

MEETING:	Audit Committee
DATE:	Wednesday, 19 July 2017
TIME:	4.00 pm
VENUE:	Reception Room, Barnsley Town Hall

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

12. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

Councillors Clements, Lofts and Richardson declared a non-pecuniary interest in Minute in Minute 22 'Draft 2016/17 Statement of Accounts' insofar as the discussion related to the South Yorkshire Pensions Scheme being members of that scheme.

13. MINUTES

The minutes of the meeting held on the 14th June, 2017 were taken as read and signed by the Chair as a correct record.

Arising out of the discussion, reference was made to Minute 10 'External Audit – Technical Update Incorporating External Audit Progress Report'. It was noted that Ms Warner representing KPMG had been asked to report further on issues in relating to data sharing rather than revenue streams. The Chair stated that this matter would be picked up and a report submitted to a future meeting.

14. 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 and amended to take account of the request for the External Auditor to submit a report on data sharing to a future meeting.

15. DRAFT ANNUAL GOVERNANCE STATEMENT 2016/17

The Chief Executive and Director of Core Services submitted a joint report on the Draft Annual Governance Statement 2016/17.

The Statement gave details of:

- The purpose of the Governance Framework
- The Governance and Internal Control Framework
- The process of annually reviewing the effectiveness of the Governance and Internal Control Framework
- The development and improvement opportunities arising from the Annual Governance Review to be addressed during 2017/18

The Draft Annual Governance Statement and Action Plan 2017/18 were appended to the report.

The Committee noted that the Statement was slightly different to previous years having been prepared in accordance with processes and guidance approved by the

Committee on the 22nd March, 2017 and that members had been given the opportunity to comment on these arrangements prior to the AGR commencing with officers.

The Committee was given a brief resume of the key issues highlighted together with an overview of the various elements of the Action Plan.

The annual review of the Council's governance, risk and internal control arrangements 2016/17 had not identified any fundamental issues and had confirmed that the general level of compliance within the Council's governance and internal control framework remained robust and effective.

The review process had taken into account the action taken against the control issues raised on the previous Annual Governance Statements. The Action Plan was to be monitored during 2017/18 and would comprise issues that had been carried forward from previous years, along with issues that arose from the current review.

The final Statement would be prepared for consideration by this Committee in September prior to the submission to the Council on the 28th September, 2017.

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

- It was noted that 11 out of 17 consultation responses had so far been received all of which had been positive. All other responses were anticipated within the week which was within the agreed tolerances
- Each internal control area allocated a lead officer who was involved with the AGS process. It was noted that most lead officers were within the Core Services Directorate. All Executive Directors deployed resources where necessary to ensure that issues identified as part of the AGS process were addressed
- Questions were asked about and there was a discussion of the ability of Internal Audit and Finance to perform the functions required within reducing resources. In response the Service Director of Finance and Head of Internal Audit and Corporate Anti-Fraud gave an assurance that resources were adequate to deliver what was currently required of the service. In relation to comments about Internal Audit in particular, the Executive Director Core Services stated that the Service Director Finance and the Senior Management Team had to be mindful not to impose a disproportionate reduction of resources when looking at future savings proposals. The Executive Director welcomed the challenge and commented on the need to ensure that resources were appropriately targeted
- No significant issues had been identified as a result of external audit assessment and inspections by service inspectorates/regulators such as OFSTED and the Care Quality Commission
- Whilst there had been no meetings of the Corporate Assurance Group, there had , nevertheless, been feedback where appropriate from individuals and via

electronic means which, in many ways, had been less resource intensive and at the same time, more productive

- In relation to those issues that had been 'closed' as detailed within the Action Plan, questions were asked as to whether or not procedures and processes had been tested prior to closure. The Executive Director Core Services noted these comments and stated that proposals were in hand to undertake a simulated exercise at some time in the near future. Such exercises were to be mandatory and all those involved in the processes would be required to make themselves available. In relation to the recording of officer delegated decisions, the Head of Internal Audit and Corporate Anti-Fraud had been asked to include this as part of the Work Programme. Guidance had been issued to ensure that the appropriate level of recording, dependent upon the circumstances, was taking place
- The Risk and Governance Manager stated that following this committee and the receipt of any additional comments or amendments, a further draft of the document would be emailed to all Members in August prior to the submission of the final document in September, 2017
- Given the importance of this document, various members expressed disappointment that certain Senior Officers/Members were not in attendance. These comments were noted and would be passed on as appropriate
- There was a discussion about the evaluation currently being undertaken into the social value (social return on investment) in a number of Area Council led activities. Work was ongoing in this respect
- The Council had established a Member Panel to consider allegations of misconduct where the Monitoring Officer determined there was a need to undertake formal investigations. No issues had resulted in any investigations being undertaken by the Panel although one matter was currently under investigation
- The Statement referred to the emerging governance arrangement for the Sheffield City Region and to the fact that the Council was in a strong position to influence these via the support provided by various Directorates and Sections. It was stressed however that the Statement related to the position in 2016/17. The Executive Director Core Services commented that in this context and in relation to the AGS the Authority was able to demonstrate that it was engaging with its stakeholders and was making use of resource opportunities. The future direction of the City Region, however, was to be subject of ongoing debate

RESOLVED that the Draft Annual Governance Statement 2016/17 be noted.

16. RISK MANAGEMENT ANNUAL REPORT 2016/17

The Committee received a report summarising the risk management activity in 2016/17 towards the achievement of the goals and objectives set out in the Council's Risk Management Policy and to signpost further work to be undertaken in 2017/18.

The report, which was presented by the Risk and Governance Manager indicated that the Framework had been reviewed in 2017 and presented to this Committee on

the 19th April, 2017. He continued to lead on the provision of Risk Management, Insurance and Corporate Governance activities within the Council and had some considerable success during the year.

All risks were logged on the Council's Strategic Risk Register and had been updated during 2016/17. In addition, the Council's Risk Profile had slightly decreased in a positive way.

The Risk Management database, Morgan Kai Insight was no longer in use for the recording of risks and had been replaced by a series of spreadsheets and it was likely that the Operational Risk Registers would be published within the Council's document management system 'SharePoint' and it was hoped that this would assist in the dissemination of information.

The Annual Governance Review for 2016/17 had been completed and the subsequent Annual Governance statement had been signed by the Leader and Chief Executive in 2016.

The annual independent review of Risk Management arrangements in 2016/17 by Internal Audit had been undertaken in September 2015 and resulted an 'adequate' assurance opinion for the year. Revised Indicators had been developed for 2017/18 to ensure that the Council's decision not to participate in the Association of Local Authority Risk Managers and CIPFA Benchmarking Club for Risk Management did not affect the ability to measure performance.

RESOLVED:

- (i) That the Risk Management Annual Report, and the assurances provided, as part of the overall consideration of the Council's control framework for the purposes of the Annual Governance Statement, be noted;
- (ii) That the Committee receive further periodic reports during the year to monitor the progress in achieving the actions identified for 2017/18.

17. INTERNAL AUDIT QUARTERLY REPORT 2017/18 - QUARTER ENDED 30TH JUNE, 2017

The Head of Internal Audit and Corporate Anti-Fraud submitted 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 final quarter and to the end of June 2017 being the first quarter of the 2017/18 audit year.

The report covered:

- The issues arising from completed Internal Audit work in 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 up to the end of the first quarter of 2017/18
- Details of Internal Audit's performance for the quarter utilising performance indicators

Internal Audit work undertaken during the period did not identify any fundamental recommendations.

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

Of the 10 recommendations followed up, 30% had been implemented by the original target date, 30% had been implemented after the original target date and 40% had not been implemented, with revised implementation dates being agreed by management.

The Audit Manager reported that a number of audits were currently being undertaken, five were being finalised and work was commencing on a further six.

In relation to the Audit Plan, actual days delivered were 33 (8%) below that planned at the end of the quarter.

Quarterly performance of the function was generally satisfactory but the Performance Indicators relating to chargeable time was slightly below profile. This was mainly due to the bedding in of newly appointed staff, parameter issues with the audit system MKI and additional training not previously programmed into the plan.

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

- Reference was made to feedback questionnaire. Whilst these were not obligatory, feedback on the service was welcomed and encouraged. Most comments received were constructive. Work was being undertaken on developing the feedback system by either email or an online system. Feedback was also to be sought from audit sponsors
- There was a discussion of the implications on audit days of External Clients and particular reference was made to the recent addition of the Northern College as a client
- Arising out of the above, reference was made to the work undertaken in relation to Subsidiary Companies. The Head of Internal Audit and Corporate Anti-Fraud reported that no other work was planned. The Service Director Finance stated that the Authority had not been undertaking group accounts; however, this was now a requirement of the External Auditors so would be undertaken in the future.

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 June 2017 be noted;
- (iii) that the progress against the Internal Audit Plan for 2016/17 for the period to the end of June, 2017 be noted; and
- (iv) that the performance of the Internal Audit Division for the first quarter be noted.

18. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

The Head of Internal Audit and Corporate Anti-Fraud submitted a report presenting information and evidence in support of the review of the effectiveness of the Audit Function as required by the Accounts and Audit Regulations 2015.

The Quality Assurance and Improvement Programme (QAIP) which was required to be developed in accordance with the Public Sector Internal Audit Standards (PSIAS) had been used as the basis of the annual review.

The report outlined the elements of the QAIP process, which required both external and internal monitoring and assessment, and then described the ways in which these had been undertaken together with the findings.

Overall, the evidence from the various aspects of feedback and evaluation showed that auditees at all levels regarded the Internal Audit function as effective.

Appendices to the report provided:

- A summary of the feedback from auditees following specific audit work/reports
- The internal Audit Performance Indicators for 2016/17
- The PSIAS External Compliance Assessment Report

In the ensuing discussion, the following matters were raised:

- The Head of Internal Audit and Corporate Anti-Fraud indicated that the Service was required to develop a quality assurance programme. The Service had put together a detailed development plan part of which was refreshing the QAIP and which would form part of the progress report submitted to the December meeting as part of the Internal Audit Progress Report. This would give assurances as to how improvements to service provision were going to be made and how this would manifest itself to clients

- It was pleasing to note that a fundamental review was being undertaken of how recommendations were classified and categorised. In response to questioning the Head of Internal Audit and Corporate Anti-Fraud stated that it was hoped that the new arrangements would focus more on giving management ownership of any issues identified via an audit. A further report on the outcome of the proposals would be submitted in due course
- There was a discussion of the 'critical' level of staff required to be maintained by Internal Audit in order to remain effective. It was noted that Barnsley was broadly in line with other Authorities in terms of staffing ratios. The Service Director Finance stressed that the review of the audit function raised no issues that required to be brought to the attention of Senior Management or this Committee. Arising out of the discussion, Members took comfort from the fact that Internal Audit was still being seen as a Service of choice for external clients

RESOLVED that the information in support of the review of the effectiveness of the audit function and the effectiveness of the Service be noted.

19. BUSINESS IMPROVEMENT AND COMMUNICATIONS - PROGRESS REPORT

The Service Director Business Improvement and Communications submitted a report giving an overview of the functions of the Business Improvement and Communications Business Unit and related elements of the Annual Governance Statement process in accordance with the recently revised Audit Committee Terms of Reference and Work Programme.

The report gave details of the five broad functions namely, Business Improvement and Intelligence (including the Overview and Scrutiny Function); Communications, Marketing and Campaign Management; Corporate Programme and Project Management; Equality and Inclusion; and Organisation and Workforce Improvement (including the Member Development Function).

The core purpose of the unit was to provide high quality, value for money, customer focussed, professional and strategic core services. The Unit was responsible for driving and delivering business improvement and communication to ensure the organisation was a customer focussed, modern, efficient and commercial minded Future Council.

The Unit had a role in ensuring assurance against each of the following elements of the Annual Governance Statement and Ms A Glew (Head of Organisation and Workforce Improvement), Mr M Rangecroft (Head of Business Improvement & Intelligence) and Mr J Horsley (Equality and Inclusion Manager) attended the meeting to present the various elements pertinent to their work area and to answer Members questions:

- Management Arrangements
- Performance Management
- Equality and Inclusion

In the ensuing discussion, the following matters were raised:

- In relation to Management arrangements
 - There was a discussion of and an explanation of why there was only a 51% completion of Performance and Development Reviews. This could be for a multitude of reasons and did not mean that performance appraisals were not being undertaken. A review of the current arrangements was being undertaken involving employees and managers from across the organisation in focussed workshops to look at potential improvements for the scheme to be implemented from April 2018. It was stressed that quality information arising from PDR's was paramount
 - Arising out of the above discussion details were provided of the launch in September of the POD (Personal Online Development) – this was a new learning management system to enable employees to book and manage their own training and development and from April 2018 would be used for the PDR appraisal process
 - Information was provided about the aims and objectives of the Organisational Improvement Strategy which, amongst other things, looked at all areas of the organisation, dealt with workforce planning and how staff required to be developed in order to have the skills required for the next three years
 - The Director of Core Services reminded the Committee that the Authority had achieved IIP Gold. This was not something that was easily gained and should provide an assurance about workforce development and management
 - Workforce surveys provided useful information about management arrangements and, in addition, the Talk About/Drop in Sessions were useful tools to receive feedback about management and the management arrangements for the Council as a whole
- In relation to Performance Management
 - Business Plans had been developed and could be amended in year (but were also timetabled) and provided Units with the reference documents they required. This planning process involved a 'look towards' 2020. Arising out of this, it was noted that Business Unit Delivery Plans had also been developed which helped individual team members to understand how they contributed to the Business Plan and Corporate Plan. The PDR process, as well as regular team meetings, were equally important to ensure that individuals were meeting the Business Plan objectives
 - The Plans were subject to Directorate check and challenge which would be led by the Executive Director and the Business Improvement and Intelligence Team
 - There were a range of Indicators that enabled the tracking of performance. One of the revisions the Service would like to see was the interconnectivity between 'visions' and 'outcomes'

- In relation to Equality and Inclusion
 - Each Authority was required to have due regard to the impact its policies and decisions could have over diverse groups and the tool used to do this was the Equality Impact Assessment Process. The way in which this was undertaken was described
 - A random selection of reports submitted to the various 'committees' was examined to ensure compliance and feedback was provided where required. Meetings were held with each Business Unit to try to develop forward plans and identify where there was likely to be an impact. Advice was given so that any suggestions could be incorporated into reports
 - The Governance and Member Support Unit within the Core Directorate headed by Mr I Turner, Service Director Governance and Member Support, were tasked with ensuring that reports met the necessary requirements and the Executive Director Core Services had a role in ensuring that key issues were addressed.
- General issues
 - There was a discussion of the role and performance of Scrutiny, and to Member attendance. It was noted that attendance at meetings was not a measure of performance of a committee – issues relating to attendance would only be raised if there was a significant variance. It was very difficult to assess and quantify the quality of the Scrutiny process. Whilst very few items had been 'called in', issues identified had been taken into account when proposals were formulated. Scrutiny was welcomed and some areas were particularly important and this was evidenced around safeguarding issues when Ofsted Inspectors had commented on the more focussed approach now being undertaken

RESOLVED that the report be received and Ms A Glew, Mr M Rangecroft and Mr J Horsley be thanked for attending the meeting and for answering Members questions.

20. EXTERNAL AUDIT - INTERIM AUDIT REPORT 2016/17

The Council's External Auditory (KPMG) submitted their Interim Audit Report 2016/17 summarising the key findings arising from the work undertaken to date in relation to the audit of the Authority's 2016/17 Financial Statements, the 2016 Value for Money Conclusion, detailing the headline messages arising from that work and indication that the Authority had implemented all the recommendations raised through previous audit work.

The report indicated that:

- The organisational control environment was generally sound and there were no issues to report and work was still progressing in relation to the IT control environment
- The controls over the key financial systems was sound however, there was a weakness in respect of revoking staff access to the revenue systems once they had left the authority. The Service Director Finance commented that this

had not been a great concern as the individuals were unable to access the IT network once they had left the Authority. Action had, however, been put in place to address this weakness

- The Authority had a good history of quality accounts production and in 2016/17 the Authority had a good understanding of the key audit risk areas identified and was making progress in addressing them
- No specific Value for Money risks had been identified
- It was noted that in relation to the valuation of Waste Management Asset, appropriate action had been taken to address the recommendation that the latest valuation of the asset should be reflected in the 2016/17 statement of accounts and that all new assets be valued when they come into use in line with the requirements of the Code

RESOLVED that the report be received and the actions taken noted.

21. AUDIT COMMITTEE WORK PLAN 2017/18 - 2018/19

The Committee received a report providing the indicative work plan for the Committee for its proposed scheduled meetings for the remainder of the 2017/18 municipal year and for 2018/19.

It was noted that the Workshop session was planned for the 1st November, 2017 commencing at 2.00pm. It was proposed that, amongst other things, the focus for the meeting be;

- a review of the operation of the new Terms of Reference
- a training review and skills assessment

If any Member had any other items they wished to include, they should contact the Council Governance Unit.

RESOLVED that the core work plan for 2017/18 and 2018/19 meetings of the Audit Committee be approved and reviewed on a regular basis.

22. DRAFT 2016/17 STATEMENT OF ACCOUNTS

The Service Director Finance submitted a report on the 2016/17 Statement of Accounts, the Council's seventh set of accounts prepared in accordance with International Financial Reporting Standards (IFRS).

The report indicated that the accounts had been submitted to the External Auditor (KPMG) on the afternoon of 30th June, 2017 in accordance with the statutory deadline. In addition, it was noted that there was no longer a requirement to submit them for approval to the Council prior to that deadline. This was primarily to enable additional time to prepare the accounts under the more complex and time consuming IFRS and to place public bodies on a similar reporting footing with the private sector.

It was noted that the Accounts and Audit Regulations 2015 determined that from the 2017/18 financial year, the statutory obligations for submitting a set of draft accounts to audit would be brought forward by one month to 31st May. Staff within the Finance Directorate had, however, been working towards this deadline by improving and automating processes.

The Council would receive the External Auditor's report on the accounts prior to the statutory deadline of 30th September, 2017.

The Summary of Accounts together with the Draft Statement of Accounts 2016/17 were appended to the Director's report. The report also outlined the main elements of the requirements of the International Financial Reporting Standards.

The significant work undertaken by the Service Director Finance's Team in relation to the preparation of the Statement of Accounts was noted and was commended.

Some Members of the Committee expressed disappointment that the report had not been received in sufficient time to enable them to comment fully. The Chair stated that any comments made and this meeting would be accepted as would those submitted to the Service Director Finance following the meeting.

Reference was then made to the following matters:

- In response to questioning, the Service Director Finance commented on the way in which comparisons could be made with other Authorities and bodies as suggested by the IFRS
- There was a discussion of the surplus to be transferred into the next financial year. It was noted that a large proportion of the surplus did not represent spare cash as the majority of the in year surplus was as a consequence of one-off events during the year and scheme/project slippage. There were no major concerns and a significant amount was earmarked to the Town Centre redevelopment
- Information in relating to the winding up of the Independent Living at Home (Barnsley) Ltd could be provided. It was noted that the core business for Barnsley clients was being catered for by other providers or in other ways. The Council was in no worse financial position
- Reference was made to the in year schools balances surplus of £3.5m . it was noted that if schools did not have plans as to how such surpluses could be utilised, they could be clawed back
- There was a detailed discussion of the Authority's interests in a number of wholly owned subsidiaries and to the ways in which these were reflected in the Statement of Accounts and Balance Sheets. The Service Director Finance commented that the requirement of the External Auditor to produce group accounts should address any of the concerns of the Independent Members and particularly in relation to contingent liabilities. There was, of course, a significant impact on the work of the Service in producing such accounts in the future
- Details of the increase in liabilities compared to the previous year could be provided together with information about NPS given that there was some

confusion regarding the name registered at Company's House and the possibility that two similarly named companies were registered

- In relation to the 2016/17 Performance Monitoring Overview, the Service Director Finance stated that he would obtain details of the set of Performance Indicators that had been developed and aligned to priorities within the Corporate Plan. Arising out of the discussion, it was suggested that Corporate Management Performance could be a topic for discussion at the workshop meeting scheduled for the 1st November, 2017
- Reference was made to the increase in the valuation of Council Dwellings compared to 2016. It was noted that this was largely as a result of the change in the way in which the Authority was required to value social housing properties and it, therefore, showed an unrealistic gain
- An assurance was given that the Finance Directorate had sufficient staff (and the right calibre of staff) to undertake the work required to produce the Statement of Accounts
- In response to specific questioning, the Service Director Finance commented upon the reasons for the increase in retirement benefit obligations. It was noted that arrangements were in place to ensure the pensions deficit was paid within the agreed 25 year timescale. Arising out of the above, there was a discussion of the implications of the ageing workforce of the Authority on the liabilities of the Pension Scheme

RESOLVED:-

- (i) that the Service Director Finance and his Team be thanked for their hard work and dedication in producing the accounts on time and with reduced resources;
- (ii) that the work that has taken place to prepare the Authority's Draft 2016/17 Statement of Accounts on an International Financial Reporting Standards basis be noted; and
- (iii) that Members with any additional comments submit them to the Service Director Finance as a matter of urgency; and
- (iv) that the finalised Statement of Accounts 2016/17 be submitted to the next meeting of the Audit Committee to be held on 22nd September, 2017.

23. APPOINTMENT OF EXTERNAL AUDITORS

The Service Director Finance gave a brief update on the current position with regard to the appointment of External Auditor from the 2018/19 financial year.

It was noted that the Council's current auditor (KPMG) had not been successful in being appointed and to date no information was available as to which was the successful company but this information would be provided as and when it became available.

The Council's current auditor would be required to commence the 'hand over' process from December.

RESOLVED that the update report be noted.

.....
Chair