of Accounts Percentage of debt on year by year basis	FF/NC FF/NC		X						
Corporate Finance Summary	FF/NC			X					
Corporate Finance and Performance Management & Capital Programme Update	NC			X		X (from 2/11/16)		X	
Treasury Management Annual Report	IR			X					
Treasury Mgt. Policy & Strategy Statement	IR							X	

\* Meeting to be preceded by an Information Briefing/Training Session commencing at 3.00 pm