

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

Present 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

1. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

2. APPOINTMENT OF VICE CHAIR

RESOLVED that Mr S. Gill be appointed as Vice Chair of the Committee for the municipal year 2016/17.

3. MINUTES

The minutes of the meeting held on the 20th April, 2016 were taken as read and signed by the Chair as a correct record.

4. 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.

5. ANNUAL FRAUD REPORT 2015/16

The Head of Internal Audit and Corporate Anti-Fraud submitted his annual report on the counter-fraud activities undertaken by the Internal Audit Corporate Anti-Fraud Team for the period 1st April, 2015 to 31st March, 2016. The report provided information and assurance to the Committee regarding key aspects of the Authority's risk management, control and governance framework.

Of particular note were the following:-

- The role of the Corporate Anti-Fraud Team in ensuring that the Council had the appropriate arrangements to deter, detect and investigate fraud, and setting out the key activities of the team in taking forward this work.
- The specific work being undertaken to develop an anti-fraud culture across the Authority, including the delivery of guidance and training, acknowledging the responsibility of managers for fraud prevention.
- The continuous review of policy and procedural measures within the Council to ensure that any areas of systems weakness were identified. Internal Audit was also a member of the South and West Yorkshire Fraud Investigators Group, which met twice a year to share information and best practice.

- The outcome of the national fraud initiative, which examined twelve mandatory datasets to form the basis of national data matching. This work had identified 32 cases of fraud or error, resulting in the recovery of £135,879, of which £129,748 related to duplicate creditor payment error as previously reported to the April 2016 meeting of the Audit Committee.
- The Corporate Anti-Fraud Team had undertaken a range of reactive fraud work in relation to fraudulent claims for council tax support and council tax liability, with respectively 20 and 23 referrals accepted for investigations. A pro-active data matching exercise in relation to the payment of single persons' council tax discount had resulted in 6,942 review letters being sent. As a result, to date there had been cancellations in 1,179 accounts resulting in an additional council tax income of £321,947. There had been challenges to 104 of these responses, which had resulted in changes to the declared date and a further increase in council tax income of £20,699.
- The increase in the right to buy discounts had prompted the Corporate Anti-Fraud Team to apply an enhanced fraud prevention process, given the greater risk of fraud. Checks of 131 applications during the financial year had resulted in two sales being stopped. Awareness training had also been provided to Berneslai Homes in respect of housing tenancy fraud, made an offence under legislation introduced in November 2013. Although there had been 14 referrals of alleged tenancy fraud, there was only evidence of this in 1 case, which had been referred to Berneslai Homes for further investigation.
- The key priorities for the Corporate Anti-Fraud Team in 2016/17 related to the development of fraud awareness e-learning packages, reviews of council tax single persons' discount and the counter fraud policy framework, a further data matching of creditor payments and investigations of instances of council tax reduction scheme fraud.

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

- It was noted that referrals for potential fraud were often not pursued due to the lack of evidence that fraud had occurred, or no evidence when subsequently investigated. It was confirmed that there was no value of detected fraud below which action was not taken. However, a judgement was made about the amount that would be recovered compared with the cost of recovery.
- The Corporate Anti-Fraud team had focused initially on those areas where there was known scope for fraud, hence the investigation in respect of council tax single person discounts. Future areas for investigation were being considered particularly in the area of care provision. It was noted that adult services staff already audited information provided by service users, and this process had itself been reviewed by internal audit. There had been no prosecutions, although some overpayments had been recovered.

- Members commented that the transaction value in respect of business rates, traded services and sundry creditors was greater than that of council tax, and queried why these former areas had not been pursued. It was noted that the opportunity for fraud or error in these areas was considered to be less than areas such as council tax discounts, given the systems in place and basis for liability. Those areas where fraud might be possible had a range of balancing checks that would prevent this. However, the corporate anti-fraud team continued to consider additional areas where investigation might prove fruitful.
- The areas that were subject to data matching were nationally mandated and some changed from year to year. The electronic data provided identified for investigation those individuals who appeared in a number of different categories and those individuals were then subject to investigation by the local authority concerned. This was now done by the corporate anti-fraud team, rather than services, to ensure a consistent and more rigorous approach.
- It was noted that duplicate creditor payments generally related to the payment for the same services or supplies being made more than once, more usually in error rather than as a result of fraud. Work was done to identify such errors and recover any over-payment.
- The scope for fraudulent orders or payments was limited by the separation of ordering and authorising roles within the Council. There was perhaps greater scope for fraud in those areas not entirely under council control or using council systems, or where there was the possibility of collusion between those in the respective roles. The need for a focus on fraud detection, particularly to identify where the opportunities for collusion in fraudulent activity, was noted.

RESOLVED:-

- (i) that the Annual Fraud report, which forms part of the framework of assurances to support the Annual Governance Statement, be approved; and
- (ii) that the continued embedding of a culture of zero tolerance and high levels of awareness regarding fraud and corruption be supported.

6. EXTERNAL AUDIT - LOCAL AUTHORITY CORPORATE RISK REGISTER ANALYSIS 2015/16

A representative of the Council's External Auditor (KPMG) submitted a report on an analysis undertaken of the content of various local authority corporate risk registers and detailing the current position in relation to Barnsley. By providing comparative information, councils could consider in particular whether there are potential risks that may have been omitted from their own risk registers and whether potential risks were given sufficient priority.

A gap analysis of issues for Barnsley MBC arising from this was considered by the Committee at Minute 7 below.

RESOLVED that the External Audit Corporate Risk Register Analysis for 2015/16 be noted.

7. EXTERNAL AUDIT - RESPONSE TO THE LOCAL AUTHORITY CORPORATE RISK REGISTER ANALYSIS 2015/16

The Director of Finance, Assets and Information Services submitted a response to the report of the External Auditor (KPMG) on the local authority corporate risk register analysis 2015/16, referred to at Minute 6 above, following the completion of a gap analysis of the Authority's own risk management arrangements undertaken as a direct response to that report.

The analysis considered the extent to which Barnsley MBC's risk register included the most frequent risks featured across all local authority risk registers. In addition, the analysis undertaken by KPMG focused on: whether local authorities use specific software to support risk management; how often strategic risks were reported and the responsibilities of officers and Members in the strategic risk review process; and how developed were the Council's arrangements regarding corporate assurance mapping.

A gap analysis of the Council's strategic risk register against the KPMG analysis identified the following:-

- The Council's risk register identified key risks that corresponded closely to those identified in the KPMG analysis. There were two significant red risks on Barnsley's strategic risk register relating to health inequalities and emergency resilience. The recent review of the strategic risk register had sought to provide greater clarity in relation to the Council's ability to respond to emergency incidents and its own resilience by dividing business continuity/emergency resilience risk into two. In addition, a further risk in relation to the governance arrangements from the emerging Sheffield City Region Devolution Deal had been included.
- In terms of the risk register reporting and responsibilities, it was noted that there were no significant gaps in Barnsley's strategic risk register, with the exception that lead Members were not identified for specific risks or risk management itself. It was noted that this was only the case in 19% of local authorities.
- Barnsley MBC was one of the few local authorities that used specialist risk management software, which ensured the uniform and consistent recording of risks, the maintenance of version control and allowed the reporting and aggregation of risk to be performed more easily.
- Barnsley MBC had begun to develop a corporate assurance map to assist in identifying and addressing gaps in assurance, to provide evidence on which to

base the annual audit plan and provide a mechanism to link assurances from various sources against key governance controls.

RESOLVED that the response to the KPMG analysis of the Council's risk management arrangements, as set out in the report now submitted, be approved.

8. OVERALL DEBT POSITION AS AT 31ST MARCH, 2016

The Service Director of Finance submitted a paper detailing the overall debt position for the Authority as at 31st March, 2016. The paper analysed debt by source, ie trade, council tax, business rates and housing benefit, identifying the percentage of debt owed in relation to the year from which it was owed. The meeting noted recent targeting of activity to reduce debt owed to the Council.

RESOLVED that the Council's overall debt position as at 31st March, 2016, as set out in the report now submitted, be noted.

9. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE

The Committee received the External Audit progress report and technical update for June 2016, giving a high level overview of progress in the delivery of the External Auditors' responsibilities. The report set out in the appendix a summary of the main deliverables including reports and opinions given and Members noted progress against those issues. It was noted in particular that the interim audit had identified no areas of concern.

RESOLVED that the External Audit progress report and technical update for June 2016 be noted.

10. AUDIT COMMITTEE WORK PLAN 2016/17

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

RESOLVED:-

- (i) that the core work plan for meetings of the Audit Committee for 2016/17, as set out in the report now submitted, be approved and reviewed on a regular basis; and
- (ii) that information on the various proposed training sessions be consolidated into one communication and recirculated to the Committee.

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Chair