

MEETING:	Audit Committee
DATE:	Wednesday, 18 January 2017
TIME:	4.00 pm
VENUE:	Reception Room, Barnsley Town Hall

AGENDA

Procedural/Administrative Items

1. Declarations of Pecuniary and Non-Pecuniary Interest
2. Minutes (*Pages 3 - 12*)

To receive the minutes of the meeting held on 7th December, 2016.

3. Actions Arising From the Previous Meetings (*Pages 13 - 14*)

The Committee will receive a report detailing action taken and arising from previous meetings of the Committee.

Items for Discussion/Decision

4. Appointment of External Auditor (*Pages 15 - 18*)

The Director of Finance, Assets and IT will submit a report on the various options available for the appointment of external audit services from 2018/19 onwards and seeking approval to recommend to Council the preferred option.

5. Risk Management Update Report 2016/17 (*Pages 19 - 34*)

The Director of Finance, Assets and IT will submit a report outlining the progress made to date towards the achievement of the goals set out in the Council's Risk Management Policy and signposting further work to be undertaken in the year.

6. Internal Audit Quarterly Report 2016/17 - Quarter Ended 31st December, 2016 (*Pages 35 - 56*)

The Head of Internal Audit and Corporate Anti-Fraud will submit a report providing a comprehensive overview of the key activities and findings of Internal Audit based on the Division's work covering the whole of the third quarter with additional details of audits completed up to the end of December, 2016.

7. Corporate Anti-Fraud and Corruption Policies (*Pages 57 - 80*)

The Head of Internal Audit and Corporate Anti-Fraud will submit a report presenting draft versions of the revised Corporate Anti-Fraud and Corruption Policy and Corporate Anti-Fraud and Corruption Strategy together with a draft version of the Council's new Corporate Anti-Bribery Policy and requesting the Committee to forward any observations and amendments to Cabinet which be requested to approve those policies.

Items for Information

8. External Audit - Annual Report on grants and returns 2015/16 (*Pages 81 - 88*)

The Committee will receive a report of the External Auditor summarising the work undertaken on the Council's 2015/16 grant claims and returns including the work completed under the Public Sector Audit appointment certification arrangements, on the work undertaken on other grants/returns under separate engagement terms, detailing the certification work on the Housing Subsidy Benefit claim and outlining the fees for undertaking this work.

9. External Audit - Technical Update incorporating the External Audit Progress Report (*Pages 89 - 106*)

The Committee will receive the External Audit Technical Update which incorporates the External Audit Progress Report for January 2017.

10. Audit Committee Work Plan 2016/17 and 2017/18 (*Pages 107 - 108*)

The Committee will receive the indicative Audit Committee Work Plan for 2016/17 and 2017/18.

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

Tuesday, 10 January 2017

MEETING:	Audit Committee
DATE:	Wednesday, 7 December 2016
TIME:	4.00 pm
VENUE:	Meeting Room 1, Barnsley Town Hall

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

30. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

31. MINUTES

The minutes of the meeting held on the 23rd September, 2016 were taken as read and signed by the Chair as a correct record.

32. 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.

33. INTERNAL AUDIT QUARTERLY REPORT - QUARTER ENDED 30TH SEPTEMBER, 2016

The Head of Internal Audit and Anti-Fraud submitted a report presenting a comprehensive overview of the key activities and findings of Internal Audit based on the Division's work for the whole of the second quarter of the financial year together with additional details of audits completed up to the end of October, 2016.

The report covered:

- The issues arising from the completed Internal Audit work undertaken within the period
- 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 second quarter of 2016/17
- 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 no fundamental recommendations.

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

Of the 31 recommendations followed up, 32% had been implemented by the original target date with a further 52% implemented after that date. A revised implementation date had been agreed by management in relation to the 16% that had not been implemented.

In relation to the Audit Plan, actual days delivered was broadly in line with the profiled days at the end of the reported period.

Overall, Divisional performance remained satisfactory with only the chargeable time performance indicator being slightly below the profile due to the number of training days being higher than expected.

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

- Reference was made to the revisions agreed with management to the Audit Plan together with the reasons for this and appendices to the report gave details of the specific work that had been completed during the reporting period
- The Head of Service explained that a minority (but increasing amount) of time was spent on 'other audit activities' which did not produce a specific assurance opinion but that these nevertheless actively contributed to the assurance given in respect of other areas including, for example, contract management and procurement, safeguarding arrangements and financial management (procurement) and payment processes.
- Reference was made to the number of audit days utilised against the Audit Plan and arising out of this, particular mention was made to the time that had been spent moving to a new document management system, the work on corporate services and the restructure of the division which had had an impact on the number of days allocated
- Reference was made to the audit of Commissioning, Procurement and Contracts and to the reasons for the deferral to 2017/18. This was at the request of management and was to allow sufficient time for revised processes to be embedded. Arising out of the above, there was a discussion as to whether or not the council had sufficient or appropriate commercial expertise. It was acknowledged that this was an area where the Council had not performed as strongly as would have been hoped largely because of the difficulties of obtaining the right staff with the correct skill set required within a rapidly changing world. This matter was being addressed and would be kept under review both by management and by this Committee
- The Head of Service commented that he was comfortable with the rationale for the deferral of various audits
- In relation to the Performance Indicators:
 - particular reference was made to the Indicator 'percentage of final audit reports issued within 10 working days of completion and

- agreement of the draft audit report' and whether or not this was 'meaningful'.
 - the Head of Internal Audit outlined the data available that enabled the Service to monitor performance and commented that reporting systems were in the process of being developed further to ensure that data produced was truly meaningful and efficient.
 - Conversations had been held with the software developers who had outlined how the information system could be interrogated and exploited. The Service was looking to develop Performance Indicators for 2017/18
- In response to specific questioning, the Head of Internal Audit and Corporate Anti-Fraud gave details of the operation of the protocol applied to the follow-up of recommendations in audit reports. It was noted that any issues of significance would be referred as a matter of urgency to the Senior Management Team. At the moment, he had no specific concerns in relation to any delays in follow-up reports
- There was a detailed discussion of the potential implications of the savings target to be applied to Internal Audit as part of the 2017/18 budget process and to whether or not the Service would remain sufficiently robust. It was noted that a restructure was to be undertaken but would be undertaken in such a way as to ensure that the audit approach would provide as much assurance and coverage as possible. A further report would be submitted in due course and this report would also track the size of the audit service against the size and reduction of the Council as an organisation. The Director of Finance, Assets and IT gave an assurance that despite any Service reduction, sufficient resources would be retained to ensure that satisfactory assurance could be given
- The Head of Service gave the Committee and update of the system changes that were to be introduced as part of the audit process
- Reference was made to the way in which audits were 'commissioned' and to the discussions held with Managers prior to the commencement of the audit
- The high level and importance given to training and development was noted

RESOLVED:

- (i) that the issues arising from the completed Internal audit work for the period 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 October 2016 of the 2016/17 audit year be noted;
- (iii) that the progress against the Internal Audit Plan for 2016/17 for the period to the end of October 2016 be noted; and
- (iv) that the performance of the Internal Audit Division for the second quarter be noted.

34. CORPORATE ANTI-FRAUD TEAM PROGRESS REPORT

The Head of Internal Audit and Anti-Fraud submitted a progress report providing an update of the work of the Corporate Anti-Fraud Team for the 1st April to 31st October, 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
- Right to Buy investigations
- Corporate Investigations
- National Fraud Initiative involvement
- Tenancy Fraud

An appendix to the report gave details of sample fraud cases that had been investigated together with the results/outcome.

The report indicated and the Head of Service gave details of the positive impact the Team was having in tackling fraud which was very much welcomed. It was noted that the Team's work was now having significant results as initiatives were rolled out and became fully embedded within the Council's processes and procedures.

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

- Details of the cumulative financial amounts obtained/recovered by the Service that would otherwise have been lost amounted to around £500,000 and was likely to increase
- The number of Right to Buy, National Fraud Initiative and Tenancy Fraud cases were continuing to increase, however, the number of Corporate Investigations was relatively small due to the Service giving advice to managers who now undertook appropriate investigations (although the Service retained the right to intervene if it thought that managers hadn't got the necessary skills to undertake investigations)
- It was the intention to present a report to either the January or March meeting on an update of the corporate anti-fraud policy and strategy
- In response to specific questioning, an explanation was provided of how investigations were undertaken in order to detect Council Tax Fraud, and particularly in relation to Single Person Discount and also for unoccupied properties. Arising out of this reference was made to a pilot being undertaken in relation to Single Person Discount which would allow data matching against other benefit and payroll systems. If this was successful it was possible that a mandatory system might be introduced
- In relation to the National Fraud Initiative, questions were asked with regard to the sale of data sets and whether or not the Council obtained income from such sales. The Director of Legal and Governance explained that the Council was limited in what information it could legitimately sell as it was constrained by Data

Protection legislation. Data match information was only relevant to appropriate organisations. The Head of Internal Audit and Corporate Anti-Fraud explained the way in which the Team ensured that it was fully compliant with all the relevant regulations and legislation in relation to the investigation and detection of fraud

- Information was provided about the robust processes in place in relation to the raising of orders and the payment of invoices. It was felt that there was limited scope for any kind of fraud. In addition, computer software was used to identify areas of overpayment/dual payments etc. Information was also provided on the arrangements and controls in place in relation to the prevention of fraud on contracts
- There was a discussion of the changing risk appetite within the context of the financial restrictions facing the Authority. It was noted that inherent risks would never go away, however, the necessary controls and systems were in place to minimise any fraud
- Information was provided in relation to referrals that were not pursued for investigation and the reasons for this
- In response to questioning, information was provided on ways in which supplier fraud or theft by employees (particularly in relation to theft of fuel from vehicles) was detected and investigated

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.

35. STRATEGIC RISK REGISTER - FULL REVIEW OCTOBER, 2016

The Director of Finance, Property and IT submitted a note presenting a report to be submitted to Cabinet on the 11th January, 2016 on a full review of the Strategic Risk Register undertaken in October 2016 and presenting the outcomes of that review.

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 March 2016, a further review had been undertaken in October, 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 introduction and background to the Strategic Risk Register
- The distribution of the risks across the six concern rating classifications
- The changes since the last review with the inclusion of an additional risk 3842 (Failure to ensure the transfer of 0-19 Services that are being transferred back into the Council Control to ensure customers remain safe, there is a continuous service and that during and after the transition period customers remain safe)
- The two risks that had had their risk concern rating reduced:
 - Risk 3024 (Lack of educational attainment)
 - 3034 (Failure to deliver the Medium Term Financial Strategy – ‘Failure of Future Council to achieve the required level of savings)
- The significant /red risks and new and emerging risks and the risk mitigation actions
- Other significant risks 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 improved and 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

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:

- In response to questioning the Director of Legal and Governance referred to Risk 3842 and gave details of the services which had been transferred to the Council in relation to the 0-19 Service. He also outlined the reasons for the one off transitional cost of £442,000 which had been minimised but was unavoidable. It was noted that there had been some initial issues with regard to integration with Council IT systems and this matter was being kept under review. The Risk and Governance Manager gave details of the risks that had been reported to Senior Management Team by the Director of Public Health

- Some concern was expressed in relation to Risk 3794 in relation to the failure to influence the governance arrangements underpinning and controlling the emerging City region Devolution Deal. Particular reference was made to the scrutiny and audit arrangements which it was suggested should be more aligned to the scrutiny and audit arrangements in Barnsley. In response, the Director of Legal and Governance explained the legal background to the establishment of the City Region arrangements. It was noted that the Leader of the Council had stated that the scrutiny arrangements required to be developed, however, the initial effort had been focused on delivering the 'Deal'
- In relation to Risk 3047 (Failure to protect the population from preventable health threats) it was noted that this had changed from 'amber 3' to 'amber 4' – the report would be amended to reflect this. The reasons for this were touched upon as were the plans to address the risk

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 process of the actions taken and their impact on the Strategic Risk Register.

36. ANNUAL GOVERNANCE STATEMENT ACTIONS PLAN 2016/17

The chief Executive, Director of Finance, assets and IT and Director of Legal and Governance submitted a joint report providing an updated action plan relating to the issues identified following the Annual Governance Review.

The report, which was presented by the Risk and Governance Manager included an Action Plan and was originally considered with the Annual Governance Statement by this Committee at its meeting held on the 20th July, 2016.

The Risk and Governance Manager commented on the current position for all actions within the plan which had been updated, with revised timescales where appropriate. In addition, one action point had been closed relating to issues around officer delegations.

The Director of Legal and Governance commented that the report and action plan gave reassurance in relation to issues around business continuity and recognised the need to close the gap in certain areas. It was hoped that a further report on this would be submitted in the near future.

It was also reported that a corporate issue relating to non-compliance with Contract Procedure Rules and the overall adequacy of the Contract Management Arrangements was being closely monitored by the Senior Management Team.

RESOLVED that the update on progress in delivering actions in the Annual Governance Statement action plan be received.

37. EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2015/16

Mr M Moore introduced the item, noting the statutory requirement to produce the letter. The letter itself provided a summary of the key findings from the audit, which were discussed in some detail by the Committee at its previous meeting in September, 2016.

The letter provided information on the Value for Money Conclusion and risk areas, the Audit opinion, the financial statements audit, the Annual Governance Statement and the Whole of Government Accounts and gave details of the final fees for 2015/16.

RESOLVED that the Annual Audit Letter 2015/16 be received and its content noted.

38. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE

The Committee received the External Audit progress report and technical update giving a high level overview of progress in the delivery of the External Auditor's responsibilities. The report set out in the appendix a summary of the main deliverables including report and opinions given and members noted progress against those issues.

The update report also provided details of:

- KPMG resources including:
 - The launch of @gov – a digital magazine which examined a new theme in each edition. The first edition focused on Transforming Government in the age of technology
 - The organisation of Chief Accountant Training Events
 - The publication of reports 'Value of Audit – Perspectives for Government', 'Reimagine – Local Government' and 'The future of cities'
- Technical Developments including the likely level of impact relating to:
 - The development of external auditor
 - Business Rates Retention
 - National Audit Office report on Capital Expenditure and Resourcing
 - The update of the PSAA Value for Money Tool
 - The update of the 2015/16 Code of Practice on Local Authority Accounting
 - Local Government Licensing Fees
 - The CIPFA publication on 'Understanding the Financial Statements/
 - The National Audit Office Publications 'Children in need of help or protection' and 'Discharging Older Patients from Hospitals'
 - National Audit Office activities in relation to Government Contracting and a speech made at the Institute for Government

The following matters were highlighted:

- It was noted that audit planning had commenced for 2016/17. A report would be submitted to the January meeting with the Audit Plan being submitted in February
- The annual Audit Letter, as previously reported, had been issued
- It was noted that all issues identified within the Resources section and the Technical Update were relevant to Barnsley but a key issue were the possible future devolution proposals. Barnsley was, however, no different from any other authority

RESOLVED that the External Audit progress report, resources and technical update be noted.

39. **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 remainder of the 2016/17 municipal year and for 2017/18.

The Director of Legal and Governance commented that he had not submitted a Regulation of Investigatory Powers Act (RIPA) Update report or a review of Ombudsman's complaints largely because there was little to report.

In relation to Ombudsman complaints, 56 cases had been referred but only 5 had been investigated fully with only minor comments being received and no internal control issues being highlighted. A copy of the report would be forwarded to all Members.

In relation to the RIPA, there had been no inspections undertaken in the last 3 years. Given the limited use of these powers, the Inspector was happy with the training for officers suggested (as reported previously). It was also noted that reports on RIPA use would, in future, be made on an exception basis dependent upon its use the areas of concern identified.

RESOLVED that the core work plan for 2016/17 and 2017/18 meetings of the Audit Committee be approved and reviewed on a regular basis.

The Chair, Councillor Richardson, closed the meeting by wishing all Members and Officers his best wishes for a Happy Christmas and a prosperous New Year.

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Chair

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AUDIT COMMITTEE – 18th January, 2017

ACTIONS ARISING FROM MEETINGS OF THE AUDIT COMMITTEE

Date of Meeting	Agenda Ref	Subject	Details of Actions Arising	Person Responsible	Status / Response
22 nd 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' (possibly programmed for January 2017)
7 th December, 2016	4	Internal Audit Quarterly Report	To receive a report tracking the size of the Audit Service against the size and reduction of the Council as an organisation.	Head of Internal Audit and Corporate Anti-Fraud	To be included with the Internal Audit Plan report to be submitted in March 2017
7 th December, 2016	5	Corporate Anti-Fraud Team Progress Report	To receive an update of the Corporate anti-fraud Policy and Strategy.	Head of Internal Audit and Corporate Anti-Fraud	A report on a number of draft revised policies/strategies to be submitted to the January 2017 meeting
7 th December, 2016	7	Annual Governance Statement Action Plan 2016/17	To receive a report on issues around business continuity and the need to close the gap in certain areas	Director of Legal & Governance	Possibly programmed for April 2017

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Item 4

Report of the Director of Finance,
Assets & Information Technology

AUDIT COMMITTEE – 18TH JANUARY 2017

APPOINTMENT OF THE COUNCIL'S EXTERNAL AUDITOR FROM 2018/19 ONWARDS

1. Purpose of Report

- 1.1 To brief members of the Audit Committee regarding the Council's options in respect of the routes available for the procurement of external audit services from 2018/19 onwards.

2. Introduction

- 2.1 From 2018/19, the Authority will have the power to choose the method by which it appoints its external auditor, with three main options available:
- Option 1 – Standalone Tender;
 - Option 2 – Combined Tender; and
 - Option 3 – The Authority opts in to a sector led procurement scheme where an Appointed Person appoints the external auditor on the Authority's behalf.

3. Recommendation

It is recommended that:

- **Members note the options available for the Council in respect of the routes available for the procurement of external audit services; and**
- **Members agree that the Council seeks to opt in to the sector led scheme for appointing auditors.**

4. Background

- 4.1 Historically, external auditors have been appointed by the Audit Commission, which was abolished on 31st March 2015 as per the Local Audit and Accountability Act 2014. Under the transitional arrangements of the legislation, these current contracts are to be continued through until 2017/18 financial year, managed by Public Sector Audit Appointments Ltd (PSAA).
- 4.2 Therefore, from 2018/19 onwards, the Authority will have the power to make the choice of the procurement route with regards external audit services.
- 4.3 The Authority's current external auditors are KPMG who provide external audit services for the public sector within the entire Yorkshire & Humber region.

5. **Option Appraisal**

Option 1

- 5.1 Option 1 is where the Authority would individually tender for external audit services on a standalone basis.
- 5.2 If the Authority was to choose this procurement route, it would have to establish an Audit Panel as per the statutory regulations, which would be an independent committee, consisting wholly (or the majority) of independent members.
- 5.3 The primary role of the Audit Panel would be to advise the Authority on:
- The maintenance of an independent relationship with the appointed local auditor; and
 - The selection and appointment of a local auditor.
- 5.4 The adoption of this procurement route would give the Authority the greatest discretion and autonomy over the approach to be followed.
- 5.5 Should the Authority adopt this procurement route, it is expected that there will be an increased burden to the Authority both financially with regards establishment and administration of the Audit Panel but also non financially with respect to an increased obligation in relation to staff time associated with compiling the procurement exercise as well as the governance of the Audit Panel itself.
- 5.6 This approach, if replicated elsewhere, could lead to the panels in each authority in the Yorkshire & Humber region, with associated administration and governance to create and maintain each panel. Procurement would then be undertaken for the Authority where the small size of the audit contract may not be attractive to the bidders, who in reality are likely to be from the larger accounting firms.

Option 2

- 5.7 Option 2 is where the Authority collaborates with a number of other authorities for tendering for the external audit service as a joint procurement exercise.
- 5.8 If the Authority was to choose this procurement route, it would have to establish a single, joint Audit Panel with the other authorities, as per the requirements detailed in paragraphs 4.2 and 4.3 above, and would result in a single external audit contract for the entire collaboration.
- 5.9 If this procurement route was agreed, it would aim to take advantage of increased purchasing power and provide a more attractive offer for the bidders, which is particularly important as local authority audit is a specialised activity.
- 5.10 These firms would be unlikely to seek work for one or two potentially isolated areas, making procurement potentially problematic.

- 5.11 In terms of financials, this approach would seek to take advantage of both a more competitive audit fee than Option 1 but also reap the financial and non-financial benefits from a shared procurement exercise and the shared establishment and administration of a joint Audit Panel (in comparison to Option 1).
- 5.12 Notwithstanding this, there would be some additional bureaucracy associated with the creation and management of a joint Audit Panel, albeit not to the same levels as Option 1, though it would avoid the need for each body to source its own independent members. In reality, the joint Audit Panel is unlikely to meet very often and the governance arrangements once established should be relatively straight forward to manage. This approach would require delegations from (or to) the Authority to (or from) other authorities to form a lead authority for the appointment of the panel and for future governance and procurement purposes.

Option 3

- 5.13 Option 3 is where the Authority opts in to a sector led procurement of the external audit service. The Local Audit (Appointing Person) Regulations 2015 enables the Secretary of State to specify an Appointing Person to appoint a local auditor to audit the accounts of an opted in authority, that organisation being the continuation of Public Sector Audit Appointments Ltd (PSAA).
- 5.14 This option is attractive as it removes a great deal of the financial and administrative burdens that would need to be incurred if Option 1 or Option 2 were chosen, e.g. no requirement for an Audit Panel.
- 5.15 This procurement method would improve the effectiveness of procuring in what is a specialised activity area, with the market currently being very limited and at present, only the larger accounting firms having experience and specialist staff to undertake the work. These firms would be much more likely to bid for work through a bigger procurement exercise rather than seek work from one or two isolated areas. In contrast, a contract for Yorkshire & Humber (as at present) would be more attractive and would potentially attract the right players and maintain economies of scale.
- 5.16 The Local Government Association (LGA) supports the appointing person arrangements and encourages as many principal bodies as possible to opt in, to provide certainty about the volume of work included in the procurement exercise and to secure the best possible prices.
- 5.17 The statutory regulations state that the decision to opt in for any authority has to be one from that authority's Full Council (or equivalent). The deadline for opting in to the sector led procurement is 9th March 2017.

6. Proposal and Justification

- 6.1 The preferred option is Option 3. This offers the potential for economies of scale and importantly a high probability of securing auditors with the necessary experience and knowledge to effectively audit the Authority. If the Authority approves this option, during the compulsory appointing period, the Authority will need to give notice to the Appointing Person of the decision to become an opted authority.

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AUDIT COMMITTEE – 18th January 2017

RISK MANAGEMENT UPDATE REPORT 2016 / 17

Executive Summary:

Key Issues:

- I. The Council's Strategic Risk Register has been updated in October 2016, and the outcomes of this review were presented to the Audit Committee at their meeting dated 7th December 2016, and will subsequently be presented to Cabinet on 11th January 2017;
- II. The Council's Operational Risk Registers remain aligned to the Future Council operating model (section 3)
- III. The Risk Management Framework was reviewed in April 2016 (section 3);
- IV. The Risk and Governance Manager continues to support the development of risk management arrangements for the a number of organisations in the area (section 9);
- V. The Annual Governance Review process was delivered during the early part of 2016 / 17 which resulted in the production of an evidence based Annual Governance Statement, which was approved by full Council in September 2016 (section 10.3);
- VI. The outcomes of the recent ALARM / CIPFA Benchmarking exercise suggests the outputs and overall maturity of the Council's Risk Management arrangements are broadly in line with similar Councils and peer organisations (section 10.9 and Appendix Two); and,
- VII. The Risk Management Workplan for 2016 / 17 is being regularly monitored and reviewed to ensure the delivery of the identified actions within this document (section 11 and Appendix Three).

AUDIT COMMITTEE – 18th January 2017

RISK MANAGEMENT UPDATE REPORT 2016 / 17

1. Purpose of Report

- 1.1 The purpose of this report is to outline the progress made to date in 2016 / 17 towards the achievement of the goals set out in the Council's Risk Management Policy, and to signpost further work to be undertaken in the year.
- 1.2 This report seeks to provide suitable assurances that the Risk Management Framework remains fit for purpose.

2. Recommendations

2.1 It is recommended that the Audit Committee:

- i. Considers the Risk Management Update Report, and the robustness of assurances provided;**
- ii. Considers whether any aspect of this report requires a more detailed report or briefing at a subsequent meeting; and,**
- iii. Continues to receive periodic reports during the year to monitor the progress in achieving the actions identified for 2016 / 17.**

3. Operational Risk Registers (ORRs)

- 3.1 These risk registers relate to the key risks to the provision of Council services. During 2016 / 17 a significant amount of effort has been applied to aligning these risk registers to the new Future Council Structure. Alongside the realignment of risks, Business Units have been requested to update these risk registers on a bi-annual basis, to ensure that risks remain relevant, and that appropriate progress is being made towards the effective mitigation of them. The risks logged within ORRs are aligned to corporate priorities and Service Delivery Planning and Business Unit plans.
- 3.2 Following the completion of each review, there is a requirement to ensure 'red' risks are reported to Directorate Management Teams in accordance with the Risk Acceptance Model.
- 3.3 A breakdown of ORR risks by Category, as at January 2017 is detailed below:

ORR Statistics								
Risk Category	Jan 2017		June 2016		Nov 2015		May 2015	
	No.	%	No.	%	No.	%	No.	%
1	22	7	51	17	21	7	28	10
2	52	17	56	18	45	16	47	16
3	67	21	55	18	63	22	49	17
4	92	30	74	24	78	28	72	25
5	74	24	67	22	72	26	91	31
6	2	1	2	1	2	1	2	1
Total	309	100	305	100	281	100	289	100
Ave. Risk Category	3.48		3.18		3.45		3.54	

3.4 The latest statistics demonstrates a decrease in the overall risk profile for the Council for the current period (3.48) compared to the profile as at June 2016 (3.18). This is attributable to the decrease in red risks (24% as at January 2017) compared to 35% as at June 2016.

3.5 In order to ensure that risks are being assessed, and subsequently escalated, the Risk and Governance Manager has attended a number of Directorate Management Team meetings during 2016 / 17 to ensure that red risks are being escalated, and consideration as to the assessment and risk mitigation actions is being given by the appropriate Executive Director.

3.6 The average Risk Category score metric details the average score for all risks of relevance logged in MKI for the period in question. The principle behind this metric is to identify and manage any trend in terms of the overall Risk Category score becoming more 'acceptable'. The closer this metric aligns to Category Six (being the most acceptable Risk Category score possible in MKI) the more assured the Council can be in ensuring risks are being managed down to acceptable levels.

4. Project and Partnership Risk Registers

4.1 The Council continues to use the project and programme management system, P2.net, to record and manage a number of project and programme related risks.

4.2 Direct liaison with a number of significant projects and programmes by the Risk and Governance Manager continues, and includes:

- Better Barnsley Programme;
- Superfast South Yorkshire Broadband programme;
- Strategic Business Parks; and,
- Property Investment Fund.

4.3 Assurance continues to be sought from the Council's key partners regarding their own Risk Management arrangements. The details of identified partners are included within the Risk Management workplan, attached as Appendix One to this report.

4.4 A breakdown of Project and Partnership risks by Category, as at January 2017 is detailed below:

Project and Partnership Statistics								
Risk Category	Jan 2017		June 2016		Nov 2015		May 2015	
	No.	%	No.	%	No.	%	No.	%
1	6	3	4	2	8	3	11	5
2	29	12	28	12	34	15	32	16
3	49	21	51	22	52	22	49	24
4	68	28	71	30	65	28	53	26
5	87	36	81	33	72	31	57	28
6	0	0	1	1	2	1	1	1
Total	239	100	236	100	233	100	203	100
Ave. Risk Category	3.84		3.84		3.71		3.57	

4.5 Whilst the overall number of partnership and project risks has seen a slight increase compared to June 2016 there has been no detrimental impact on the Council's risk profile in this area.

5. Risk Management Framework

5.1 The Risk Management Framework was comprehensively reviewed and presented to the Audit Committee at their meeting dated 20th April 2016.

5.2 The most recent review of the Risk Management Framework in 2015 included the consideration of any appropriate changes or amendments to the Risk Management Policy objectives. A review of the Police and Strategy undertaken by the Risk and Governance Manager in early 2016 identified no new areas that required inclusion.

6. Roles and Responsibilities

6.1 Risk Champions

6.2 The Risk Champion Group's own terms of reference has been subsumed within the terms of reference for the Corporate Assurance Group (CAG). The CAG has met three times in 2016, and the focus of activities to date has been to focus on the development of the Council's Corporate Assurance Framework.

6.3 Risk and Governance Section

6.4 The Risk and Governance Section now comprises of one officer, and now holds responsibility for leading on the development and review of Risk Management arrangements within the Council, along with responsibility for the Annual Governance Review, and production of the Council's statutory Annual Governance Statement.

6.5 The Risk and Governance Manager now also leads on the provision of insurance arrangements for the Council, South Yorkshire Fire and Rescue Service and South Yorkshire Pensions Authority.

7. Risk Acceptance

7.1 The Council's Risk Acceptance model was revised as part of the overall review of the Council's Risk Management Framework, and was considered by the Audit Committee at their meeting dated 20th April 2016.

8. Risk Recording

8.1 The Council has now ceased using the Morgan Kai Insight Risk Management database for the recording of Council risks. A move to an internal system was undertaken in October and November 2016. There have been no significant negative impacts as a result of this and the updating of risk registers, the collation of risk information for reporting purposes and the overall engagement with risk management continues to be high. This has also saved £7,850 per annum on licence fees that were previously paid to the suppliers of the system, Morgan Kai.

8.2 An extract of all significant Council risks was passed to the Internal Audit section in December 2016 to assist in ensuring the Internal Audit plan for the Council is risk-informed, if not risk based.

9. Guidance, Training and Facilitation

9.1 A Risk Management Learning and Development awareness session was delivered to Members of the South Yorkshire Fire Authority, South Yorkshire Pensions Authority and the Sheffield City Region Authority in December 2016, with positive feedback having been received from that event.

9.2 Other Risk Management training and support has been provided in respect of:

- Holy Rood Catholic Primary School – developing risk management arrangements;
- Local Safeguarding Children Board – presentation and risk register update / awareness session;

9.4 A review of the E-Learning offer available to Elected Members has been programmed for 2017 to ensure this important element of Elected Member development and training remains relevant and vibrant.

9.5 The Risk and Governance Manager has benefitted from achieving the 'Registered Risk Practitioner' status with ALARM (the Association of Local Authority Risk Managers) in November 2016.

10. Assurance and Performance Management

10.1 Integration with other Processes

10.2 The Risk and Governance Manager meets with members of the Internal Audit function on a regular basis to provide information that may influence and affect the Internal Audit plan for the year. During these meetings, consideration is given to key issues arising from operational risk register reviews, strategic risk register updates and the developing Corporate Assurance Framework.

10.3 Annual Governance Review and Annual Governance Statement

10.4 During 2015 / 16, the Risk and Governance Manager led on the application of the revised Annual Governance Review (AGR) process, and the subsequent production of the Council's statutory Annual Governance Statement (AGS).

10.5 The revised AGR process was reported to the Audit Committee at their meeting dated 20th April 2016, and the AGS itself at their meeting dated 23rd September 2016. The AGS was subsequently approved by full Council on the 29th September 2016.

10.6 Furthermore, the Audit Committee considered updates to the AGR Action Plan for 2016 / 17 at their meeting dated 7th December 2016.

10.7 Performance Management

10.8 Details of performance as at quarter three is attached as Appendix One to this report.

10.9 Benchmarking

10.10 The Council subscribed to the CIPFA / ALARM Local Authority Risks Management benchmarking club for 2016 / 17.

10.11 An initial analysis of the benchmarking results has been undertaken, and these now contribute towards the measurement of performance for Risk Management activities. An Executive Summary of the benchmarking outcomes is attached as Appendix Two to this report.

11. Culture

11.1 The prime objective of the Council's Risk Management framework is to facilitate the management of risks (and benefits or opportunities arising) in accordance with best practice, through a culture where responsible, informed and controlled risk taking is encouraged. In order to achieve this objective, activities designed to meet this ambition are included in the Risk Management Workplan (attached as Appendix Three to this report).

12. Risk Management Considerations

12.1 The most significant risk to the Council arising from this report is the Council's failure to embrace Risk Management as a vehicle to help deliver objectives in a cost effective and efficient manner. Adopting and constantly improving the Risk Management arrangements for the Council is a clear mitigation against this risk.

13. Financial Implications

13.1 Whilst there are no direct implications arising from this report, the impact of Risk Management should be recognised as a major contributor to overall value for money and the efficient use of resources.

14. Employee Implications

14.1 Again, whilst there are no direct implications arising from this report, the Risk Management process relies entirely on all employees having a good awareness of their responsibilities for Risk Management, and for those specifically tasked with Risk Management functions, it is essential they are trained and supported to fulfil that role.

15. Appendices

Appendix One: Risk Management Performance Indicators 2016 / 17 (as at Q3)

Appendix Two: Risk Management Benchmarking Executive Summary 2016 / 17
Appendix Three: Risk Management Workplan 2016 / 17

16. Background Information

Previous Audit Committee Reports
Risk Management Framework
Risk Registers
Training Records and Feedback

Contact Officer: Risk and Governance Manager
Telephone: 01226 77 3119
Date: 6th January 2017

Appendix One: Risk Management Performance Indicators (as at Q3)

Indicator	Quarter One: 01/04/2016 – 30/06/2016	Quarter Two: 01/07/2016 – 30/09/2016	Quarter Three: 01/10/2016 – 31/12/2016	Quarter Four: 01/01/2017 – 31/03/2017
PROCESS:				
% of Business Units completing Operational Risk Register Reviews on time	82% (9/11) Completed within timescale 18% (2/11) Completed outside of timescale 0% (0/11) Incomplete	45% (4/9) Completed within Timescale 22.5% (2/9) Completed outside of Timescale 22.5% (2/9) Incomplete	-	-
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to Leadership and Management	2015 / 16: Assessed Level – ‘5 – Driving’ (Actual Score 85) 2016 / 17: Assessed Level – ‘5 Driving’ (Actual Score 86)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to Policy and Strategy	2015 / 16: Assessed Level – ‘5 – Driving’ (Actual Score 82) 2016 / 17: Assessed Level – ‘5 – Driving’ (Actual Score 91)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to People	2015 / 16: Assessed Level – ‘4 – Embedded and Integrated’ (Actual Score 79) 2016 17: Assessed Level – ‘4 – Embedded and Integrated’ (Actual Score 79)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to Partnerships and Resources	2015 / 16: Assessed Level – ‘3 – Working’ (Actual Score 64) 2016 / 17: Assessed Level – ‘3 – Working’ (Actual Score 65)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to Processes	2015 / 16: Assessed Level – ‘4 – Embedded and Integrated’ (Actual Score 71) 2016 / 17: Assessed Level – ‘4 – Embedded and Integrated’ (Actual Score 79)			
CHANGES TO RISK PROFILE:				
Deviance from previous Average Risk Category Score (ALL REGISTERS)	3.50 <i>(no deviance)</i>	3.60 <i>(.05 improvement)</i>	-	-
OUTCOMES:				
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to Risk Handling	2015 / 16: Assessed Level – ‘3 – Working’ (Actual Score 68) 2016 / 17: Assessed Level – ‘3 – Working’ (Actual Score 68)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to Outcomes and Delivery	2015 / 16: Assessed Level – ‘4 – Embedded and Integrated’ (Actual Score 71) 2016 / 17: Assessed Level – ‘Embedded and Integrated’ (Actual Score 72)			

(Key: Level 1 – Awareness (<20%); Level 2 – Happening (20-40%); Level 3 – Working (45-70%); Level 4 – Embedded and Integrated (70-85%); Level 5 – Driving (>85%))

Risk Management Benchmarking 2016 / 17

Summary Report to BU13 Management Team – November 2016

1. Introduction

1.1 A risk management benchmarking exercise was carried out in October 2016 in liaison with the Association of Local Authority Risk Managers (ALARM) and CIPFA. The results of this exercise have been received and are detailed below.

2. Benchmarking Process

2.1 The Council was required to answer 39 qualitative questions relating to ‘Enablers’, (Leadership and Management, Policy and Strategy, People, Partnerships and Resources and Processes) and ‘Results’ (Risk Handling and Assurance and Outcomes and Delivery). The results of these question sets are detailed below.

2.2 It is important to note the subjective nature of this element of the benchmarking exercise, in so far as there are few, if any ‘hard’ metrics that allow for a more quantitative benchmarking exercise to be carried out.

2.2 A number of more quantitative questions were also included as part of the benchmarking exercise, relating to ‘Resources’, which are detailed below.

2.3 Where appropriate, the Council’s Risk Champions were consulted on questions where it was clear the opinion from a cross section of the Council’s employees was required. The remaining questions have been completed by the Council’s Risk and Governance Manager, with moderation being undertaken by the Head of Financial Services (Acting).

3. Benchmarking Results

3.1 The results of the benchmarking exercise for the Council are detailed below:

Area		2013/14 Results	2014/15 Results	2015/16 Results	2016/17 Results
Enablers	Leadership and Management	Level 4 Embedded and Integrated -	Level 4 Embedded and Integrated →	Level 5 Driving ↑	Level 5 Driving →
	Policy and Strategy	Level 5 Driving -	Level 5 Driving →	Level 5 Driving →	Level 5 Driving →
	People	Level 5 Driving -	Level 4 Embedded and Integrated ↓	Level 4 Embedded and Integrated →	Level 4 Embedded and Integrated →
	Partnerships and Resources	Level 3 Working -	Level 3 Working →	Level 3 Working →	Level 3 Working →
	Processes	Level 4 Embedded and Integrated -	Level 4 Embedded and Integrated →	Level 4 Embedded and Integrated →	Level 4 Embedded and Integrated →
Results	Risk Handling and Assurance	Level 3 Working -	Level 3 Working →	Level 3 Working →	Level 3 Working →
	Outcomes and Delivery	Level 3 Working -	Level 3 Working →	Level 4 Embedded and Integrated ↑	Level 4 Embedded and Integrated →

(Key: Level 1 – Awareness (<20%); Level 2 – Happening (20-40%); Level 3 – Working (45-70%); Level 4 – Embedded and Integrated (70-85%); Level 5 – Driving (>85%))

3.2 A more detailed breakdown of the results for Barnsley Council is detailed in the following table, which includes a comparison against the average scores provided by other Local Authorities:

Area		BMBC Results	Average Results	Deviance
Enablers	Leadership and Management	86%	77.4%	8.6%
	Policy and Strategy	91%	76.4%	14.6%
	People	79%	72.1%	6.9%
	Partnerships and Resources	65%	70.7%	-5.7%
	Processes	79%	78.6%	0.4%
Results	Risk Handling and Assurance	68%	71.7%	3.7%
	Outcomes and Delivery	72%	69.5%	2.5%

4. Benchmarking Outcomes

4.1 Any direct comparison between the current benchmarking results for 2015 / 16 with the results from previous years must be undertaken with a degree of caution, in so far as the question sets and scoring methodology for each year reflect an increasing awareness and maturity in terms of risk management arrangements. It is therefore impossible to provide an accurate analysis against previous years benchmarking results.

4.2 However, analysis of the benchmarking results for 2016 / 17 has enabled an action plan to be developed that is specific to the Council. This plan takes into account particular areas of weakness, and identifies proportionate opportunities to improve various elements of the Risk Management Framework. A copy of this action plan is attached as Appendix One to this report. Elements of this plan will be built into the existing Risk Management Workplan for 2016 / 17, which is monitored by, and regularly reported to the Council's Audit Committee.

4.3 Due to the subjective nature of the benchmarking exercise, the benchmarking outcomes should be used as a guide only, and therefore whilst an action plan has been developed, only those actions that will add a tangible value will be pursued.

5. Actions Required / Recommendations

5.1 It is recommended that the outcomes of the benchmarking exercise are approved, and the Risk and Governance Manager is authorised to amend the exiting Risk Management Workplan to include appropriate benchmarking actions.

6. Appendices

Appendix One: Risk Management Benchmarking Action Plan 2016 / 17

7. Background Information

ALARM / CIPFA Benchmarking Action Plan
BMBC Benchmarking Return 2016 / 17

Officer Contact: Risk and Governance Manager
Telephone: 01226 77 3119
Date: 28th October 2016

Appendix One: Benchmarking Action Plan 2016 / 17

Ref.	Action	Comment	To Include in RM Workplan?
4	As part of the annual Internal Audit review of Corporate Risk Management, Internal Audit could consider: <ul style="list-style-type: none"> ▪ Effectiveness of Controls; and, ▪ Systems of Internal Control / Mitigations 	These issues are being considered as part of the developing Corporate Assurance Framework.	No – the development of the Council's Corporate Assurance Framework is already included.
6	Outstanding area of 'challenge' relates to the reporting of 'critical controls and control weaknesses'		
7	Outstanding area relates to the Risk and Governance Manager's job profile regarding 'ensuring adequate resources are allocated to Risk Management'	This responsibility lies with the Head of Financial Services (Acting).	No - this responsibility lies with the Head of Financial Services (Acting).
14	Outstanding area relates to the identification of Internal Control 'owners' Some weakness identified regarding the ownership and accuracy of Business Continuity Plans (BCPs) following the transition to Future Council	This issue is being considered as part of the developing Corporate Assurance Framework. The issue of BCP's is included within the SRR (Risk 3030) and the AGS Action Plan for 2016 / 17.	No – the development of the Council's Corporate Assurance Framework is already included. No – already included in SRR and AGS Action Plan.
20	Outstanding areas relate to the development of a Partnership Governance Framework	The development of a Partnership Governance Framework is included in the AGS Action Plan for 2016 / 17	No – already included in AGS Action Plan.
21			
28	Outstanding area relates to the auditing of key Internal Controls	This issue is being considered as part of the developing Corporate Assurance Framework.	No – the development of the Council's Corporate Assurance Framework is already included.
35	Outstanding area relates to the assurances provided by key Internal Controls		

Objective	Action	Date for Completion	Status	Notes
Develop, implement and improve the Risk Management Framework	Review of Strategy	11/04/2016	Closed	All documents reviewed – no changes required; Report to AC 20/04/2016;
	Review of Policy Objective Statement			
	Review of Acceptance Model and Appetite Statement			
	Review of Risk Champion Role			
	Review of Risk Challenge Process			
	Review of Project Protocol			
	Review of Cabinet Writing Guidance			
	Review of Risk Training Strategy			
Provision of assurance in relation to Corporate Governance and Internal Control responsibilities	RM Framework Report to AC	11/04/2016	Closed	All documents reviewed – no changes required; Report to AC 20/04/2016;
	RM Framework Report to Cabinet	11/04/2016	Closed	All documents reviewed – no changes required; Report to Cabinet 01/06/2016;
	RM Annual Report to AC	20/07/2016	Closed	Presented to AC 20/07/2016
	RM Update Report to AC	31/01/2017	Open	
	AGR Review and Local CoCG to AC	20/04/2016	Closed	AGR Review and Local CoCG report to AC 20/04/2016;
	AGS Draft to SMT	15/07/2016	Closed	Presented to SMT 19/07/2016;
	AGS Draft to AC	30/07/2016	Closed	Approved by 20/07/2016;
	AGS Final to AC	30/08/2016	Open	Approved by 23/09/2016;
	AGS Final to Full Council	31/10/2016	Open	Approved by 29/09/2016;
	AGS Action Plan Update to AC	31/12/2016	Open	Drafted – awaiting updates from action owners
	AGS Action Plan Update to AC	31/03/2017	Open	
	SRR Review (October 2016) Report to SMT	31/10/2016	Closed	Presented to SMT 15/11/2016;
	SRR Review (October 2016) Report to AC	15/12/2016	Open	Presented to AC 07/12/2016;
	SRR Review (October 2016) Report to Cabinet	31/01/2017	Open	Cllr G speaking note prepared; Due for presentation to Cabinet 11/01/2017;
	SRR Review (March 2017) Report to SMT	31/03/2016	Open	
	SRR Review (March 2017) Report to AC	15/04/2016	Open	
	SRR Review (March 2017) Report to Cabinet	30/04/2016	Open	
Integration of Risk Management into	ORR Q1	31/03/2016	Closed	Opened via email 07/04/2016;

Objective	Action	Date for Completion	Status	Notes
corporate business processes	QA ORR Q1	30/06/2016	Closed	QA undertaken as part of engagement with ORR;
	ORR Q2	01/07/2016	Closed	Opened via email 15/07/2016;
	QA ORR Q2	30/09/2016	Closed	QA undertaken as part of engagement with ORR;
	ORR Q3	01/10/2016	Open	Opened via email 10/10/2016;
	QA ORR Q3	31/12/2016	Open	
	ORR Q4	01/01/2017	Open	
	QA ORR Q4	31/03/2017	Open	
	SRR Review (October 2016)	01/10/2016	Closed	Completed;
	SRR Review (March 2017)	01/03/2017	Open	
	Provision of information to feed Audit Planning	31/12/2016	Open	
Analysis of Internal Audit reports		31/03/2017	Open	<p><u>BMBC:</u></p> <ul style="list-style-type: none"> ▪ Finance – Income System 2015 / 16 Audit Report (07/06/2016); ▪ Finance – SAP User Access Internal Audit Report (09/06/2016); ▪ Information Services – Data Protection, Freedom of Information Regulations Data Requests Internal Audit Report (09/06/2016); ▪ Finance – Council Tax and NNDR 2015 / 16 Audit Report (08/07/2016); ▪ SY Fire – AGR review (11/07/2016); ▪ SY Fire – Payroll and Lump Sums (08/07/2016); ▪ Hunningley Primary School – Action Plan (25/07/2016); ▪ Urbact Tech Town (01/09/2016); ▪ Safeguarding overview and scrutiny (16/11/2016) <p><u>FRA:</u></p> <ul style="list-style-type: none"> ▪ Stronger Safer Community Reserve (19/08/2016); ▪

Objective	Action	Date for Completion	Status	Notes
Support and encourage Risk Management activity throughout the Council, and its partners	Review of Berneslai Homes risk management arrangements	31/12/2016	Closed	Emailed BH Risk Manager 18/11/2016 requesting copies of risk register, policy, strategy etc. Analysed and corresponded with BH Risk Manager 06/12/2016.
	Review of Barnsley Premier Leisure risk management arrangements	30/09/2016	Open	Requested via AD 14/11/2016;
	Review of Norfolk Property Services risk management arrangements	30/09/2016	Closed	Requested at meeting dated 11/11/2016; Analysed and corresponded with NPS Business Manager 06/12/2016.
	Review of Barnsley Norse risk management arrangements	30/09/2016	Open	Requested at meeting dated 11/11/2016; Meeting arranged for 17/01/2017.
Development and delivery of training schemes to raise awareness of risk management and to develop competencies	Development of training offer for BMBC officers	31/03/2017	Open	Housing and Energy Risk Management Projects – 08/06/2016;
	Delivery of training for BMBC officers	31/03/2017	Open	Housing and Energy Risk Management Projects – 08/06/2016;
	Development of training offer for Members	31/03/2017	Open	Member training session for SY Fire and Pensions – 12/09/2016;
	Delivery of training for Members	31/03/2017	Open	See above;
	Development of training for external customers	31/03/2017	Open	Training / support requested from Greenacre School – meeting 24/11/2016; School to contact again in 2017.
	Delivery of training for external customers	31/03/2017	Open	See above;
	Development of E-Learning material	31/03/2017	Open	Review of BOLD offer (officers) and new ADAPT module to commence in January 2017; Review of BOLD offer (Members) to be reviewed in January 2017;
	Intranet Update – June 2016	30/06/2016	Closed	Completed;
	Intranet Update – September 2016	30/09/2016	Closed	Completed 13/09/2016;
	Intranet Update – December 2016	31/12/2016	Open	
Intranet Update – March 2017	31/03/2017	Open		
Delivery of a proportionate Corporate Governance framework for the Council	Corporate Assurance Group Meeting – April 2016	05/04/2016	Closed	Meeting held 05/04/2016 – minutes released 07/04/2016;
	Corporate Assurance Group Meeting – May 2016	26/05/2016	Closed	Meeting held 26/05/2016 – minutes released 15/06/2016;

Objective	Action	Date for Completion	Status	Notes
	Corporate Assurance Group Meeting – September 2016	30/09/2016	Closed	Agenda prepared – individual meetings with Internal Control lead officers during October 2016;
	Corporate Assurance Group Meeting – January 2017	31/01/2017	Open	January meeting to review CAF and begin embedding with ICGF Lead Officers;
	Development of Part One: All IA Recommendations	30/06/2016	Closed	
	Development of Part Two: Themed IA Recommendations	30/06/2016	Closed	
	Development of Part Three: Other Areas of Assurance	30/06/2016	Closed	
	AGR emails to SD's / ED's	30/06/2016	Closed	
	Development of AGS Action Plan	30/07/2016	Closed	
	Development of AGS (draft)	30/07/2016	Closed	
	Approval of AGS (final)	30/09/2016	Closed	
	Development of Corporate Assurance Map	30/09/2016	Open	Individual meetings with Internal Control lead officers during October 2016;

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Item 6

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

AUDIT COMMITTEE – 18TH JANUARY 2017

**INTERNAL AUDIT QUARTERLY REPORT 2016/17
QUARTER ENDED 31ST DECEMBER 2016**

Executive Summary

1. Issued reports and the Internal Audit work completed during the period raised two fundamental recommendations. These related to a human resource governance issue regarding absence management information and a financial management issue concerning the management of service budgets (Para. 4.1).
2. The internal control assurance opinion overall however remains adequate based upon the results of the work undertaken during the quarter (Para. 6.1 / Appendix 1).
3. Of the 25 recommendations followed-up, 16 (64%) had been implemented by the original target date with a further 6 (24%) implemented after the original target date and 3 (12%) not implemented, with revised implementation dates agreed by management (Para. 4.4).
4. In relation to the Barnsley MBC audit plan, actual days delivered are broadly in line with the profiled days at the end of the third quarter (Para.7.7 & Appendix 2).
5. Quarterly performance of the function is generally satisfactory and all PI's are either on or exceed target levels (Para. 8.2 and 8.3 & Appendices 3 & 4).

AUDIT COMMITTEE – 18TH JANUARY 2017

**INTERNAL AUDIT QUARTERLY REPORT 2016/17
QUARTER ENDED 31ST DECEMBER 2016**

1. Purpose of Report

1.1 This report provides the Audit Committee with a comprehensive overview of the key activities and findings of Internal Audit based on the Division's work covering the whole of the third quarter, together with additional details of audits completed up to the end of December 2016, in order to ensure that the Audit Committee is provided with the most up to date position. This report provides the Audit Committee with information relevant to its responsibilities within its terms of reference (terms of reference items (a), (b), (h), (i) and (k)).

1.2 The report covers:-

- i. The issues arising from completed Internal Audit work in the period (section 4 and Appendix 1);
- ii. Matters that have required investigation (section 5);
- iii. An opinion on the ongoing overall assurance Internal Audit is able to provide based on the work undertaken regarding the adequacy and effectiveness of the Authority's internal control environment (section 6);
- iv. Progress on the delivery of the Internal Audit Plan for the period to the end of the third quarter of 2016/17 year (section 7 and Appendix 2);
- v. Details of Internal Audit's performance for the quarter utilising performance indicators (section 8 and Appendices 3 and 4).

2. Recommendations

2.1 It is recommended that the Audit Committee:-

- i. consider the issues arising from completed Internal Audit work in the period along with the responses received from management;**
- ii. note 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 December 2016;**
- iii. note the progress against the Internal Audit plan for 2016/17 for the period to the end of December 2016; and**
- iv. Consider the performance of the Internal Audit Division for the third quarter.**

3. Introduction / Background

- 3.1 Internal Audit is a key contributor to the assurances the Audit Committee requires regarding the adequacy and effectiveness of the internal control, risk and governance environment of the Authority. That assurance is provided through planned work and responding to urgent matters and changes in priority and risk. It is important that all Internal Audit activities are undertaken with due regard to risk and the risk issues prevailing at the time.
- 3.2 In order to fulfil its responsibilities the Audit Committee needs to be satisfied that the Internal Audit Division is undertaking its work as planned, responding appropriately to client demands, operating to the required professional standards and obtaining the necessary responses from management following Internal Audit work.
- 3.3 In accordance with statutory best practice provided by the Public Sector Internal Audit Standards, there is a requirement that the Head of the Internal Audit function prepares an annual report to the appropriate member body. This requirement is best supported through regular reports during the year, providing, amongst other things, ongoing assurances on the adequacy and effectiveness of the Authority's framework of governance, risk management and control.
- 3.4 For the Authority, the appropriate member body is the Audit Committee.

4. Key Issues Arising From Internal Audit Work in the Period Ended 31st December 2016

- 4.1 Internal Audit work undertaken during the period identified two fundamental recommendations. These related to a human resource governance issue regarding absence management information and a financial management issue concerning the management of service budgets (see appendix 1).
- 4.2 It should be noted, that in the process of agreeing a final report, senior officers respond to specific recommendations by identifying relevant actions and agreeing responsible managers and timescales for implementation.

Follow-Up of Report Recommendations

- 4.3 The following protocol is applied to the follow-up of recommendations in audit reports:
- all fundamental and significant recommendations irrespective of the assurance opinion;
 - all recommendations contained within the annual core financial system audit reports and;
 - reports containing a significant number of merits attention recommendations giving rise to a negative assurance opinion.
- 4.4 Table 1A identifies the total number of reports analysed by the assurance opinion given and the total number of recommendations made.

Table 1B shows the number of recommendations followed-up in the quarter. Of the 25 recommendations followed-up, 16 (64%) had been implemented by the original target date with a further 6 (24%) implemented after the original target date and 3 (12%) not implemented, with revised implementation dates agreed by management.

- 4.5 Internal Audit continues to get very good co-operation from management including the Senior Management Team and as such is able to closely monitor any implications that may arise from a delay in the implementation of management action. However, it should be noted that a relatively high number of recommendations followed-up had not been implemented and required a revised implementation date. Internal Audit is working closely with management to monitor this situation and will report to the Audit Committee should any concerns be raised due to any change of implementation date.
- 4.6 As part of 2017/18 audit planning the criteria and process in respect of the follow-up of audit report recommendations is currently being reviewed and the Audit Committee will receive information in this regard at a future meeting.

5. Fraud, Investigations and the Corporate Anti-Fraud Team

- 5.1 A separate report will be provided to the Audit Committee covering the detail of fraud and irregularity investigations undertaken, the preventative work and the general activities and work plan of the Corporate Anti-Fraud Team.
- 5.2 The overall assurance opinion takes into account any control issues arising from investigations or anti-fraud work. No issues are required to be brought to the Committee's attention at this time.

6. Head of Internal Audit's Internal Control Assurance Opinion

- 6.1 Based on the audits reported in the period, an overall adequate assurance opinion remains appropriate. However, Audit Committee Members should note the fundamental recommendations and the impact on the system of internal control in those areas.
- 6.2 As referred to above, the percentage of audit report recommendations not implemented, and requiring a revised implementation is relatively high at 24%. The implementation of recommendations is monitored closely to ensure that there are no serious issues or concerns regarding the effectiveness of the control, risk and governance framework arising from the delay or non-implementation of recommendations.
- 6.3 Where control weaknesses have been identified within procedures or in the provision of advice or 'consultancy' services, these have either been resolved with management through the issue of an audit report and/or correspondence or addressed at the time of the audit.
- 6.4 It does however need to be recognised that Internal Audit coverage cannot guarantee to detect all errors, systems or control weaknesses or indeed identify all of the opportunities for improvements in management arrangements that might exist. Accordingly only reasonable and not absolute assurance is given.

- 6.5 The assurance opinion is supported by the knowledge that the underlying framework of financial and other controls, encompassing the Council's Financial Regulations, various codes of practice, procedures and other financial governance arrangements, periodically reviewed by both Internal and External Audit, are appropriate and working satisfactorily.
- 6.6 The general context and impact of the significant savings and service changes that have been implemented arising from Future Council form a core element of Internal Audit work planning to ensure that the control, risk and governance framework remains adequate and effective.

7. Internal Audit Plan 2016/17 - Progress to the end of December 2016

- 7.1 Internal Audit utilise a risk-informed approach to planning and delivering its work. This approach seeks to ensure that the key risks facing the Authority are considered and covered, where appropriate, by Internal Audit work. In turn the annual work programme is planned indicatively across the year. This enables quarterly monitoring of progress against planned work and the utilisation of Audit resources.
- 7.2 It is however important to recognise and appreciate that whilst a significant proportion of audit work is planned, there are many 'external' factors that can and do impact on precisely when pieces of work are actually undertaken and completed and indeed their detailed scope. For this reason the monitoring of the audit plan in each quarter can only provide an indicative picture of progress overall. Individual jobs are monitored on a job-by-job and week-by-week basis utilising the Division's computerised management system.
- 7.3 Appendix 2 shows the progress of the plan up to the end of December 2016, analysed by Directorate / Service.
- 7.4 Adjustments are made to the days allocated to particular jobs on an on-going basis and so there is naturally only a minor variance between the actual days and those planned. Given the risk basis and responsive nature of audit work, the Audit Committee should be particularly interested in the overall deployment of audit resources rather than necessarily where those resources have been spent.
- 7.5 At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency.
- 7.6 The following audits have either been deferred or added to the audit plan, as agreed in conjunction with management:

Directorate / Service	Audit Assignment Title	Deferred / Added
Finance, Assets & IT	Treasury Management	Added – As per the agreed Core Systems Audit plan of work for 2016/17.
Finance, Assets & IT	Housing Benefits	Added – As per the agreed Core Systems Audit plan of work for 2016/17.

Directorate / Service	Audit Assignment Title	Deferred / Added
Finance, Assets & IT	Data Retention, Archiving & Disposal	Deferred at the request of management – Audit work to be undertaken prior to implementation of new Data Protection Regulations.
Finance, Assets & IT	Financial Regulations	Deferred at the request of management – Revised Financial Regulations not yet implemented.
Legal & Governance	Whistleblowing Procedures	Deferred at the request of management – Revised policy not yet implemented.

- 7.7 The position at the end of the third quarter for the audit days allocated to BMBC shows just 5 days below profile.
- 7.8 The Committee should note that the first three quarters of the year audit resources have been directed / prioritised to undertake work for the Council. This has been necessary to ensure a smooth allocation of work to staff but also to accommodate unplanned slippage in some of the external client plans. The final quarter will see this prioritisation reversed with resources being directed to deliver more work for non-Council clients.

8. Internal Audit Function and Performance

- 8.1 The Division uses a range of performance indicators to monitor operational efficiency. A list of the performance indicators (PIs) for 2016/17 is attached at Appendix 3.
- 8.2 Quarterly performance of the function is satisfactory and all PI's are either on or exceed target levels.
- 8.3 The analysis of the more detailed feedback received following each audit job is shown in Appendix 4. For the third quarter of the year, at the point of preparing this report 3 feedbacks sheets have been received out of the 7 final reports issued. All have been noted as very good or good.
- 8.4 A new structure for the Internal Audit and Corporate Anti-Fraud Team has been approved and is currently being implemented. This achieves the required savings for 2017/18.
- 8.5 The net effect of the changes is a reduction of 2 posts. This has the effect of reducing available days by approximately 380, or just over 10%. In view of this reduction for the Council, the 2017/18 planning process is taking a particular focus on ensuring coverage will be sufficiently broad and detailed to enable a sound basis upon which to provide the Audit Committee with an overall assurance opinion.
- 8.6 The restructure has resulted in two vacancies, one at Audit Manager and the other at Principal Auditor. The aim will be to have these posts filled for 1st April 2017.

8.7 Details of the 2017/18 audit plan and how the implications of the reduced resources have been mitigated will be provided in the Audit Plan Report to the March Committee meeting.

9. Local Area Implications

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

10. Consultations

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

10.2 No specific consultation has been necessary in the preparation of this quarterly report.

11. Compatibility with European Convention on Human Rights

11.1 In the conduct of audit work and investigations particularly, Internal Audit operates under the provisions of the Data Protection Act 1998, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

12. Reduction of Crime and Disorder

12.1 An inherent aspect of audit 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 are made. Additionally, Internal Audit ensures that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.

13. Risk Management Considerations

13.1 The underlying purpose of the work of Internal Audit is to address and advise on key risks facing management and, as such, risk issues are inherent in the body of the report.

13.2 The Division's operational risk register includes the following risks which are relevant to this report:

- Inappropriate use of and management of, information to inform and direct service activities;
- Inability to provide a flexible, high performing and innovative service; and
- Poor levels of customer satisfaction.

All of these risks have been assessed and remain within the tolerance of the Division.

An essential element of the control (and on-going) management of these risks is the provision of update reports to the Audit Committee and the assurance this provides.

14. Employee Implications

14.1 There are no employee implications arising from this report.

15. Financial Implications

15.1 There are no financial implications arising directly from this report. The costs of the Internal Audit function are included within the Authority's base budget.

16. Appendices

- 16.1 Appendix 1 - Key issues arising from completed Internal Audit work
Appendix 2 - Internal Audit Plan 2016/17 – Position as at 31st December 2016
Appendix 3 - Internal Audit Performance Indicators for the Quarter Ended 31st December 2016
Appendix 4 - Analysis of Internal Audit feedback for the third quarter of 2016/17

17. Background Papers

17.1 Various Internal and External Audit reports, files and working papers.

Officer Contact: Head of Internal Audit & Corporate Anti-Fraud

Telephone No: 01226 773241

Date: 9th January 2017

A: Completed Audits / Final Reports Issued During the Period Ending 31st December 2016

Appendix 1

KEY – Recommendations - Fundamental ‘F’ Significant ‘S’ Merits Attention ‘MA’

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued	Other Action
Human Resources: E-Enabled Leave	The key issues identified relate to the absence of effective procedural instructions and outstanding technical and/or training issues preventing the use of FIORI by specific groups of employees. Consequently the FIORI system is not currently adopted for use by all employees resulting in inconsistencies and lack of clarity with regard to employee responsibilities when booking / authorising leave. A formal post-implementation review of the system has not yet been undertaken which may have more readily identified and addressed these issues.	Limited	F - 1 S - 1 MA - 3	16.12.16	To follow-up the fundamental and significant report recommendations.
Human Resources: Management Attendance Policy	The review identified a number of concerns with regards to the application of the required procedures which has impacted upon the accuracy of absence management information. In addition, Absence Monitoring Meetings had not always been conducted in respect of employees incurring sporadic periods of absence and appearing on trigger reports. The audit also highlighted that the inconsistent procedures are being applied in respect of the submission, storage and retention of absence documentation.	Limited	F - 0 S - 3 MA - 6	16.12.16	To follow-up the fundamental and significant report recommendations.
Place: Right to Buy	The audit concluded that the Right to Buy system was well controlled and managed and the audit did not make any recommendations.	Substantial	F - 0 S - 0 MA - 0	13.12.16	None.
Place: Receipt & Banking of income – Smithies Depot & Parking Services	The audit identified a number of issues in relation to the management of cash and banking arrangements which need to be improved in order to provided assurance that all income due has been receipted and banked promptly and correctly.	Limited	F - 0 S - 4 MA - 6	20.12.16	To follow-up the significant report recommendations.
People: Safeguarding Overview &	The audit identified a number of areas where the control framework could be improved, having particular regard for the need to ensure clarity and definition of those processes relating to the work of the	Adequate	F - 0 S - 4 MA - 2	16.11.16	To follow-up the significant report recommendations.

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued	Other Action
Scrutiny	<p>Council's Overview and Scrutiny Committee and ensuring all safeguarding risks are reviewed in a timely manner.</p> <p>It should be acknowledged that with the exception of one significant recommendation, all recommendations had been addressed at the time of the post audit discussion.</p>				
Finance: Payroll Overtime and Expenses	<p>The key issue related to the adequacy of the expenses and overtime policy / procedures and the need for clarity in order to better support users / managers when completing claims. The results of sample transactional testing reinforced this issue.</p> <p>The revised electronic mileage and general expenses form has improved the efficiency of the payment system. However, the audit identified several system issues that will need to be addressed in order to improve the correct application of procedures by claimants and managers.</p>	Adequate	F - 0 S - 4 MA - 1	05.01.17	To follow-up the significant report recommendations.
Finance: Budget Monitoring & Reporting and Service & Financial Planning	<p>The review concluded that Budget Managers for the service areas reviewed did not proactively monitor and performance manage budgets for which they are accountable. Managers are not always complying with revised business processes introduced as part of Future Council arrangements which reinforced the need for managers to have the tools and expertise to manage budgets, make informed decisions and ultimately to remove the necessity for the provision of direct financial support moving forward.</p>	Limited	F - 1 S - 3 MA - 3	19.11.16	To follow-up the fundamental and significant report recommendations.

Details and Outcome of other Audit Activities Not Producing a specific Assurance Opinion		
Audit Work Completed	Details	Contribution to Assurance
Information Services – IT Assets	Advisory piece of work relating to a review of arrangements at Mount Osborne Business Units for the receipt, storage, issue, disposal and physical security of IT assets.	The work contributes to assurance in respect of asset management.
Commercial Services – Financial Procedures	Advice Provided to Commercial Services re the security of Bankline Smartcards and PINS along with the retention of original receipts for debit card payments.	The work contributes to assurance in respect of financial management.
People – Financial Procedures	Advice provided to Early Start Prevention & Sufficiency regarding the legalities of name / titles recorded on a new vendor creation form.	The work contributes to assurance in respect of financial management.
Information Services – IT Stores / Procurement	Advice provided regarding procedures for stores and purchasing.	The work contributes to assurance in respect of financial management.
Human Resources – Business Support Service	Advice required by Business Support regarding the relocation of a safe.	The work contributes to assurance in respect of anti-fraud and corruption.
Finance - Procurement Cards	Advice provided to the Business Support Services Manager regarding the absence of procedures on the BMBC Intranet site in respect of procurement cards / petty cash.	The work contributes to assurance in respect of financial management.
Information Services - Personal Records	Advisory piece of work relating to the security and storage of personal files and the receipt, storage, examination, disposal and physical security of employee sickness documentation and disciplinary correspondence	The work contributes to assurance in respect of information governance.
Human Resource - Business Support Services – Petty Cash	Advisory piece of work for the HR Business Support Service Manager relating to the review of the Business Support procedures for issuing and reconciling Petty Cash at various premises.	The work contributes to assurance in respect of financial management.
People - Dearne ALC – Financial Governance Review	Advisory piece of work in the form of a financial governance review requested by Dearne ALC.	The work contributes to assurance in respect of financial management within schools.
People - Early Years Register Audits	Advisory piece of work regarding compilation of a risk based programme of register audits for 2016/17 for the School Access Manager, Early Start, Prevention and Sufficiency.	The work contributes to assurance in respect of performance management.
Human Resources - P&DR Process	Through a process of selected interviews, feedback received was analysed and conclusions drawn in respect of the current corporate personal development and review process.	The work contributes to assurance in respect of human resource management.
Information Services - Records Management Policy	Advice was provided in relation to proposed amendments to the Records Management Policy.	The work contributes to assurance in respect of information governance.
Information Services - Sharepoint Access	Advice was provided in relation to the management of access permissions regarding the new Sharepoint document management system.	The work contributes to assurance in respect of information governance.

Other Work Undertaken	
Follow-up of Recommendations	Regular work undertaken to follow-up recommendations made.
Attendance at Steering / Working Group	Information Governance Board, Commissioning, Procurement & Contracts Working Group.
Liaison, Planning and Feedback	Meeting and corresponding with Service and Executive Directors and Heads of Service regarding progress of audit work, future planning and general client liaison.
Advice	General advice to services regarding controls, risk or governance matters. Such work often does not require formal reporting but occasionally will escalate into a specific piece of audit work for which a new job will be created.
Audit Committee Support	Time taken in the preparation of Audit Committee reports, Audit Committee Member training, general support and development.
Corporate Whistleblowing	General time taken in providing advice and the initial consideration of matters raised. Also includes the review of arrangements.
Corporate Matters	Covering time required to meet corporate requirements, i.e. corporate document management, service business continuity and health and safety.

Summary Activity

All Audit Reports

Assurance Opinion	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative
Substantial	0 (0%)	0 (0%)	1 (14%)		1 (8%)
Adequate	3 (75%)	2 (100%)	2 (29%)		7 (54%)
Limited	1 (25%)	0 (0%)	4 (57%)		5 (38%)
None	0 (0%)	0 (0%)	0 (0%)		0 (0%)
TOTAL REPORTS	4	2	7		13
Opinion Not Applicable	12	9	13		34

Total Recommendations

Number of Recommendations	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative
Fundamental	1 (4%)	0 (0%)	2 (5%)		3 (4%)
Significant	12 (50%)	6 (60%)	19 (45%)		37 (49%)
Merits Attention	11 (46%)	4 (40%)	21 (50%)		36 (47%)
TOTAL	24	10	42		76

Table 1B

Recommendations Followed-up by Internal Audit

Quarter 1				
Recommendation Classification	Followed-up	Completed by due date	Completed after target date	Not yet completed – Revised date agreed
Fundamental	1	1	0	0
Significant	1	0	0	1
Merits Attention	4	0	0	4
TOTAL	6	1	0	5

Quarter 2				
Recommendation Classification	Followed-up	Completed by due date	Completed after target date	Not yet completed – Revised date agreed
Fundamental	3	0	2	1
Significant	23	9	10	4
Merits Attention	4	1	3	0
TOTAL	30	10	15	5

Quarter 3				
Recommendation Classification	Followed-up	Completed by due date	Completed after target date	Not yet completed – Revised date agreed
Fundamental	1	1	0	0
Significant	17	9	5	3
Merits Attention	7	6	1	0
TOTAL	25	16	6	3

Trend Analysis – Third Quarter 2016/17

Assurance Opinions

	2015/16				2016/17				Cumulative	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2015/16	2016/17
	%	%	%	%	%	%	%	%	%	%
Substantial	24	0	0	0	0	0	14		7	8
Adequate	38	40	43	50	75	100	29		41	54
Limited	38	60	57	50	25	0	57		52	38
None	0	0	0	0	0	0	0		0	0
	100	100	100	100	100	100	100		100	100

Implementation of Recommendations

Page 50

	2015/16				2016/17				Cumulative	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2015/16	2016/17
	No.	No.	No.	No.	No.	No.	No.	No.	%	%
Completed by target date	7	13	14	3	1	10	16		35	45
Completed after target date	5	6	21	15	0	15	6		45	34
Not yet completed – revised date agreed	2	2	6	11	5	5	3		20	21
Total followed up	14	21	41	29	6	30	25		100	100
% Completed by Original Target Date	50%	62%	34%	10%	17%	33%	64%			
% Completed at time of Follow-up	86%	90%	86%	62%	0%	83%	88%			

INTERNAL AUDIT PLAN 2016/17 – Position as at 31st December 2016

Directorate	Original 2016/17 Plan	Revised 2016/17 Plan	Actual Days
Communities	50	35	9
People	165	203	198
Place	139	176	147
Public Health	10	5	3
Corporate Services:			
➤ HR, Performance & Communications	122	140	116
➤ Legal & Governance	105	82	13
➤ Finance, Assets & Information Services	430	304	264
Council Wide	265	255	261
Contingency	50	136	0
Berneslai Homes	133	133	86
Sub Total	1,469	1,469	1,097
Corporate Anti-Fraud Unit	581	581	435
Sub Total	2,050	2,050	1,532
		Profile	1,537
		Variance	-5
External Clients	1,653	1,653	934
Total Chargeable Planned Days	3,703	3,703	2,466

INTERNAL AUDIT PERFORMANCE INDICATORS FOR 2016/17

Ref.	Indicator	Frequency of Report	Target 2015/16	This Period	Year to Date
1.	<u>Customer Perspective:</u>				
1.1	Percentage of questionnaire received noted “good” or “very good” relating to work concluding with an audit report. (Cumulative 7 very good or good)	Quarterly	95%	100%	100%
2.	<u>Business Process Perspective:</u>				
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report. (Cumulative 12/13 reports)	Quarterly	80%	86%	92%
2.2	Percentage of chargeable time against total available.	Quarterly	73%	76%	73%
2.3	Average number of days lost through sickness per FTE (Cumulative 29 days in total)	Quarterly	6 days	3 days	<2 days
3.	<u>Continuous Improvement Perspective:</u>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
4.	<u>Financial Perspective:</u>				
4.1	Total Internal Audit costs v budget.	Quarterly	Within Budget	Within Budget	Within Budget

Performance Indicator Definitions and Supporting Information

PI Ref	Indicator	Comments
1.1	Percentage of favourable auditee questionnaire responses received (noted "good" or "very good") relating to work concluding with an audit report.	Questionnaires are left at the end on each audit job resulting in a formal report. The questionnaire asks 14 specific questions covering the effectiveness of audit planning, communication, timing and quality of the audit report. An overall assessment is sought as to the overall value of the audit. This is the answer used for this PI. All questionnaires are analysed in detail to ensure all aspects of the audit process are monitored and improved.
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report.	This is an operational PI to ensure the timely issue of final reports. This PI is influenced by the availability of senior Internal Audit staff to clear the report and any issues the Division's quality assessment process highlights along with the availability of the auditee.
2.2	Percentage of chargeable time against total available.	A key operational measure of the 'productivity' of Audit staff taking into account allowances for administration, general management, training and other absences. This PI will reflect the % chargeable time of staff in post, net of vacancies.
2.3	Average number of days lost through sickness per FTE.	A corporate PI to measure the effectiveness of good absence / attendance management.
3.1	Personal development plans for staff completed within the prescribed timetable.	IA place a high level of importance on staff training and continuous development and are committed to ensure all staff have their own training plans derived from the personal development plan process.
4.1	Total Internal Audit costs v budget.	This is a simple overall measure to note whether the Division's expenditure for the year has been kept within the budget.

Analysis of Internal Audit Feedback Received in the Third Quarter of 2016/17

Number of ticks shown against each question

		Very Good	Good	Acceptable	Poor
A	Audit Planning				
1	Relevance of the audit objectives	1	2	0	0
B	Communication				
1	Consultation on scope and objectives of the audit	2	1	0	0
2	Communication during all aspects of the audit	2	1	0	0
3	Helpfulness co-operation of the auditor(s)	2	1	0	0
4	Professionalism of the auditor(s)	2	1	0	0
5	The auditor(s) demonstrated an appreciation of any relevant issues concerning equality and diversity	2	1	0	0
C	Timing				
1	Duration of the audit	1	2	0	0
2	Timeliness of the audit report	1	2	0	0
D	Quality of the audit report				
1	Format and clarity of audit report	1	2	0	0
2	Accuracy of the findings	1	2	0	0
3	Relevance of recommendations	1	2	0	0
4	Overall quality of the report	2	1	0	0
E	Value of the audit				
1	Basic controls assurance the audit has provided	2	1	0	0
2	Added value given beyond basic controls assurance	2	1	0	0
3	Overall value of the audit	2	1	0	0
		100%			
Total Number of 'ticks' (A – E)		24	21	0	0
Percentage		54%	46%	0%	0%
		100%			

Returned Questionnaires:-

Quarter 1	3
Quarter 2	1
Quarter 3	3
Quarter 4	
Total	7

Comments noted on Feedback Sheets

The conduct, value and timeliness of the audit were very good. The scope/coverage was also very good, however even greater value could have been added by suggestions from the audit team around any additional processes which could be put in place to counter potentially fraudulent RTB applications.

Excellent audit and report as usual from this Auditor.

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Item 7

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

AUDIT COMMITTEE – 18th January 2017

CORPORATE ANTI-FRAUD AND CORRUPTION POLICIES

1. Purpose of the Report

- 1.1 To present draft versions of the revised Corporate Anti-Fraud and Corruption Policy and Corporate Anti-Fraud and Corruption Strategy together with a draft version of the Council's new Corporate Anti-Bribery Policy.

2. Recommendation

- 2.1 **It is recommended that the Audit Committee consider the policies, make any necessary observations and suggested amendments and commend for Cabinet approval.**

3. Background Information

- 3.1 Barnsley Council is committed to ensuring that the people of the Borough can have confidence that the affairs of the Council are conducted in accordance with the highest standards of probity and accountability. The Council is committed to combating fraud and corruption wherever it may arise and has previously approved a Corporate Anti-Fraud and Corruption Policy and a Corporate Anti-Fraud and Corruption Strategy.
- 3.2 Following the creation of the Corporate Anti-Fraud Team within Internal Audit Services a number of key counter fraud policies and procedures were identified as requiring revision. Two of these policies - Corporate Anti-Fraud and Corruption Policy and Corporate Anti-Fraud and Corruption Strategy have now been reviewed and revised and a new policy, written to specifically meet the Council's legal and regulatory obligations in relation to anti-bribery legislation, has been developed.

4. THE FRAMEWORK

- 4.1 The Corporate Anti-Fraud and Corruption Policy (Appendix 1) outlines the Council's overall approach to combating fraud, corruption and illegal activity. Below this there are specific policies including a revised Corporate Anti-Fraud and Corruption Strategy (Appendix 2) and a new Corporate Anti-Bribery Policy (Appendix 3).
- 4.2 A number of other corporate counter fraud policies including the Fraud Response Plan, Prosecutions Policy, Whistleblowing Policy and Anti-Money Laundering Policy are also being reviewed. These revised draft policies will be presented to the Audit Committee in due course.
- 4.3 The framework of counter fraud policies address specific areas of risk and clearly state the Council's zero tolerance approach to fraud and illegal activity, as well as

providing mechanisms through which officers can use to raise concerns of wrongdoing or fraudulent activity. Each policy is supported by procedural guidance which sets out the responsibilities and expectations for staff including the specific actions which they must follow to enable the Council to demonstrate good governance and comply with its legal obligations.

- 4.4 The Internal Audit Services Corporate Anti-Fraud Team carries out both proactive fraud prevention and detection work and conducts investigations in response to allegations of fraud. The Head of Internal Audit and Corporate Anti-Fraud reports on these activities to the Audit Committee through periodic update reports and an annual fraud report.

5. Financial Implications

- 5.1 None directly arising from this report.

6. Risk Considerations

- 6.1 A corporate counter fraud framework sets a high level commitment to ensuring that appropriate safeguards are in place for mitigating the risk of fraud and corruption within the Council.

Contact Officer: Head of Internal Audit and Corporate Anti-Fraud
Telephone: 01226 773241
Date: 9th January 2017

CORPORATE ANTI-FRAUD AND CORRUPTION POLICY

DRAFT

1. POLICY STATEMENT

- 1.1 Barnsley Metropolitan Borough Council is committed to protecting the public funds that it administers, and consequently the Council will not tolerate any abuse of its services. The Council is determined to prevent, deter and detect all forms of fraud, bribery and corruption committed against it, whether that be internal or from outside the Council.
- 1.2 The Council is determined that the culture and tone of the organisation is one of honesty and rigorous opposition to fraud, bribery and corruption. Thus, the Council is committed to ensuring all of its business is conducted in an open, honest, equitable and fair manner, and is accountable to all the people within the borough of Barnsley.
- 1.3 The Council will not tolerate fraud or corruption committed, or attempted, by its councillors, employees, suppliers, contractors or service users and will take all necessary steps to investigate allegations of fraud or corruption and pursue sanctions available in each case, including removal from office, dismissal and/or prosecution and the recovery of Council assets and funds.
- 1.4 The measures adopted by the Council in its commitment to the prevention, deterrence and detection of fraud, bribery and corruption are set out in detail in the Council's:
- Corporate Anti-Bribery Policy;
 - Corporate Anti-Fraud and Corruption Strategy;
 - Corporate Prosecutions Policy;
 - Benefits and Taxation Sanction and Penalty Policy;

2. FRAUD

- 2.1 The **Fraud Act 2006** is used for the criminal prosecution of fraud offences. The Council also deals with fraud in non-criminal disciplinary matters.
- 2.2 The Fraud Act created a general offence of fraud which might be committed in three ways:
- Fraud by false representation,
 - Fraud by failing to disclose information, and
 - Fraud by abuse of position.
- 2.3 For the purposes of this document fraud is defined as; the dishonest action designed to facilitate gain (personally or for another) at the expense of the Council, the residents of the Borough or the wider national community.
- 2.4 'Fraud' has moved away from the concept of the deceit of another to the dishonest intent of the fraudster to make a gain or cause a loss or risk of a loss. Thus, the arena of fraud is far more reaching than the simple crime of theft.

3. THEFT

- 3.1 Theft is the act of stealing any property belonging to the Council or which has been entrusted to it (i.e. client funds), including cash, equipment, vehicles, data.
- 3.2 Theft does not necessarily require fraud to be committed. Theft can also include the stealing of property belonging to another whilst on Council property.

4. BRIBERY AND CORRUPTION

- 4.1 The Bribery Act 2010 came into force on 1st July 2011 and creates offences of:

- Accepting a bribe,
- Bribery of another person,
- Bribing a foreign official, and
- Failure to prevent bribery

- 4.2 The Council defines corruption as:

The offering, giving, soliciting or acceptance of an inducement or reward for performing an act, or failing to perform an act, designed to influence official action or decision making.

These inducements can take many forms including for examples cash, holidays, event tickets, meals.

- 4.3 The Council's **Corporate Anti-Bribery Policy** provides guidance to staff on action to be taken to prevent bribery and how to report concerns of alleged bribery or corruption.

5. REPORTING FRAUD, BRIBERY AND CORRUPTION

- 5.1 The Council encourages and expects its employees and Elected Members to report incidents of suspected fraud, bribery and corruption. A **Whistleblowing Policy** is in place to facilitate the reporting of concerns by employees and Elected Members where the normal reporting to a line manager is not appropriate. The public are able to utilise the corporate complaints procedure to raise a concern about wrongdoing.

6. INVESTIGATING ALLEGATIONS OF FRAUD, BRIBERY AND CORRUPTION

- 6.1 A **Fraud Response Plan** has been prepared to guide managers on action to be taken should they receive an allegation of fraud or corruption.
- 6.2 In normal cases it will be the Council's Internal Audit Services Corporate Anti-Fraud Team that will undertake or direct the investigation. Matters of a criminal nature will be referred to the Police. A reporting and liaison protocol is in place with South Yorkshire Police.

7. MONITORING FRAUD, BRIBERY AND CORRUPTION

- 7.1 The Audit Committee will have responsibility for monitoring the performance and effectiveness of the Corporate Anti-Fraud and Corruption Policy and Strategy through the annual Internal Control Framework review process.
- 7.2 The Audit Committee will make recommendations to the Council to make any necessary changes to the Anti-Fraud and Corruption Policy or Strategy.

8. OTHER RELEVANT POLICIES

- 8.1 Further information on relevant Council policy and practice can be found in the following internal documents:
- Members Code of Conduct;
 - Employee Code of Conduct (including gifts and hospitality);
 - Anti-Money Laundering Policy;
 - Whistleblowing Policy;
 - Information Security and Computer Usage Policy

CORPORATE ANTI-FRAUD AND CORRUPTION STRATEGY

DRAFT

CONTENTS

<u>Section</u>		<u>Page</u>
1	Introduction	3
2	Definition of Fraud	3
3	Standards	4
4	Corporate Framework and Culture	4
5	Roles and Responsibilities	5
6	Prevention	7
7	Detection and Investigation	9
8	Raising Concerns and the Whistleblowing Policy	9

1. INTRODUCTION

1.1 Fraud against Local Government nationally is estimated to cost £2.1 billion per year. This is a significant loss to the public purse. To reduce these losses Barnsley Metropolitan Borough Council (the Council) is committed to:

- The highest standards of probity in the delivery of its services, ensuring proper stewardship of its funds and assets;
- The prevention of fraud and the promotion of an anti-fraud culture;
- A zero-tolerance attitude to fraud requiring staff and Members to act honestly and with integrity at all times, and to report all suspicions of fraud;
- The investigation of all instances of actual, attempted or suspected fraud. The Council will seek to recover any losses and pursue appropriate sanctions against the perpetrators. This may include criminal prosecution, disciplinary action, legal proceedings and professional sanctions;
- The Fighting Fraud and Corruption Locally Strategy 2016-2019. This national counter fraud and corruption strategy for local government provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities including:
 - Acknowledging the threat of fraud and the opportunities for savings that exist.
 - Preventing and detecting all forms of fraud.
 - Pursuing appropriate sanctions and recovery of any losses.

2. DEFINITION OF FRAUD

2.1 The Fraud Act 2006 came into force on 15th January 2007. The Act repeals the deception offences enshrined in the 1968 and 1978 Theft Acts and replaces them with a single offence of fraud which can be committed in three separate ways:

- Fraud by false representation;
- Fraud by failing to disclose information;
- Fraud by abuse of position

2.2 Fraud by false representation: - Examples include providing false information on a grant or Blue Badge application, staff claiming to be sick when they are in fact fit and well, or submitting time sheets or expenses with exaggerated or entirely false hours and/or expenses.

2.3 Fraud by failing to disclose information:- Examples include failing to disclose a financial interest in a company BMBC is trading with, or failing to disclose a personal relationship with someone who is applying for a job at the council.

2.4 Fraud by abuse of position:- Examples include a carer who steals money from the person they are caring for, or staff who order goods and services through the Council's accounts for their own use.

2.5 The Council defines fraud as "any 'irregularity or illegal act characterised by intentional deception with the intent to make a personal gain or to cause a loss, or to expose another to a risk of loss'".

CORPORATE ANTI-FRAUD & CORRUPTION STRATEGY

- 2.6 While fraud is often seen as a complex financial crime, in its simplest form, fraud is lying. Some people will lie, or withhold information, or generally abuse their position to try to trick someone else into believing something that isn't true.

3. STANDARDS

- 3.1 The Council wishes to promote a culture of honesty and opposition to fraud and corruption based on the seven principles of public life. The Council will ensure probity in local administration and governance and expects the following from all employees, agency workers, volunteers, suppliers and those providing services under a contract with BMBC.

- Selflessness - Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their families, or their friends.
- Integrity - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
- Objectivity – Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- Accountability - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- Openness - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands. Openness requires an inclusive approach, an outward focus and a commitment to partnership working.
- Honesty - Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- Leadership - Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

4. CORPORATE FRAMEWORK AND CULTURE

- 4.1 The Council's endorsement of this strategy sends a clear message that fraud against the Council will not be tolerated and where reported or identified will be dealt with in a professional and timely manner using all the sanctions available. Through the creation and enhancement of a strong Anti-Fraud Culture the Council aims to deter potential perpetrators from targeting its finances, assets and services.

- 4.2 In addition to this strategy there are a range of policies and procedures that help reduce the Council's fraud risks. These have been formulated in line with appropriate legislative requirements and professional best practice, and include:

- An Anti-Fraud and Corruption Policy;
- Anti-Bribery Policy;
- Anti-Money Laundering Policy;
- Whistleblowing Policy and Procedure;

CORPORATE ANTI-FRAUD & CORRUPTION STRATEGY

- Disciplinary Policy and Procedures;
- Fraud Response Plan;
- Financial Regulations and Standing Orders;
- Code of Member Conduct;
- Employee Code of Conduct;
- Declaration of interest and gifts and hospitality procedures for Members and Officers;
- An established Audit Committee;
- An online Fraud Awareness training tool available for staff through BOLD;
- Relevant documents, including invoices over £500, being made available to the public, partners, staff and members;
- Participation in the Audit Commission's National Fraud Initiative and membership to the National Anti-Fraud Network.

4.3 The expectation is that elected Members and employees of all levels will adopt the highest standards of propriety and accountability and demonstrate that the Council is acting in a transparent and honest manner. Consequently, any Member / co-opted Member of the Council who commits a fraudulent act against the Council or is involved with bribery in the performance of their duties will be subjected to the Council's procedures for dealing with complaints of misconduct against Members operated via the Council's Monitoring Officer / Standards Committee and may be reported to the Police.

4.4 Any Council employee committing a fraudulent act against the Authority or found to be involved with bribery in the performance of their duties will be subjected to the Council's disciplinary procedures and may be reported to the Police (whether or not the act is outside of their direct employee role). For instance benefit fraud, the misuse of a blue badge, submitting a false insurance claim against the Council, Council Tax evasion, Council Tax Support fraud or falsely claiming single person's discount are all offences against the Council that can be committed by employees outside of their direct role and which are likely to be subject to investigation under the Council's Disciplinary Procedure. Whilst the internal action in relation to both Members and employees will be entirely separate to any criminal sanction and the intrinsic link to the employment relationship can be considered by the Council.

4.5 When fraud and / or bribery has occurred due to lack of internal control or an identified breakdown in controls, the relevant Executive Director will be responsible for ensuring appropriate improvements in systems of control are implemented in order to minimise the risk of recurrence. Where investigations are undertaken by CAFT, an audit report will be produced on any control weaknesses and follow up action undertaken as appropriate to ensure the implementation of improvements.

5. ROLES AND RESPONSIBILITIES

The Role of Elected Members

5.1 As elected representatives, all Members of the Council have a duty to act in the public interest and to do whatever they can to ensure that the Council uses its resources in accordance with statute.

5.2 This is achieved through Members operating within the Constitution which includes the Code of Member Conduct and Financial Regulations.

The Role of Employees

- 5.3 The Council expects its employees to be alert to the possibility of fraud and corruption and to report any suspected fraud or other irregularities to the Head of Internal Audit.
- 5.4 Employees are expected to comply with the Employee Code of Conduct and the Council's policies and procedures.
- 5.5 Employees are responsible for complying with the Council's policies and procedures and it is their responsibility to ensure that they are aware of them. Where employees are also members of professional bodies they should also follow the standards of conduct laid down by them.
- 5.6 Employees should follow instructions given to them by management. They are under a duty to properly account for and safeguard the money and assets under their control/charge.
- 5.7 Employees are required to provide a written declaration of any financial and nonfinancial interests or commitments, which may conflict with BMBC's interests. Section 117 of the Local Government Act 1972 requires any officer with an interest in a contract which has been, or proposed to be, entered into by the Council to declare that interest. The legislation also prohibits the acceptance of fees or rewards other than by means of proper remuneration.
- 5.8 Failure to disclose an interest or the acceptance of an inappropriate reward may result in disciplinary action or criminal liability. Staff must also ensure that they make appropriate disclosures of gifts and hospitality.
- 5.9 Managers at all levels are responsible for familiarising themselves with the types of fraud that might occur within their directorates and the communication and implementation of this strategy.
- 5.10 Managers are expected to create an environment in which their staff feel able to approach them with any concerns that they may have about suspected fraud or any other financial irregularities.

The Public and external organisations

- 5.11 Members of the public receive financial assistance and benefits from the Council through a variety of services. These include Council Tenancies, Temporary Accommodation, Renovation and other housing related grants, Housing and Council Tax Support, Council Tax discounts, Right to Buy discounts, Direct care payments and Parking concessions. At some time or another these areas have been subject to attack by those intent on committing fraud which means that there is less money and resources available for those in genuine need.
- 5.12 The same principles of investigations will apply across all areas where fraud and corruption is alleged.
- 5.13 All applications for financial or other assistance will be verified to the highest standard, and all data available to the Council will be used to corroborate information provided by applicants for the purposes of preventing and detecting fraud. All staff involved in assessing applications for assistance and/or verifying identification documentation

Barnsley Metropolitan Borough Council

CORPORATE ANTI-FRAUD & CORRUPTION STRATEGY

submitted in support of applications will be provided with ongoing fraud awareness training through an e-learning package hosted by Learning Pool.

- 5.14 Information exchange will be conducted where allegations are received within the framework of the Data Protection Act 1998 for the purposes of preventing and detecting crime or under statutory legislation where it exists.
- 5.15 We will apply appropriate sanctions in all cases where it is felt that fraud or attempted fraud has been perpetrated against the authority. These will range from official warnings to Crown Court prosecution. We will also seek to recover any monies obtained fraudulently, including freezing assets, utilising the Proceeds of Crime Act 2002, confiscation orders, civil recovery and general debt recovery.
- 5.16 We will use the Council's Legal Services Department and the Crown Prosecution Service to bring offenders to justice. Prosecutions will not be limited to Council Tax Reduction Scheme cases but will include any area within the Council where there is evidence to indicate a fraud related offence has been committed and the case meets the standards required in the Corporate Prosecutions Policy and The Code for Crown Prosecutors.
- 5.17 As a deterrent, we will publicise our successful sanctions through the Council's Communications Team and in the local and national media where the law allows us to do so and periodically run targeted anti-fraud campaigns within the borough to raise fraud awareness.

Barnsley Metropolitan Borough Council's Commitment

- 5.18 Fraud and corruption are serious offences and employees and Members will face disciplinary action if there is evidence that they have been involved in these activities. Where criminal offences are suspected consideration will be given to pursuing criminal sanctions which may involve referring the matter to the police.
- 5.19 In all cases where the Council has suffered a financial loss, appropriate action will be taken to recover the loss.
- 5.20 In order to make employees, Members, the public and other organisations aware of the Council's continued commitment for taking action on fraud and corruption, details of completed investigations, including sanctions applied, will be publicised where it is deemed appropriate.

6. PREVENTION

Responsibilities of management

- 6.1 The primary responsibility for the prevention and detection of fraud is with management. They must ensure that they have the appropriate internal controls in place, that they are operating as expected and being complied with. They must ensure that adequate levels of internal checks are included in working practices, particularly financial. It is important that duties are organised in such a way that no one person can carry out a complete transaction without some form of checking or intervention process being built into the system.

CORPORATE ANTI-FRAUD & CORRUPTION STRATEGY

Corporate Anti-Fraud Team and Internal Audit

- 6.2 The CAFT and IA provide the Council's Anti-Fraud function. IA will ensure that an effective audit is undertaken of the Council systems and processes. CAFT will utilise all methods to detect, prevent, investigate and pursue fraud. This includes data-matching, data mining, open source research, surveillance and intelligence led investigations. The two branches of the operation will work to assist management to implement appropriate controls and provide solutions to control failures.
- 6.3 CAFT and IA are empowered to:
- Enter any Council premises or land;
 - Have access to all records, documentation and correspondence relating to any financial and other transactions as considered necessary;
 - Require and receive information or explanation of council employees as are regarded necessary concerning any matter under examination;
 - Require any employee of the Council to account for cash, stores or any other Council property under their control or possession.
- 6.4 The Council actively encourages employees to whistleblow on colleagues who are suspected of committing fraud. The Whistleblowing Policy provides further details on how employees can utilise the protection offered by the Public Interest Disclosure Act 1998. All employees, the public and members are encouraged to contact the CAFT or IA with any suspicion of fraud, corruption, financial malpractice or the abuse of official position.
- 6.5 CAFT is responsible for assessing the authority's counter fraud arrangements and performance against professional guidance and findings of internal reviews and investigations.
- 6.6 The CAFT is authorised to investigate allegations of fraud and corruption under Section 222 of the Local Government Act 1972.

Working with others and sharing information

- 6.7 The Council is committed to working and co-operating with other organisations to prevent fraud and corruption and protect public funds. The Council may use personal information and data-matching techniques to detect and prevent fraud, and ensure public money is targeted and spent in the most appropriate and cost-effective way. In order to achieve this, information may be shared with other bodies responsible for auditing or administering public funds including the Cabinet Office, the Department for Work and Pensions, other local authorities, HM Revenue and Customs, and the Police.

National Fraud Initiative

- 6.8 The Council participates in the National Fraud Initiative (NFI). The Serious Crime Act 2007 gave the Audit Commission new statutory powers to conduct data matching exercises by inserting a new Part 2A into the Audit Commission Act 1998. The Authority provides data from its computer systems, which is matched with that of other authorities and agencies, to identify possible fraud. Details of matches are returned to the Authority where further internal investigations are undertaken to identify and pursue cases of fraud and irregularity. CAFT act as key contact for the authority in co-ordinating this exercise and ensuring that data subjects are informed in a timely manner when the exercise is

CORPORATE ANTI-FRAUD & CORRUPTION STRATEGY

undertaken as per best practice guidance from the Audit Commission and Information Commissioner.

- 6.9 Responsibility for the NFI exercise transferred to the Cabinet Office on 1st April 2015 following the closure of the Audit Commission. The data matching exercise is now completed in accordance with Part 6 of the Local Audit and Accountability Act 2014.

Training and awareness

- 6.10 The successful prevention of fraud is dependent on risk awareness, the effectiveness of training (including induction) and the responsiveness of staff throughout the Council.
- 6.11 Management will provide induction and ongoing training to staff, particularly those involved in financial processes and systems to ensure that their duties and responsibilities are regularly highlighted and reinforced.
- 6.12 Internal Audit will provide fraud awareness training on request and will publish its successes to raise awareness.

7. DETECTION AND INVESTIGATION

- 7.1 The Council is committed to the investigation of all instances of actual, attempted and suspected fraud committed by staff, Members, consultants, suppliers and other third parties and the recovery of funds and assets lost through fraud.
- 7.2 Any suspected fraud, corruption or other irregularity should be reported to the Head of Internal Audit. The Head of Internal Audit will decide on the appropriate course of action to ensure that any investigation is carried out in accordance with Council policy and procedures, key investigation legislation and best practice. This will ensure that investigations do not jeopardise any potential disciplinary action or criminal sanctions.
- 7.3 Action could include:
- Investigation carried out by the CAFT;
 - Joint investigation with Internal Audit, CAFT and relevant directorate management;
 - Directorate staff carry out investigation and CAFT provide advice and guidance;
 - Referral to the Police.
- 7.4 The responsibility for investigating potential fraud, corruption and other financial irregularities within BMBC lies mainly (although not exclusively) with the CAFT. Staff involved in this work will therefore be appropriately trained, and this will be reflected in training plans.

8. RAISING CONCERNS AND THE WHISTLEBLOWING POLICY

Suspicious of fraud or financial irregularity

- 8.1 All suspected or apparent fraud or financial irregularities must be brought to the attention of the Head of Internal Audit in accordance with Financial Regulations. Where the irregularities relate to an elected Member, there should be an immediate notification to the Head of Paid Service or the Monitoring Officer.

- 8.2 If a member of the public suspects fraud or corruption they should contact the Corporate Anti-Fraud Team in the first instance. They may also contact the Council's External Auditor, who may be contacted in confidence.
- 8.3 The Council's Corporate Anti-Fraud Team can be contacted by telephone on 0800 1382940 or by mail to corporatefraudinvestigations@barnsley.gov.uk

Whistleblowing Policy

- 8.4 Employees (including Managers) wishing to raise concerns should refer to the Council's Whistleblowing Policy and associated procedures.
- 8.5 The Council's Whistleblowing Policy encourages individuals to raise serious concerns internally within the Council, without fear of reprisal or victimisation, rather than overlooking a problem or raising the matter outside. All concerns raised will be treated in confidence and every effort will be made not to reveal the individual's identity if this is their wish. However, in certain cases, it may not be possible to maintain confidentiality if the individual is required to come forward as a witness.
- 8.6 Employees wishing to raise concerns can obtain a copy of the Whistleblowing policy and procedure on the Corporate Intranet

CORPORATE ANTI-BRIBERY POLICY

DRAFT

CONTENTS

<u>Section</u>		<u>Page No</u>
1	Introduction	3
2	Objective of the Policy	3
3	Scope of the Policy	3
4	The Council's Commitment	3
5	Definition of Bribery	4
6	The Bribery Act 2010	4
7	Adequate Procedures	4
8	Penalties	5
9	Bribery is Not Tolerated	6
10	Facilitation Payments	6
11	Gifts and Hospitality	6
12	Public Contracts and Failure to Prevent Bribery	6
13	Staff Responsibilities	6
14	Raising a Concern	7
15	Other Relevant Policies	7

1. INTRODUCTION

- 1.1 Bribery is a criminal offence. Barnsley MBC does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor do we or will we, accept bribes or improper inducements.
- 1.2 To use a third party as a conduit to channel bribes to others is a criminal offence. We do not, and will not, engage indirectly in or otherwise encourage bribery.
- 1.3 We are committed to the prevention, deterrence and detection of bribery. We have zero-tolerance towards bribery. We aim to maintain anti-bribery compliance “business as usual”, rather than as a one-off exercise.

2. OBJECTIVE OF THIS POLICY

- 2.1 This policy provides a coherent and consistent framework to enable the Council’s employees to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.
- 2.2 We require that all personnel, including those permanently employed, temporary agency staff and contractors:
 - act honestly and with integrity at all times and to safeguard the Council’s resources for which they are responsible;
 - comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates, in respect of the lawful and responsible conduct of activities.

3. SCOPE OF THIS POLICY

- 3.1 This policy applies to all of the Council’s activities. For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.
- 3.2 Within the Council, the responsibility to control the risk of bribery occurring resides at all levels of the Council. It does not rest solely within assurance functions, but in all business units and corporate functions.
- 3.3 This policy covers all personnel, including all levels and grades, those permanently employed, temporary agency staff, contractors, non-executives, agents, Members (including independent members), volunteers and consultants.

4. THE COUNCIL’S COMMITMENT TO ACTION

- 4.1 The Council commits to:
 - Setting out a clear Anti-Bribery Policy and keeping it up to date
 - Making employees aware of their responsibilities to adhere strictly to this policy at all times

- Encouraging its employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution
- Taking firm and vigorous action against any individual(s) involved in bribery
- Provide information to employees to report breaches and suspected breaches of this policy
- Include appropriate clauses in contracts to prevent bribery.

5. BRIBERY

5.1 The Council defines bribery as:

An inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

6. THE BRIBERY ACT 2010

6.1 There are four key offences under the Act:

- Bribery of another person (section 1)
- Accepting a bribe (section 2)
- Bribing a foreign official (section 6)
- Failing to prevent bribery (section 7)

6.2 The Bribery Act 2010 makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business. There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place **adequate procedures** designed to prevent bribery by or of persons associated with the organisation.

7. WHAT ARE “ADEQUATE PROCEDURES”?

7.1 Whether the procedures are adequate will ultimately be a matter for the courts to decide on a case-by-case basis. Adequate procedures need to be applied proportionately, based on the level of risk of bribery in the organisation. It is for individual organisations to determine proportionate procedures in the recommended areas of six principles. The principles are not prescriptive and are intended to be flexible and outcome focussed e.g. small organisations will face different challenges to those faced by large multi-national enterprises.

7.2 Proportionate procedures

The Council's procedures to prevent bribery by persons associated with it are proportionate to the bribery risks it faces and to the nature, scale and complexity of its activities. They are also clear, practical, accessible, effectively implemented and enforced.

7.3 Top level commitment

The top-level management are committed to preventing bribery by persons associated with the Council. They foster a culture within the council in which bribery is never acceptable.

7.4 Risk Assessment

The Council assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. The assessment is periodic, informed and documented. It includes financial risks but also other risks such as reputational damage.

7.5 Due diligence

The Council applies due diligence procedures, taking a proportionate and risk based approach, in respect of persons who perform or will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks.

7.6 Communication

The Council seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.

7.7 Monitoring and review

The Council monitors and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.

The Council is committed to proportional implementation of the above principles.

8. **PENALTIES**

8.1 An individual guilty of an offence under sections 1, 2 or 6 is liable:

- On conviction in a magistrates court, to imprisonment for a maximum term of 12 months or to a fine not exceeding £5,000, or to both
- On conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

8.2 Organisations are liable for these fines and if guilty of an offence under section 7 are liable to an unlimited fine.

9. BRIBERY IS NOT TOLERATED

9.1 It is unacceptable to:

- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them;
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return;
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy;
- engage in activity in breach of this policy.

10. FACILITATION PAYMENTS

10.1 Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions.

11. GIFTS AND HOSPITALITY

11.1 This policy is not meant to change the requirements of the Council's Register of Hospitality and Gifts. The policy makes it clear that, in general, gifts should be refused except where to refuse them would inhibit the normal business activities of the Council. Details of the type of gift that might be accepted are included in the Employees Code of Conduct.

12. PUBLIC CONTRACTS AND FAILURE TO PREVENT BRIBERY

12.1 Under the Public Contracts Regulations 2006 (which gives effect to EU law in the UK), a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. The Council has the discretion to exclude organisations convicted of this offence.

13. STAFF RESPONSIBILITIES

13.1 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the organisation or under its control. All appropriate staff are required to avoid activity that breaches this policy.

13.2 You must:

- ensure that you read, understand and comply with this policy;
- raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

13.3 As well as the possibility of civil and criminal prosecution, staff breaching this policy will face disciplinary action, which could result in dismissal for gross misconduct.

14. RAISING A CONCERN

- 14.1 The Council is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity. We want each and every member of staff to know how they can raise concerns.
- 14.2 We all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help.
- 14.3 There are multiple channels to help you raise concerns (please refer to the Whistleblowing Policy). Preferably the disclosure will be made and resolved internally e.g. to your line manager, head of department or Internal Audit. Alternatively, where internal disclosure proves inappropriate, concerns can be raised with the Council's external auditor. Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publicly e.g. to the media.
- 14.4 Concerns can be anonymous. In the event that an incident of bribery, corruption, or wrongdoing is reported, we will act as soon as possible to evaluate the situation. We have clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind. This is easier and quicker if concerns raised are not anonymous.
- 14.5 Staff who refuse to accept or offer a bribe, or those who raise concerns or report wrongdoing can understandably be worried about the repercussions. The Council aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.
- 14.6 We are committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.
- 14.7 If you have any questions about these procedures, please contact Internal Audit.

15. OTHER RELEVANT POLICIES

- 15.1 Further information on relevant Council policy and practice can be found in the following internal documents:
- Anti-Fraud and Corruption Policy;
 - Members Code of Conduct;
 - Employee Code of Conduct (including gifts and hospitality);
 - Anti-Money Laundering Policy;
 - Whistleblowing Policy.

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Annual Report on grants and returns 2015/16

Barnsley Metropolitan Borough Council

January 2017



Contents

The contacts at KPMG in connection with this report are:

Clare Partridge
Partner

KPMG LLP (UK)

Tel: 0113 231 3922

Clare.partridge@kpmg.co.uk

Amy Warner
Manager

KPMG LLP (UK)

Tel: 0113 231 3089

Amy.warner@kpmg.co.uk

Matthew Moore
Assistant Manager

KPMG LLP (UK)

Tel: 0113 231 3663

matthew.moore@kpmg.co.uk

Headlines

Page

3

Summary of certification work outcomes

4

Fees

6

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Clare Partridge, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Headlines

Introduction and background

This report summarises the results of work we have carried out on the Council's 2015/16 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2015/16 is:

- Under the Public Sector Audit Appointments arrangements we certified the Council's 2015/16 Housing Benefit Subsidy claim. This had a value of £76,366,365
- Under separate assurance engagements we certified two claims/returns as listed below.
 - Teachers Pension Return. This included employers contributions of £9,988,137
 - Pooled Housing Capital Receipts Return. The total receipts subject to pooling was £5,563,536

Certification and assurance results (Pages 3-4)

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was subject to a qualification letter.

- In year reconciliation cells has small variances of £363 and £51.
- Testing of Rent Allowances identified two cases in which benefit was underpaid.
- Testing of Non-HRA Rent Rebates identified one case where benefit was overpaid by £69 this was adjusted in the system in 2016/17.
- Testing of Rent Rebates identified two case's in which benefit was overpaid by £700 this was adjusted in the system in 2016/17.
- None of these errors were identified in 2014/15. Additional Testing of similar cases in 2015/16 enabled us to conclude that the cases were isolated errors.

The detail of these errors is included on page 5

No adjustments were necessary to the other Council's grants and returns as a result of our certification work this year, which is the same as on previous years.

Recommendations

We have made no recommendations to the Council from our work this year. There were no recommendations outstanding from previous years' work on grants and returns.

Fees (Page 6)

Our fee for certifying the Council's 2015/16 Housing Benefit Subsidy grant was £15,236 which is in line with the indicative fee set by PSAA.

Our fees for the other 'assurance' engagements were subject to agreement directly with the Council and were:

- Teacher's Pension Authority Return – fee £3,500
- Pooled Housing Capital Receipts Return - fee £4,250

Summary of reporting outcomes

Overall, we carried out work on three grants and returns:

- two were unqualified with no amendment; and
- one qualification to our audit certificate.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council’s 2015/16 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council’s compliance with a scheme’s requirements that could not be resolved through adjustment. In these circumstances, it is possible that the relevant grant paying body may require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1	●			
Other assurance engagements					
— Teacher’s Pension Return					●
— Pooled Housing Capital Receipts Return					●
		1	0	0	2

Summary of certification work outcomes

This table summarises the key issues behind each of the qualifications that were identified on the previous page.

Page 85

Ref	Summary observations	Amendment
1	<p>Included in the Housing Benefit Subsidy Qualifications were:</p> <ul style="list-style-type: none"> ■ The in year reconciliation cells did not agree for cell 55 by (£363), and Cell 94 by (£51); ■ Testing of Rent Allowances identified one case where the income had been incorrectly averaged for a quarterly paid pension. This led to an underpayment of benefit; ■ Testing of Rent Allowances identified one case where the previous year’s LHA rate had been used in error for the eligible rent. This led to an underpayment of benefit; ■ Testing of Non-HRA Rent Rebates identified one case where the income was miscalculated due to a tax refund on a wage slip. This led to an overpayment of benefit of £68.76. Additional testing enabled us to conclude that this was an isolated error; ■ Testing of Rent Rebates identified one case where the Working and Child Tax Credits were not included in the income calculation immediately after coming off passported benefit. This led to an overpayment of benefit of £78.58. Additional testing enabled us to conclude that this was an isolated error; and ■ Testing of Rent Rebates identified one case where the Authority had not demonstrated that a foreign national coming off passported benefit had workers rights. This had led to an overpayment of benefit of £621.28. Additional testing had enabled us to conclude that this was an isolated error. <p>We have not identified similar errors in the last two years.</p>	0

Fees

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2015/16 was £22,986

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2015/16 of £15,236. Our actual fee was the same as the indicative fee, and this compares to the 2014/15 fee for this claim of £29,490.

Grants subject to other assurance engagements

The fees for our assurance work on other grants/returns are agreed directly with the Council. Our fees for 2015/16 were the same as in 2014/15.

Breakdown of fees for grants and returns work

The table below shows details of the fees charged.

Breakdown of fee by grant/return		
	2015/16 (£)	2014/15 (£)
Housing Benefit Subsidy claim	15,236	29,490
Teacher's Pension Authority Return	3,500	3,500
Pooled Housing Capital Receipts Return	4,250	4,250
Total fee	22,986	37,240



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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.

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Technical update

Incorporating the External Audit Progress Report

Barnsley Metropolitan Borough Council

January 2017

Contents

The contacts at KPMG in connection with this report are:

Clare Partridge
Director
 KPMG LLP (UK)
 Tel: 0113 231 3922
clare.partridge@kpmg.co.uk

Amy Warner
Manager
 KPMG LLP (UK)
 Tel: 0113 231 3089
Amy.warner@kpmg.co.uk

	Page
External audit progress report	3
KPMG resources	5
Technical developments	8
Appendices	
1. 2016/17 audit deliverables	15

Page 90

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 information

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Clare Partridge, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



External audit progress report

External audit progress report

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 certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

Page 92

Area of responsibility	Commentary
Financial statements	<p><i>Planning for 2016/17 has already commenced. Our audit plan will be taken to the March audit committee.</i></p> <p><i>Our interim audit visit is scheduled for March, and our review of the draft financial statements will commence in July 2017.</i></p>
Value for Money	<p><i>We consider value for money throughout our audit process. Details of our planned work will be included within our audit plan.</i></p>
Certification of claims and returns	<p><i>We have completed our audit of the 2015/16 Housing Benefit & Council Tax Benefit Claim in line with the Public Sector Audit Appointments (PSAA) guidance. A qualification letter was issued in relation to underpayments and overpayments identified in relation to our testing. However no amendments to the claim were required.</i></p> <p><i>We have also completed the audit of the following grant claims and returns which fall outside of the PSAA regime:</i></p> <ul style="list-style-type: none"> - <i>Teacher’s Pension Agency Return, and</i> - <i>Pooling of Housing Capital Receipts</i> <p><i>A separate report on the certification of grant claims and returns has been issued.</i></p>
Other work	<p><i>No additional work has been requested that we have not already brought to the Audit Committee’s attention.</i></p>



KPMG resources

Inspiring innovative government

@gov is a government-focused digital magazine hosted on kpmg.com. Fresh content is added to @gov on a monthly basis and printable digest versions are produced twice annually. Each edition examines a new theme, the first of which is *Transforming government in the age of technology*.

This first edition contains a range of articles, which include articles on:

- establishing digital identities for citizens;
- government data sharing;
- the public policy imperatives of autonomous vehicles; and
- innovations in human service delivery.

The magazine can be downloaded as a PDF from kpmg.com/atgov

Chief Accountant training events

We are pleased to confirm that we will once again be running a series of local government accounts workshops for key members of your finance team. The workshops are focussed at Chief Accountants and similar staff who will be involved in and responsible for the 2016/17 close down and statement of accounts.

The workshops will be led by our regional local government audit teams supported by our national local government technical lead Greg McIntosh.

The Yorkshire and Humber region workshop will be held on 15th February from 12:30pm (for lunch), in our Leeds office.

For more information, please contact Amy Warner on 0113 231 3089 or Amy.warner@kpmg.co.uk



Technical developments

PSAA's Value For Money Tool

Level of impact: ● (Low)	KPMG perspective
<p>The PSAA's Value for Money Profiles tool (VFM Profiles) was updated on 3 October 2016.</p> <p>The VFM profiles have also been updated with the latest available data from the following sources:</p> <ul style="list-style-type: none">— General fund revenue account budget (RA) (2016/17)— Child and working tax credit statistics (2014/15)— Children in low-income families local measure (2015)— Chlamydia testing activity dataset (CTAD) (2015)— Climate change statistics: CO2 emissions (2014)— Collection rates for council tax and non-domestic rates in England (2015/16)— Council tax demands and precepts statistics (2016/17)— Fuel poverty sub-regional statistics (2014)— Homelessness statistical release (P1E) (2015/16)— Housing benefit speed of processing (2015/16)— Mid-year population estimates (2015)— NHS health check data (2015/16)— Planning applications (2015/16)— Schools, pupils and their characteristics (2015/16)— Young people from low income backgrounds progressing to higher education (2013/14) <p>The Value For Money Profiles can be accessed via the PSAA website at http://vfm.psaa.co.uk/nativeviewer.aspx?Report=/profiles/VFM_Landing</p>	<p><i>The Committee may wish to seek further understanding for areas where their Authority appears to be an outlier.</i></p>

Local government licensing fees

Level of impact: ● (Low)

KPMG perspective

Following referral from the Supreme Court of the United Kingdom, Advocate General Wathelet has given his opinion on the lawfulness of licence fees in a case involving Westminster City Council.

The fee, which was for the grant or renewal of a 'sex establishment' licence in the City of Westminster, was made up of two parts:

- Part A related to the administration of the application (which is nonreturnable if the application is refused); and
- Part B (much higher) related to the management and enforcement of the licensing regime, which is refundable if the application is refused.

The Supreme Court had asked the Court of Justice of the European Union (CJEU) whether Part B constituted a "charge", which was therefore prohibited by Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market ("the Services Directive").

Advocate General Wathelet recommended a finding to the CJEU that the Services Directive must be interpreted as precluding Westminster from taking into account, when calculating the fee due for the grant or renewal of an authorisation, the cost of managing and enforcing the authorisation scheme (part B), even if the part corresponding to that cost is refundable where the application for the grant or renewal of the authorisation in question is refused.

The Committee may wish to seek assurance that the Authority has considered this judgement and has taken action to ensure that its licencing fees are calculated in an appropriate manner.

CIPFA publication on understanding the financial statements

Level of impact: ● (Low)	KPMG perspective
<p>CIPFA has published a new report titled <i>Understanding Local Authority Financial Statements</i>. This is an update of its previous publication <i>How to Tell the Story</i>.</p> <p>The report can be found on the CIPFA/LASAAC pages of the CIPFA website at www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/simplification-and-streamlining-the-presentation-of-local-authority-financial-statements</p> <p>Further to this report, CIPFA/LASAAC undertook a consultation on proposals for the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom. The headline changes were:</p> <ul style="list-style-type: none">— a new principles-based approach to narrative reporting.— a review of the Code's provisions on going concern reporting.— a review of accounting policies provisions in the Code.— new disclosure on transaction costs for pension fund investments.— narrow scope amendments to International Financial Reporting Standards.— legislative changes.— a new appendix including the provisions for the Code's adoption of IFRS 9 Financial Instruments (note this new appendix will apply to the 2018/19 financial statements).— a new appendix including provisions for the Code's adoption of IFRS 15 Revenue from Contracts with Customers (note this new appendix will apply to the 2018/19 financial statements). <p>The details of the consultation can be found at www.cipfa.org/policy-and-guidance/consultations-archive/201718-code-of-practice-on-local-authority-accounting-in-the-united-kingdom-invitation-to-comment</p>	<p><i>The Committee may ask whether their Authority have provided their views in the consultation.</i></p>

NAO report – Children in need of help or protection

Page 100

Level of impact: ● (Low)	KPMG perspective
<p>The NAO has recently published a report entitled <i>Children in need of help or protection</i> which may be of interest to members.</p> <p>The report finds that the actions taken by the Department for Education since 2010 to improve the quality of help and protection services delivered by local authorities for children have not yet resulted in services being of good enough quality. NAO analysis found that spending on children’s social work, including on child protection, varies widely across England and is not related to quality. Neither the Department for Education nor authorities understand why spending varies.</p> <p>The report finds that nationally the quality of help and protection for children is unsatisfactory and inconsistent, suggesting systemic rather than just local failure. Ofsted has found that almost 80% of authorities it has inspected since 2013 are not yet providing services rated as Good to help or protect children. Good performance is not related to levels of deprivation, region, numbers of children or the amount spent on children in need. Ofsted will not complete the current inspection cycle until the end of 2017, a year later than originally planned. The Department does not therefore have up-to-date assurance on the quality of services for 32% of local authorities.</p> <p>The report also notes that children in different parts of the country do not get the same access to help or protection, finding that thresholds for accessing services were not always well understood or applied by local partners such as the police and health services. In Ofsted’s view some local thresholds were set too high or low, leading to inappropriate referrals or children left at risk. In the year ending 31 March 2015 there were very wide variations between local authorities in the rates of referrals accepted, re-referrals, children in need and repeat child protection plans.</p> <p>The report is available from the NAO website at www.nao.org.uk/report/children-in-need-of-help-or-protection/</p>	<p><i>The Committee may request assurances that their Authority are addressing the issues raised in the report.</i></p>

NAO speaks at the Institute for Government

Level of impact: ● (For Information)

The Comptroller & Auditor General, Sir Amyas Morse, recently made a keynote speech at the Institute for Government about the need for greater prioritisation in government, and made a case for recognising and addressing the skills gap in the civil service, particularly in digital skills.

In the light of the EU referendum result, he also highlighted the need for government to take a more strategic approach, including deprioritising some issues.

The full text of the speech can be at www.nao.org.uk/event/keynote-speech-by-sir-amyas-morse-kcb-21-july/



Appendix

Appendix 1

2016/17 audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2016	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2017	TBC
Interim			
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.	May 2017	TBC
Substantive procedures			
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 2017	TBC

Page 103

Appendix 1

2015/16 audit deliverables (cont.)

Deliverable	Purpose	Timing	Status
Completion			
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 2017	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2017	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2017	TBC
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2017	TBC

Page 104



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BARNSELY MBC AUDIT COMMITTEE – INDICATIVE WORK PROGRAMME

	Mtg. No.	6	6	7	1	2	3	4	
Committee Work Area	Contact / Author	18.1.17	22.3.17	19.4.17	7.06.17*	19.07.17*	22.09.17*	6.11.17*	17.1.18*
Committee Arrangements									
Committee Work Programme	WW	X	X	X	X	X	X	WORKSHOP MEETING/TRAINING EVENT	X
Minutes/Actions Arising	WW	X	X	X	X	X	X		X
Review of Terms of Reference and Self-Assessment	RW/CHAIR			X					
Training Review and Skills Assessment	RW/CHAIR			X					
Review of Terms of Reference & Working Arrangements	FF			X					X
Draft Audit Committee Annual Report	RW/CHAIR			X					
Audit Committee Annual Report (Council 1/12/16)	RW/CHAIR				X	X			
Internal Control and Governance Environment									
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								
Corporate Whistleblowing Update & Annual Report	RW			X					
Annual Fraud Report	RW				X				
RIPA Update Report	AF/GK								
Review of Ombudsman Complaints	AF								
Corporate Risk Management									
Risk Management Policy & Strategy	AH			X					
Risk Management Update	AH	X						X	
Annual Report	AH					X			
Strategic Risk Register Review	AH	X		X				X	
Internal Audit									
Internal Audit Charter & Strategy	RW		X						
Internal Audit Plan	RW		X						
Internal Audit Quarterly Report	RW	X		X		X		X	

	Mtg. No.	6	6	7	1	2	3	4	
Committee Work Area	Contact / Author	18.1.17	22.3.17	19.4.17	7.06.17*	19.07.17*	22.09.17*	6.11.17*	17.1.18*
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						
External Audit (KPMG)									
Annual Governance Report (ISA260 Report)	KPMG						X		
Audit Plan	KPMG		X						
Annual Fees Letter	KPMG		X						
Annual Audit Letter	KPMG								
Grants Letter	KPMG								
Claims & Returns Annual Report	KPMG	X							X
External Audit Progress report & Technical Update	KPMG	X	X	X	X	X	X		X
Financial Reporting and Accounts									
Budget Proposal Section 25 Report	FF/NC		X						
Draft Statement of Accounts	FF/NC					X			
Corporate Finance Summary	FF/NC						X		
Corporate Finance and Performance Management & Capital Programme Update	NC		X				X		
Treasury Management Annual Report	IR		X						
Treasury Mgt. Policy & Strategy Statement	IR		X						

* provisional dates subject to approval at the Annual Council meeting to be held on the 19th May, 2017