

<b>MEETING:</b>	Audit Committee
<b>DATE:</b>	Wednesday, 6 December 2017
<b>TIME:</b>	4.00 pm
<b>VENUE:</b>	Reception Room, Barnsley Town Hall

## MINUTES

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

### 37. APPOINTMENT OF CHAIR

**RESOLVED** that Councillor Richardson be appointed Chair of the Committee for the purposes of this meeting only.

### 38. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

### 39. MINUTES

The minutes of the meeting held on the 22<sup>nd</sup> September, 2017 were taken as read and signed by the Chair as a correct record.

### 40. ACTIONS ARISING FROM THE PREVIOUS MEETINGS

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

The Executive Director Core services reported that following a request made at the Workshop meeting held on the 1<sup>st</sup> November, 2017, he was in the process of preparing a report to address matters raised in relation to the scrutiny function of the authority. This report would be submitted to Committee sometime in the New Year.

**RESOLVED** that the report be noted.

### 41. STRATEGIC RISK REGISTER - FULL REVIEW 2017

The Executive Director Core Services submitted a report prefacing a report to be submitted to Cabinet on the 10<sup>th</sup> January, 2018 on a full review of the Strategic Risk Register undertaken in October 2017 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 2017, a further review had been undertaken in October, 2017 the outcomes of which were detailed within the report. Mr Hunt outlined 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 4103 (Waste PFI Insurance Risk) which had been added following its escalation from the operational risk register for Environment and Transport. It was noted that increased insurance premiums applied to Waste PFI Operators were passed back to the Partnership which, in turn, would put pressure on the Medium Term Financial Statement as there was currently no additional finance available to fund any increase experienced by the Operator. Whilst this was not a strategic risk in nature, it had been included due to the significant impact this could have. It was anticipated that discussions which were ongoing with external advisors to the Waste PFI project would be completed shortly following which there would be further discussions with all parties including SMT and appropriate Service Directors and Executive Director
- The significant /red risks and new and emerging risks and the risk mitigation actions. In relation to this, particular reference was made to the work that had been undertaken in relation to the following risks:
  - Risk 3026 (Failure to Achieve a reduction in health inequalities)
  - Risk 3792 (Failure to be prepared to assist in the event of an emergency resilience event in the region)
  - Risk 3793 (Failure to ensure that appropriate disaster recovery arrangements are in place to ensure the Council is able to recover in the event of a business continuity threat)
- 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 'direction of travel' trends
- The risks that had been completed/closed

- The new risk mitigation actions
- A copy of the full Strategic Risk Register as at October 2017

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

- A new and emerging risk would be in relation to the Glassworks project. It was noted that the scheme was well managed and there was good governance, however, SMT had wanted this expressed as a strategic risk given the significance for the economic regeneration of the area and the impact this would have on the Town Centre. Arising out of this, there was a discussion of:
  - the underlying concerns/risks identified with both and of the action taken to ameliorate as far as was possible, the issues identified
  - the funding arrangements and within this context, the identification of appropriate strategies, contingency and reserves arrangements
  - the action being taken to secure tenants, the letting arrangements and the timescales associated therewith
- in relation to Risk 3792 (Failure to be prepared to assist in the event of an emergency resilience event in the region), it was noted that an assurance had been made to the Senior Management Team that matters were being addressed appropriately. A further update for the Committee would be provided
- a written protocol and adequate and appropriate relationships were in place and had been refreshed between all necessary departments and agencies in order to respond to incidents identified within the completed/closed Risk 3035 (Loss of Assets and resources as a result of a one-off incident of fraud/corruption/bribery or sustained or widespread occurrences). The arrangements were working well as anticipated and currently one case was being pursued because of the significant nature of the matter involved.
- Arising out of the above, reference was made to the Data Protection Act arrangements currently in place and to those being developed in order to comply with the General Data Protection Regulations 2018 information about which had been provided to the workshop meeting held on the 1<sup>st</sup> December, 2017.
  - The Information Governance Board had the necessary plans and resources in place and the Head of Internal Audit and Corporate Anti-Fraud was to be the designated Data Protection Officer. Further reports would be submitted to this Committee as work progressed.
  - The voluntary assessment of the Authority by the Information Commissioner last month had been both positive and constructive and gave a reasonable level of assurance. Whilst some recommendations had been presented for improvements, the inspection had generally been happy with the Authority's approach to the General Data Protection Regulation arrangements

**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.

#### **42. INTERNAL AUDIT QUARTERLY REPORT 2017/18 - QUARTER ENDED 30TH SEPTEMBER, 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 Service's work covering the whole of the second 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 second 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, however, a notional 'no assurance' opinion was given arising from the review into the Highways Design and Construction Service

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

Of the 39 recommendations followed up, 33% had been implemented by the original target date, 23% had been implemented after the original target date and 44% had not been implemented, with revised implementation dates being agreed by management.

In relation to the Audit Plan, actual days delivered were in line with the profile for the first half of the year.

Quarterly performance of the function was generally satisfactory. The Performance Indicators relating to chargeable time was slightly below profile but this was due, in the main, to the bedding in of the newly appointed Audit Manager and Principal Auditor. These officers were now working to capacity and the percentage of chargeable time was rising accordingly.

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

- 16 reviews were currently ongoing with five in the draft report stage

- Work was ongoing to understand why audit recommendations were not being implemented by the agreed target dates given that these were agreed by the service in question. Internal Audit were providing challenge about the setting of dates and how achievable these were.
- Appendix 2 to the report indicated that whilst only one report had been issued during the quarter, this did not represent the entire output of the Service. Outcomes from the Service's increasing consultancy based audit work were not included. It was noted that such reviews tended to be less tangible and/or less formal than the traditional audit reporting reviews. The objective when conducting this type of work was to deliver a more flexible approach to Internal Audit by providing 'real time', added value feedback during the audit year. The Head of Internal Audit and Corporate Anti-Fraud emphasised that all internal audit work contributed to the overall annual opinion
- In relation to the failure to adhere to timescales, there was a discussion as to how various aspects of a Manager's Performance Indicators in relation to the requirement to meet corporate compliance targets could or should be incorporated into the organisations Improvement Framework. In this way, Managers could then be held fully accountable for their actions in relation to the implementation of audit recommendations. The Head of Internal Audit and Corporate Anti-Fraud commented on the varying reasons for the delay in implementing recommendations and that a further analysis of those reasons would assist in challenging whether or not originally suggested timescales were relevant/appropriate
- It was noted that one fundamental recommendation had been given a revised target date for completion. An update on this would be provided to a future meeting
- In response to specific questioning, there was a discussion about subsidiary companies/organisations and the way in which systems and processes were audited or scrutinised in terms of financial management and governance.
- The Head of Internal Audit and Corporate Anti-Fraud gave a brief outline of the organisations in which the Authority was involved. He made reference the varying methods in which such organisations were held to account and within this context commented on financial management arrangements, the partnership and relationship/governance arrangements as well as the ways in which issues of concern could be escalated.
- The Risk and Governance Manager commented that these types of issue were being expressed within the AGS Framework document an update on which was to be submitted to the next meeting. In this respect, the Committee could, under its new Terms of Reference, call in the lead officer concerned if Members had any particular concerns.
- Arising out of the above discussion, the Executive Director Core Services briefly commended on lessons learned from the Digital Region Company in relation to the identification and management of risks
- The Committee noted that the Council's External Auditor KPMG audited companies that were 100% owned by the Authority

## **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 September 2017 be noted;
- (iii) that the progress against the Internal Audit Plan for 2017/18 for the period to the end of September 2017 be noted; and
- (iv) that the performance of the Internal Audit Division for the second quarter be noted.

### **43. CORPORATE ANTI-FRAUD TEAM PROGRESS REPORT**

The Head of Internal Audit and Corporate Anti-Fraud submitted a report providing an account of the work of the Corporate Anti-Fraud Team for the period 1<sup>st</sup> April to 31<sup>st</sup> October, 2017.

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
- Fraud Awareness training
- The review of the Corporate Anti-Fraud and Corruption Policies
- Work with External Clients

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 Principal Auditor (Corporate Anti-Fraud) 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 continuing to have significant results as initiatives were now becoming embedded within the Council's processes and procedures.

The Principal Auditor (Corporate Anti-Fraud) referred, amongst other things, to the following:

- The use of the 'Fraud Hotline'. Arising out of this it was noted that the majority of allegations of irregularity received from members of the public in relation to Council Tax were now referred to the DWP for consideration and investigation.
- Joint working arrangements were being developed between the Service and the DWP in relation to Council Tax investigations which would lead to financial savings for both organisations
- Work undertaken in relation to the National Fraud Initiative had been particularly successful
- Work was continuing and the service was in the process of uploading the single person database for the annual mandatory check
- Work was continuing with Berneslai Homes in relation to Tenancy Fraud and a further two referrals had been received for further follow up, the outcomes of which would be reported to a future meeting
- Fraud Awareness training was continuing and was now 'live' on the Council's new e-learning platform (POD)

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

- In response to detailed questioning, information was provided about the ways in which the Authority attempted to ensure that there were no duplicate payments. It was noted that no duplicate payments had been identified since October 2016. Arising out of this discussion, the Head of Internal Audit and Corporate Anti-Fraud reported on the outcome of discussions with a specialist company who were willing to provide a free risk review of payments data. Decisions on whether or not to purchase any additional software would be dependent upon the outcome of that review
- There was a discussion of the increase in the Empty Property discount on second properties, of the implications of this and of the action taken to prevent fraud
- It was noted that Fraud Awareness Training was mandatory for all 'new starter' and it had been suggested that this be made mandatory for all employees
- Reference was made of the need to improve publicity of successes of the service as this would act as a deterrent to further fraud. This was something that the Service was actively investigating
- Arising out of the above, reference was made to the development of a full suite of guidance and policy documents which were currently under consideration by SMT prior to consideration by Cabinet and this Committee prior to launch. Following this, it might be appropriate to arrange for further publicity to be undertaken

**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.

**44. EXTERNAL AUDIT - TECHNICAL UPDATE AND PROGRESS REPORT**

Ms C Partridge (KPMG) presented the Technical Update and External Audit progress report.

The Committee was informed that work was ongoing in relation to the planning of the audit of the Financial Statements and Value for Money with the intention of bringing the audit plan to a meeting early in the New Year. The work on certifying the housing benefits return was in the final stages and the Teachers' Pension and Pooling of Housing Capital Receipts return had been certified and no issues had been identified.

The KPMG pensions team had also been commissioned to undertake work in relation to the impact of the Local Government Pension Scheme surplus on the Authority. Arising out of this, there was a discussion of the rationale for this work and the potential implications for the Authority of any changes particularly in relation to employer contributions and the need to protect the value of the scheme.

An appendix to the report gave details of the 2017/18 deliverables together with the timing and status of those deliverables.

The report then went on to give details of KPMG resources and recent technical developments.

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

**45. AUDIT COMMITTEE WORK PLAN 2017/18 AND 2018/19**

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

It was reported that due to regulatory changes in the timing of the approval of the Final Accounts, (which now required Council approval by the end of July), there had been a number of changes to the work programme. In addition the meetings scheduled for 18<sup>th</sup> July and 21<sup>st</sup> September, 2018 were likely to change. Further information would be submitted to the January meeting.

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

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Chair