

<b>MEETING:</b>	Audit Committee
<b>DATE:</b>	Wednesday, 18 January 2017
<b>TIME:</b>	4.00 pm
<b>VENUE:</b>	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

#### **40. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST**

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

#### **41. MINUTES**

The minutes of the meeting held on the 7th December, 2015 were taken as read and signed by the Chair as a correct record.

#### **42. ACTIONS ARISING FROM THE PREVIOUS MEETINGS**

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

It was noted that one of the items relating to the submission of a report on the multi-agency approach to safeguarding and the creation by the Police of multi-agency hubs had been delayed for some time and questions were asked as to when a report was likely to be submitted.

The Director of Legal and Governance responded by stating that the delay was due to the logistics of collating the information together. The multi-agency hubs had now been established and were working well and it was now a question of determining which meeting was best to submit this report to. It was also proposed that the Executive Director (People) or her representative be invited to that meeting on the basis that they were in the operation of the hubs.

The Director also stated that information on recent Ombudsman complaints and the use by the Council of the Regulation of Investigatory Powers Act 2000 would be circulated to all Members of the Committee.

**RESOLVED** that the report be noted.

#### **43. APPOINTMENT OF EXTERNAL AUDITOR**

The Director of Finance, Assets and IT submitted 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.

The report provided an appraisal of the three main options available as follows:

- Option 1 – a Standalone Tender
- Option2 – Combined Tender

- Option 3 – a sector led procurement scheme whereby an Appointed Person appoints the external auditor on the Authority’s behalf

The preferred option was Option 3 on the basis that this provided the potential economies of scale and, more importantly, a high probability of securing auditors with the necessary experience and knowledge to effectively audit the Authority. If the Authority approved this option during the compulsory appointing period it would need to give notice to the Appointing Person of the decision to become an opted authority.

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

- The Service Director Finance outlined the process to be adopted in the appointment of External Auditor in relation to all three options and also made reference to the role of the Public Sector Audit Appointments Ltd in this process
- It was noted that the Local Government Association supported the approach outlined in Option 3
- The rationale for recommending Option 3 was outlined as it was particularly felt that the more Authorities which opted for this approach would provide certainty about the volume of work included in the procurement exercise and would secure the best possible prices
- The Authority could, as it currently did, procure additional services over and above those included within the original ‘contract’
- The new regulation required the rotation of auditors every five years, although a waiver could be sought if required. In addition, the lead auditor was required to rotate every two years
- In response to detailed questioning, it was noted that the majority of Authorities appeared to be recommending Option 3
- Whilst the exact audit fees were uncertain at the moment, it was thought that any other option would be likely to be more expensive
- The External Auditor referred to and there was a discussion of the ways in which quality assurance would be maintained. Arising out of this discussion, the Director of Legal and Governance commented on the statutory processes for the appointment of External Auditor and to the ways in which quality would be ensured. He suggested that some form of client panel would be established to oversee the process but it was acknowledged that further information was required on the selection process to be adopted
- The Service Director Finance assured the Committee that under the current regulations there could be no one firm monopoly for undertaking External Audit Services for Local Authorities

**RECOMMENDED TO COUNCIL:**

- (i) That the options available for the procurement of external audit services from 2018/19 onwards be noted; and

- (ii) That the Council opt in to the sector led scheme for appointing auditors as outlined in Option 3 within the report now submitted.

#### **44. RISK MANAGEMENT UPDATE REPORT 2016/17**

The Risk and Governance Manager presented a report of the Director of Finance, Assets and IT 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.

The following matters were highlighted:

- The report sought to provide suitable assurances that the Risk Management Framework remained fit for purpose
- The Committee was reminded that the Register had been updated in October 2016 and the outcomes reported to the meeting on the 7<sup>th</sup> December, 2016 and to Cabinet on the 11<sup>th</sup> January, 2017
- The Council's Operational Risk Registers remained aligned to the Future Council operating model and the Risk Management Framework had been reviewed in April 2016
- The Risk and Governance Manager also reported that he continued to support the development of risk management arrangement for a number of organisations in the area. Arising out of this the Manager reported that the Learning and Development Awareness sessions could be delivered to Member of this Committee
- The Annual Governance Review process had been delivered during the early part of 2016/17 and this had resulted in the production of an evidence based Annual Governance Statement which had been approved by the Council in September 2016
- The outcomes of the recent Association of Local Authority Risk Managers (ALARM) and CIPFA benchmarking exercises suggested that the outputs and overall maturity of the Council's Risk Management arrangements were broadly in line with similar Councils and peer organisations
- The Risk Management Workplan for 2016/17 was being regularly monitored and reviewed to ensure the delivery of the identified actions outlined
- There was a discussion of the Benchmarking Outcomes in relation to the difficulties of providing accurate analysis against previous years. It was anticipated that benchmarking results for 2016/17 would see improvements going forward
- It was noted that there had been a reduction in the percentage of Operational Risk Register Reviews being completed on time between quarter one and quarter 2. This was thought to be a blip due to holidays. Arising out of this discussion, the Risk and Governance Manager reported that his service was in the process of being audited and this was likely to be an area of focus for the auditors. Any issues identified or any non-compliance would be reported to a future meeting

## **RESOLVED**

- (i) that the Risk Management Update report and the robustness of the assurances provided be noted; and
- (ii) that the Committee continue to receive periodic reports during the year in order to monitor the progress in achieving the actions identified for 2016/17.

### **45. INTERNAL AUDIT QUARTERLY REPORT 2016/17 - QUARTER ENDED 31ST DECEMBER, 2016**

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 third quarter with additional details of audits completed up to the end of December 2016.

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 to the end of the third 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 period had raised two fundamental recommendations relating to a Human resource Governance issue regarding absence management information and a financial management issue concerning the management of service budgets.

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

Of the 25 recommendations followed up, 64% had been implemented by the original target date with a further 24% implemented after the original target date and 12% not implemented with revised implementation dates being agreed by management

In relation to the Audit Plan, actual dates days delivered were broadly in line with the profiled days at the end of the third quarter.

Overall, Divisional performance remained satisfactory and all Performance Indicators were either on or exceeding target levels.

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

- It was pleasing to see an increase in the percentage of recommendations followed up within the originally agreed timescales
- It was noted that the first three quarters of the year, audit resources had been directed and prioritised to undertake work for the Council and the reasons for this were outlined. It was also noted that there would have to be a reprioritisation to deliver more work for non-Council clients. Work was being undertaken with Executive Directors to review the final quarter activities and to determine which work would slip into the first quarter of the next financial year
- The Head of Internal Audit and Corporate Anti-Fraud commended that his Annual report would include work undertaken in April and May which, in part, was because of the number of vacant posts within the service. He stressed, however, that he was satisfied that the work undertaken would still be sufficient to justify his opinion
- There was a detailed discussion of the limited assurance given in relation to Budget Monitoring and Reporting and Service and Financial Planning and the reasons for this particularly in the light of the reducing number of staff employed within the various service areas. It was noted that the review had concluded that Budget Managers sometimes did not proactively monitor and performance manage budgets for which they were accountable in line with the Future Council arrangements. The Service Director Finance stated that he had requested this audit and commented that the issues raised were not in relation to the budget monitoring processes themselves but were about roles and responsibilities of managers and what they did with the information they had/received. It was noted that work was being undertaken to address the issues raised
- Reference was made to the feedback sheets and to the way in which suggestion for improvements were addressed. In relation to the specific issue raised, this was something which the 'client' thought audit had missed. However, the fact that this matter had been raised by the client suggested that they were aware of those issues identified
- Reference was made to the audits that had been deferred together the reasons for this which were largely in relation to the need to implement revised/new policies and procedures in particular service areas. It was noted that as the Head of Internal Audit and Corporate Anti-Fraud was jointly responsible with the Director of Legal and Governance, for the Corporate Whistleblowing Policy this audit was likely to be undertaken by the Service Director Finance. The policy was to be revised in the light of legislative changes
- It was noted that there were currently two vacancies within the service and arrangements were in hand to recruit to the posts
- In relation to HR E-Procedures and the limited assurance given, in relation to E-Enabled leave, it was noted that these arrangements had been in place less than a year.
- There was a discussion of the limited assurance in relation to cash and banking arrangements and to the action being taken to address those issues.

In response to specific questioning, however, it was reported that there had been no identified losses or fraud occurring

## **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 December 2016 be noted; and
- (iii) that the performance of the Internal Audit Division for the third quarter be noted.

## **46. CORPORATE ANTI-FRAUD AND CORRUPTION POLICIES**

The Head of Internal Audit and Corporate Anti-Fraud submitted a report presenting draft versions of the revised Corporate Anti-Fraud and Corruption Policy and the 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.

The need for the revision of the policies had been identified following the creation of the Corporate Anti-Fraud Team within Internal Audit and, in addition, the Anti-Bribery Policy had been written in order to meet the legal obligations in relation to anti-bribery legislation. Copies of these documents were appended to the report.

The report also outlined how these policies and strategy fit within the overall counter fraud framework of the authority. It was also noted that a number of other policies including the Fraud Response Plan, Prosecutions Policy, Whistleblowing Policy and Anti-Money Laundering Policy were also being reviewed and would be presented to Committee in due course.

In the ensuing discussion, the following matters were raised:

- The valuable contribution of the Corporate Anti-Fraud Team in this process was noted. It had been a number of years since some of these policies had been reviewed and all submitted today had been previously submitted to the Employee Forum, SMT and to Service Directors. The recommendations of this Committee would then be submitted to Cabinet for approval
- The benefits of limiting cash payments had had a significant impact on reducing the opportunity for fraud. In those areas where cash payment was retained, the service undertook unannounced visits in order to minimise the opportunity for theft
- Referring to the Corporate Anti-Fraud and Corruption Strategy, the Head of Internal Audit and Corporate Anti-Fraud outlined the instances in which the

Police would become involved in issues and the procedures which were followed. It was noted that the burden of proof to ensure a successful prosecution was higher than that required by the authority which could take appropriate disciplinary action irrespective of whether or not a case was taken to prosecution

- There was a discussion of the language used throughout the policies. It was suggested that actions required to be taken by officers/Members should be prescriptive rather than advisory. The Director of Legal and Governance and Head of Internal Audit and Corporate Anti-Fraud stated that these policies should be read alongside the Code of Conduct policies which detailed the actions required to be taken in relation to suspected fraud. The points made by members of the Committee were, however, well made and it was agreed that the wording of the policies would be reviewed and re submitted to the next meeting. Also, given that the Committee had not had sight of the Codes of Conduct, these would also be submitted to the next meeting so that members could see the correlation and interrelationship between all policies
- Arising out of the above, there was a discussion of the requirements of the procedure for the declaration by staff and Elected Members of gifts and hospitality
- There was a discussion of the action which could be taken against both an Elected Member and officers who through their actions in their 'non work' life, brought the Authority into disrepute
- Reference was made to training. It was noted that anti-fraud awareness training had not yet been made mandatory but the Service was looking to include this as part of a wider suite of awareness training. Arising out of the discussion, it was reported that a log of all online training undertaken

**RESOLVED** that the report and draft policies be received and amended as indicated and that they be submitted to the next meeting together with copies of the Employee and Elected Member Codes of Conduct

#### **47. EXTERNAL AUDIT - ANNUAL REPORT ON GRANTS AND RETURNS 2015/16**

The Committee received 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.

Mr M Moore, representing the External Auditor, commented that the only qualification had been in relation to the Housing Subsidy Benefit claim and the issues identified had been minor. No adjustments had been necessary to the other Council's grants and returns as a result of the certification work, which was the same as in previous years. In addition, it was noted that the fees were approximately half those charged in the previous year. He also asked to place on record his thanks to the Finance Team for all their help and support throughout the process.

In the ensuing discussion the following matters were highlighted:

- There was a discussion of the background to the qualification of the Housing Subsidy Benefit Claims and the reasons for it. It was noted that only 6 areas had been identified and that similar errors had not been seen in the last two years.
- It was noted that Barnsley was in no different situation to most other Authorities in relation to the qualification of Housing Subsidy Benefit Claims. Mr Moore commented that he had never issued an unqualified opinion on such claims. The Service Director Finance commented that the wording of the Statutory Instrument meant that there was little chance of getting a clean bill of health, however, the areas identified were very minor compared to the overall value of the claims

**RESOLVED** that the Annual Report on grants and returns 2015/16 be received.

#### **48. EXTERNAL AUDIT - TECHNICAL UPDATE INCORPORATING THE EXTERNAL AUDIT PROGRESS REPORT**

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 planning for 2016/176 had already started and the audit plan would be submitted to the March meeting. The interim audit visit was scheduled for March and the review of the draft financial statements would commence in July.

As previously reported, the audit of the Housing Benefit and Council Tax Benefit Claim had been completed as had those which fell outside the PSAA regime, namely:

- The Teacher's Pension Agency Return; and
- The Pooling of Housing Capital receipts

In relation to KPMG resources details of the first edition of the @gov digital magazine were outlined which focused on Transforming government in the age of technology. In addition, a series of local government accounts workshops were to be run again for key members of the finance team and would focus on the 2016/17 closedown and the statement of accounts.

Details of the Technical Developments including the likely level of impact were outlined particularly in relation to:

- PSSA Value for Money Profiles tool
- Local Government Licensing fees – following a referral from the Supreme Court of the UK in relation to the lawfulness of licensing fees in a case involving Westminster City Council with regard to the grant or renewal of a sex establishment licence



- CIPFA publication – Understanding Local Authority Financial Statements
- National Audit Office activities
  - The publication of a report entitled – Children in need of help or protection
  - A speech made at the Institute for Government on the need for greater prioritisation in governments and the case for recognising and addressing the skills gap in the civil service particularly in digital skills

An appendix to the Report gave details of the 2016/17 deliverables together with the timing and status of those deliverables.

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

#### **49. AUDIT COMMITTEE WORK PLAN 2016/17 AND 2017/18**

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 reported that at the workshop meeting held in November, 2016 there had been a discussion about the future terms of reference of this Committee. The Work Programme had anticipated that this would be a matter considered at this meeting, however, he had written to the Chair to explain why this was not currently possible. He reported that further work on this matter had been undertaken following the discussion at the workshop but it had been concluded that it would be advantageous to take account for the proposed reconfiguration of the Core Services for which he was to be the Executive Director from 1<sup>st</sup> April, 2017 following his appointment by the Council.

It was the intention to bring other areas of core governance into the scope of the terms of reference of this Committee such as Information Governance, Performance Management, Workforce Development, and Health and Safety and to establish clear responsibility for reporting these into the Committee from amongst the Service Directors who would be reporting to him in the new Directorate after April. To this end, therefore, it was proposed to bring a report to the April meeting on the revised terms of reference for discussion so that a revised work plan could be developed for implementation from the new municipal year. The new terms of reference would be reported for approval at the Annual Council meeting.

In relation to the reorganisation, the Director of Legal and Governance informed the Committee that the Service Director Finance would be the Section 151 officer following the departure of the Director of Finance, Assets and IT in March and he also reported that Director of HR, Performance and Communications had left the Authority in December, 2016.

Finally, he expressed the hope that these proposed changes reflect Members aspiration for the developing role of this Committee.

**RESOLVED**

- (i) that the core work plan for 2015/16 meetings of the Audit Committee be approved and reviewed on a regular basis; and
- (ii) that the proposals of the Director of Legal and Governance for the revised Terms of Reference and the developing role of this Committee be supported.

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Chair