

MEETING:	Audit Committee
DATE:	Wednesday, 22 March 2017
TIME:	4.00 pm
VENUE:	Council Chamber, Barnsley Town Hall

MINUTES

Present

Councillors Richardson (Chair), Barnard, Clements, Lofts, Ms K Armitage, Ms D Brown, Mr S Gill, Mr P Johnson and Mr M Marks.

50. Declarations of Pecuniary and Non-Pecuniary Interest

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

51. Minutes

The minutes of the meeting held on the 18th January, 2017 were taken as read and signed by the Chair as a correct record.

52. Actions Arising From the Previous Meetings

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

A Member queried why the codes of conduct had not been distributed with item 6 on the agenda. It was noted that these had not been issued with the agenda pack, but had been subsequently distributed. It was agreed to recirculate these to ensure all Members had received copies.

The Chair suggested that the responses related to the Draft Annual Governance Statement 2014/15 and Annual Governance Statement Action Plan 2016/17 should be more specific.

Questions were also raised regarding a number of financial reports due to be submitted to the meeting, as detailed on the indicative work programme. Members noted that these reports were already in the public domain, but would be circulated to the committee after the meeting for comment.

RESOLVED:-

- (i) that the report be noted;
- (ii) that the codes of conduct be recirculated to Members;
- (iii) that the financial reports referred to be circulated to Members.

53. Local Code of Corporate Governance/Annual Governance Review Process 2016/17

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

Members were provided with an overview of the Annual Governance Progress, which would feed into the Annual Governance Statement.

The meeting were made aware of the revised Local Code of Corporate Governance, which had taken cognisance of the 'Delivering Good Governance in Local Government Framework 2016' guidance, published by CIPFA. It was noted that colleagues from CIPFA had commented positively on the revised code at a recent workshop.

Members commented on the impending changes in senior management within the authority, and changes within Internal Audit and queried whether reassurance could be given that the authority was able to accommodate these departures successfully.

In response it was suggested that this was a reasonable risk to consider and that the AGS system would look at succession planning, with any issues being drawn out through the review process. Members heard of discussion taking place with members of the Senior Management Team, and assurances had been given of the capacity within the revised structure, which would be monitored going forward. It was also suggested that there were additional strengths in a single Executive Director overseeing HR, Finance, and Governance.

Members raised questions relating to appendix 2 of the report, and the capacity of officers to review evidence. It was noted that the process was overseen by a Corporate Assurance Group, comprising lead officers from each directorate who develop the corporate assurance map, and consider governance and control arrangements. It was also acknowledged that many of the sources of evidence would be regularly tested and reviewed with the year.

With regards to the process map, a comment was received relating to the appendix 1, the Annual Governance Review Process Map. It was suggested that if assurances could not be provided then there should be feedback to the service in light of this.

RESOLVED:-

- (i) That the Annual Governance Review Process be noted;
- (ii) That the revised Local Code of Corporate Governance be noted; and
- (iii) That outputs from the Annual Governance Review process for 2016/17 be reported to the Committee, where consideration can be given as to whether the process provides sufficient and suitable evidence and assurances upon which the Committee can refer the Annual Governance Statement for Full Council approval in September, 2017.

54. Corporate Anti-Fraud Team 2017/18 Plan and Strategy

The Head of Internal Audit and Corporate Anti-Fraud introduced the report, noting the consideration given to the recent publication 'Fighting Fraud and Corruption Locally' in compiling the Strategy and Action Plan.

The approach had three themes; Acknowledge/ Deter; Prevent/Detect; and Investigate/Pursue, with resources divided amongst these three aspects. Members were reminded of the recommendation that flexibility be maintained in order that the

Head of Internal Audit and Corporate Anti-Fraud be able to direct resources as necessary to respond to any future issues requiring reactive investigation work.

It was noted that the vast majority of issues were reported to Internal Audit, with the public and employees being an important source of information, therefore the service was largely response led.

Members acknowledged that it was the responsibility of management to have appropriate anti-fraud and corruption policies in place, and the recent focus on refreshing the whistleblowing policy and raising awareness was noted.

With regards to the strategy, Members noted the continued commitment shown through the investment in the Corporate Anti-Fraud Team, the figures for which showed that based on the results of activities during the year the function had more than paid for itself. It was recognised that the team was very flexible, however Members' attention was drawn to the areas where the team was likely to focus its efforts. Also noted was the intention to submit regular reports to the committee on the successes of the team, including case studies where appropriate.

Members questioned why the publicity campaign would be undertaken in the medium term, rather than sooner. It was noted that this was in order to ensure appropriate policies and procedures had been reviewed, staff awareness raised, and the authority best placed to react to any issues raised through the campaign. Assurances were given that the campaign would run in 2017.

A question was asked relating to procurement. It was noted that the focus had generally been on high level procurement activity, but given that an increasing amount of procurement was undertaken at the Area Council level, it was asked what focus was given to this level. The Head of Internal Audit and Corporate Anti-Fraud made the meeting aware that every piece of audit work would include work to consider fraud if there were inherent risks, and this would include work at Area Council level. A previous audit of the work of Area Councils was judged overall as adequate. Members acknowledged that increased commissioning and procurement could present higher levels of risk, and it was noted that this did feature in the audit plan. It was suggested that a future meeting of the committee could receive a presentation from the Head of Strategic Commissioning and Procurement on the procurement process, including an overview of relevant policies and procedures, to ensure members were fully briefed on this.

Comments were made regarding the focus of anti-fraud work, which tended to focus on a certain segment of society, and questions were raised relating to whether the team was appropriately resourced. It was acknowledged that the work of the team was targeted at areas where results were likely, and the balance between resources allocated and likely financial results was discussed

Following a question relating to the cross referencing of identification, Members were made aware of the work with the National Fraud Initiative to cross reference data.

The meeting discussed impending changes to business rates, and the possibility for this to impact on levels of fraud.

Members discussed the compiling of an inventory of investigative/ surveillance equipment for corporate use, noting that this was to maximise the impact of the equipment through sharing of resources.

The Chair questioned the changes in responsibility for enforcing the blue badge scheme, and it was recognised that this was a function of the changes implemented through Future Council, however it was agreed that this remained an important area to maintain.

RESOLVED:-

- (i) That the Corporate Anti-Fraud team plan 2017/18 and supporting strategy be agreed, subject to the need for the Head of Internal Audit to apply the plan flexibly to respond to demand;
- (ii) That the Committee receive regular monitoring reports from the Head of Internal Audit to demonstrate progress against the plan including information where the plan has been materially varied; and
- (iii) That a future meeting of the Committee receives a presentation from the Head of Commissioning and Procurement regarding the procurement process, and details of relevant policies and procedures.

55. Corporate Anti-Fraud and Corruption Policies

The Head of Internal Audit and Corporate Anti-Fraud reminded Members of discussion at the previous meeting and drew attention to the copies of the policies circulated, which had been amended in light of the comments received.

It was noted that the codes of conduct relating to employees and Councillors had been circulated to Members for information.

RESOLVED that the revised policies be recommended to Cabinet for approval.

56. External Audit Plan 2016/17

Amy Warner, Manager at KPMG, introduced the item. Attention was drawn to a number of key areas. Materiality had been set based on the previous year's expenditure, with plans to report any uncorrected omissions or misstatements over £600,000.

Members noted significant audit risks relating to changes to pension liability, and in relation to waste management PFI valuation. An additional area of audit focus would take into account changes in disclosure requirements.

With regards to value for money, no significant risks had been identified, it was agreed that any issues highlighted would be report back to the committee.

The Committee discussed the materiality limits, and how they were arrived at. It was noted that these were set in-line with expenditure and levels of risks, mindful of the resources available for the service. It was acknowledged that issues would be brought to the attention of officers under thresholds for correction if these had been identified. It was suggested the report detailing errors and corrections produced for officers, could be brought to the Committee for further discussion.

RESOLVED that External Audit Plan 2016/17 be noted.

57. External Audit - Technical Update Incorporating the External Audit Progress Report

Amy Warner, Manager at KPMG presented the Technical Update and External Audit Progress report. The Committee's attention was drawn to the current position in the audit cycle, with the interim audit visit to take place week commencing 27th March, and the review of the draft financial statements commencing in July, 2017.

With regards to the information supplied on Children in need of help or protection, a question was asked as to whether this information was included as it pertained specifically to Barnsley. It was acknowledged that the National Audit Office report was something all authorities needed to be mindful of.

With regards to the Committee seeking further information on areas where it may be an outlier in terms of value for money, it was noted that no areas had been identified as yet.

RESOLVED that the Technical Update incorporating the External Audit Progress report be noted.

58. 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.

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.

59. Exclusion of the Public and Press

RESOLVED that the public and press be excluded from the meeting during consideration of the item number 60 because of the likely disclosure of exempt information as defined by Paragraph 7 of Part I of schedule 12A of the Local Government Act 1972 as amended, subject to the public interest test.

60. Internal Audit Plan 2017/18

The Head of Internal Audit and Corporate Anti-Fraud presented the plan, which had been arrived at after a process of consultation and careful consideration. This was in the light of reductions in staff due to budget pressures. Members were assured that the impact had been mitigated as much as possible, but this had resulted in a net loss of 320 audit days to the Council.

The planned audit work had been arranged to achieve the maximum impact and was suggested that this would be adequate to provide an annual opinion, and the coverage was in line with neighbouring councils. Members were made aware that

the document had been developed through a robust process which included lead officers and heads of service.

It was noted that the plan was flexible and could respond to changes in priority, where required. The Committee were made aware that two new members of staff due to start imminently, which would bring the audit team to full capacity.

Members of the Committee discussed the provision of monitoring reports, including the resource implications of their production, and whether these should be reduced to half-yearly. After significant consideration, it was suggested that these remain quarterly, in order to provide adequate assurance to Members.

Attention was drawn to the number of chargeable days and the percentage of chargeable time per FTE staff. It was noted that the figures had increased, and questions were asked how this had been achieved. It was noted that this could partly be attributable to changes in classification of chargeable time, however it was also stated that the consistency of the team had resulted in a reduction in training required and increased efficiency.

The Chair gave thanks to Julie Winham, Audit Manager, for her hard work and dedication, including the support given to the Audit Committee, and wished her well in her future endeavours. The sentiment was echoed by the Committee.

RESOLVED:-

- (i) That the indicative Internal Audit Plan 2017/18 be approved, acknowledging the need for the Head of Internal Audit to exercise judgement to apply the flexibly according to priority, risk, and resources available; and
- (ii) That the Audit Committee receives quarterly monitoring reports from the Head of Internal Audit to demonstrate progress against the plan, including information where the plan has materially varied.

Chair