

BARNSELY METROPOLITAN BOROUGH COUNCIL**Audit Committee****22nd July, 2015**

13. **Present:** Councillors Richardson (Chairman), Barnard and Griffin together with Co-opted Members – Ms Armitage and Ms Brown and Mr Johnson and Mr Marks.

14. **Declarations of Pecuniary and Non-Pecuniary Interest**

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

15. **Appointment of Vice Chairperson**

RESOLVED that Mr S Gill be appointed Vice Chairman of the Committee until the next Annual Council meeting.

16. **Minutes**

The minutes of the meeting held on the 10th June, 2015 were taken as read and signed by the Chairman as a correct record.

17. **Actions Arising from Previous Meetings**

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

It was noted that not all items yet included the timescale for submission to future reports or the progress of actions. These would be included within future reports.

RESOLVED that the report be noted.

18. **Draft 2014/15 Statement of Accounts**

The Director of Finance, Assets and Information Services submitted a report on the 2014/15 Statement of Accounts, the Council's fifth 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 29th June, 2015 in advance of the statutory deadline, of 30th June and in addition, 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.

The Council would receive the External Auditor's report on the accounts prior to the statutory deadline of 30th September 2014.

The Summary of Accounts together with the Draft Statement of Accounts 2014/15 were appended to the Director's report. The report also outlined the main elements of the Accounts, gave details of the consultation that had taken place together with the main elements of the requirements of the International Financial Reporting Standards.

The Committee noted the significant work undertaken by the Service Director Finance's Team in relation to the preparation of the Statement of Accounts which was commendable bearing in mind the staffing reductions that had taken place within the section.

Reference was then made to the following matters:

- It was noted that the format of the information provided was prescribed and based on the International Financial Reporting Standards as interpreted by the Code of Practice on Local Authority Accounting and this allowed comparisons to be made between differing local authorities and other bodies. The Authority, however, also prepared separate revenue and capital final accounts reports (management accounts) and the rationale for this was explained. These could be made available to Members of the Committee if required. Mr Cornett, representing KPMG, the Council's External Auditor commented on the consultations that were currently ongoing in relation to possible changes to accounting arrangements
- There was a discussion of the factors affecting the liabilities of the South Yorkshire Pensions Scheme and to the potential effects on those liabilities of changes in the various assumptions used in their calculation.
 - Arising out of the above, the Director of Finance, Assets and Information Services reminded Members that she was the Section 151 Officer for the South Yorkshire Pensions Authority and she briefly commented on the liabilities of the Scheme. She also stated that the issues identified were common throughout all four districts. She also outlined how she 'separated' her role and responsibilities to both the Pensions Authority and to the Local Authority
 - The Director of Legal and Governance briefly commented upon the differences between the South Yorkshire Pensions Authority and arrangements in County Council areas
- There was a discussion of the ways in which Debt was handled and in with context particular reference was made to Short Term Debtors. The Director of Finance, Assets and Information Services and the Service Director Finance both commented that in relation to Council Tax, Barnsley had a high payment rate. There was probably a need to address the way in which outstanding debts from years ago were recorded particularly when there was very little prospect of such debts

being recovered. An assurance was given, however, that all necessary steps were taken to ensure that where possible debts were recovered and in this context reference was made to the development of Business Units under the Future Council initiative. There was, of course, always room for improvement and discussions would take place, when necessary, within the Senior Management Team in this respect

- A breakdown of the percentage of debt on a year by year basis could be provided for a future meeting
- An explanation was provided of the operational overspend within Children, Young People and Families and of the ways in which this was being addressed
- It was noted that the Accounts and Audit Regulations 2011 had significantly reduced the timeframe allowed for the accounts closure process. Workload issues were also exacerbated by recent staffing reductions and the increasing complexity of the IFRS requirements. It was noted, however, that all necessary requirements had been met and, in addition, the quality of working papers and files submitted for audit had improved. This was a testament to the hard work and dedication of all staff involved. Arising out of this, brief reference was made to succession management arrangements and to the ways in which staffing issues would be addressed in future years
- Reference was made to the arrangements in place to deal with Trust Funds and other Third Party Funds
- An assurance was given that there was no inappropriate expenditure in relation to 'Impairments – Non-Value Adding Expenditure'. An explanation was given as to the various elements contained within this 'heading' and to 'timing issues' which might appear to exacerbate expenditure
- There was a discussion of the increased Housing Revenue Account Balances and to the strategy being developed to attest this issue

RESOLVED:-

- (i) that the Director Finance, Assets and Information Services and Service Director Finance and their respective Teams be thanked for their hard work and dedication in producing the accounts on time and with reduced resources in a reducing time frame; and;
- (ii) that the work that has taken place to prepare the Authority's Draft 2014/15 Statement of Accounts on an International Financial Reporting Standards basis be noted.

19. Draft Annual Governance Statement 2014/15

The Chief Executive, Director of Legal and Governance and Director of Finance, Assets and Information Services submitted a joint report on the Draft Annual Governance Statement for 2014/15.

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 issues arising from the Annual Evaluation which would have to be addressed during 2015/16

The Draft Governance Statement was appended at Appendix 1 and the 2015/16 Action Plan was attached as Appendix 2.

The Committee was given a brief resume of the key issues highlighted. The review of the Authority's Governance, Risk and Control Arrangements in 2014/15 had not identified any fundamental issues and had confirmed the general level of compliance with the Council's Governance and internal Control Framework remained good. The review process had taken into account the action taken against the control issues raised in 2013/14. As the nature of some of the issues were of a longer-term nature these remained in progress and had been carried forward into the 2015/16 list of issues. These issues related to:

- (a) The continued development and embedding of a practical framework to assist in the effective governance and control of the Council's partnerships, contracts and general relationships with external organisations. This was considered of increasing importance in the light of the Future Council transition
- (b) The continued development of a corporate Information Governance Strategy and associated policies/procedures and guidance for implementation across the Council

The whole process was underpinned by the context within which the Council was currently working, the financial and operational environment which would have a significant impact in 2015/16 and beyond. The Council had moved to its new Future Council operating model in April 2015 and this had significantly affected the way services were provided and how business was transacted in the future. It was also acknowledged that without careful management, the inevitable reductions in staff and the reduced capacity to deliver outcomes to the public could have significant implications on the ability of the Council to maintain high levels of compliance across various aspects of the governance, risk and control framework.

It was noted that the Annual Governance Statement was one of the ways in which assurance was provided to residents and other stakeholders (including Partners) that the decision making processes of the Council had integrity. The processes was supported by the provision of assurance information to all Service Directors details of which were outlined. Those Service Directors would then be asked to confirm receipt of this information, confirm the assurance information and agree to implement any identified recommendations with the published timescales. The Action Plan captured all the issues raised through

the review process and formed the basis for the Audit Committee Monitoring throughout the remainder of the year.

The final Statement would be prepared for consideration by this Committee in September prior to submission to Council on the 24th September, 2015.

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

- The work of Mr A Hunt (Risk and Governance Manager) and his team was acknowledged
- There were no significant issues of concern to highlight, however, arising out of the discussion, reference was made to the merger of the former Children, Young People and Families and Adult Services Directorates and to the arrangements in place to ensure that statutory roles and responsibilities were appropriately discharged
- The arrangements in place for the training of newly Elected Members and Officers was noted and arising out of this, reference was made to the need to provide appropriate training to Independent Members on this Committee. The Director of Legal and Governance commented that whilst further development work was required, this matter was, nevertheless, in hand
- The lessons learned from the Casey report were being adopted in the preparation of documentation to ensure that roles and responsibilities of all involved in the provision of services were addressed and particularly as this related to safeguarding. Arising out of this discussion, reference was made to the multi agency approach to safeguarding and within this context reference was also made to the creation by the Police to multi agency safety hubs within each district. It was noted that the Barnsley hub was due to 'go live' in September. An update of these arrangements could be provided for a future meeting.

RESOLVED that the Draft Annual Governance Statement 2015/16 be noted.

20. Internal Audit Quarterly Report 2015/16 – Quarter Ended 30th June, 2015

The Head of Internal Audit submitted a report presenting a comprehensive overview of the key activities and findings of Internal Audit based upon the Division's work to the end of June 2015 being the first quarter of the 2015/16 audit year.

The report covered:

- The issues arising from the completed Internal Audit work in the quarter incorporating, where appropriate, management's response to the recommendations made
- Matters that had required investigation

- An opinion on the ongoing overall assurance Internal Audit were 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 first quarter of 2015/16
- Details of Internal Audit's performance for the quarter utilising performance indicators

Reports issued and internal audit work completed during the quarter had raised two fundamental recommendations both of which were in relation to the absence of up to date business continuity plans following the restructure of the Council and specifically within the IT Service.

Internal control assurance opinion overall remained adequate based upon the results of the work undertaken, however, three reviews had produced limited assurance opinions in relation to Corporate Business Continuity Planning, IT Security Controls and the Accounts Receivable systems.

Of the 14 recommendations followed up 50% had been implemented by the target date and 36% by the revised target date. Two recommendations remained not implemented and had been given a revised implementation date.

A number of matters requiring investigation were still in progress and any control issues identified by Internal Audit had been highlighted for management attention.

In relation to the Audit Plan, more days than the profile had been delivered within the first quarter and more days had been allocated to the Council than to external clients. It was anticipated, however, that this would balance out during the year.

Overall, Divisional performance remained satisfactory with only the chargeable time performance indicator being slightly less than target. This was due to annual, statutory and special leave and training days and time necessary to populate the audit management system as part of the annual planning process.

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

- Action in relation to three issues within Finance, Assets and Information Services had been taken
- An explanation was provided of the 'other work' undertaken by Internal Audit as detailed within Appendix 1 to the report. This gave a flavour of the breadth of the type of work with which the service was involved
- There was a discussion of the investigation and fraud prevention work undertaken and particularly in relation to Council Tax. Within this context reference was made to the changing areas of responsibility and the transfer of fraud investigation for housing benefit to the Department of Work and Pension and their Single Fraud Investigation Service

- Arising out of the above, reference was made to the changes in staffing and to the ways in which this was being addressed. In response to questioning, the Head of Internal Audit commented that he was, nevertheless, confident that the work plan would be delivered
- Reference was made to the appointment of agency workers across the Authority and that there was not always compliance with the Council's guidance regarding the employment of such workers. This matter was being addressed but was not thought to be a major issue. The Head of Internal Audit stated that all agency workers were put through the necessary recruitment processes

RESOLVED

- (i) that the issues arising from the completed Internal audit work for the first quarter 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, 2015 of the 2015/16 audit year be noted;
- (iii) that the progress against the Internal Audit Plan for 2015/16 for the period to the end of June 2015 be noted;
- (iv) that the performance of the Internal Audit Division for the first quarter be noted.

21. Terms of Reference and future arrangements for the Audit Committee

Further to Minute 8 of the previous meeting held on the 10th June, 2015, the Director of Finance, Assets and Information Services submitted a report seeking agreement to a framework for the review of the Terms of Reference and existing governance arrangements for the Committee in the light of Future Council.

A copy of the existing Terms of Reference was appended to the report.

In order to achieve what the Committee required in the future, consideration would have to be given to

- the number and length of formal meetings required to deal with the core business
- the development of a potential workshop/task and finish approach to consider key governance aspects in more detail
- potential options for co-opting further members on specific topics as required
- greater involvement of officers outside the regular support

A suggested draft agenda for the workshop meeting, which it was proposed be held instead of the scheduled November meeting, was attached.

Arising out of the discussion the Chair referred to the new arrangements for the despatch of Committee agenda which would be introduced from the next meeting.

RESOLVED

- (i) that the scheduled meeting on the 4th November, 2015 be used as a workshop to consider the range of issues outlined in the report and that this meeting commence at 2.00 pm
- (ii) that the draft agenda be approved and circulated in advance of the workshop; and
- (iii) that the Director of Finance, Assets and Information Services give further consideration to how Independent Members may gain access to papers for meetings via electronic means.

22. External Audit Reports

(a) Progress Report and Technical Update

Mr Cornett, representing the Council's External Auditor (KMPG) submitted the Progress report and Technical update.

The report:

- Provided an overview of the progress made by the External Auditor in delivering their responsibilities to the Council. At each stage of the audit the Auditor issued certain deliverables including reports and opinions and a summary of progress made against these deliverables was appended to the report
- Gave details of the KPMG resources in relation to
 - The Governance Arrangements work over the Better Care Fund
 - The Better Care Fund Support Programme
 - The Audit Committee Institute – Local Government Seminar Services for Winter 2015
- Highlighted the main technical issues which were currently having an impact on local government and which were being addressed
- An Appendix to the report provided details of the Audit deliverables for 2014/15

The progress report indicated that risk based audit planning for the 2014/15 audit of the financial statements and Value for Money conclusion had been completed. In addition the Audit Plan had been agreed with management.

In relation to the Financial Statements, the interim audit on site had taken place in February 2014 and an Interim Report issued which was to be discussed as the next agenda item. The audit of the draft financial statements had started and would continue throughout July and August and the opinion on the financial statements would be issued by 30th September, 2015.

Work on the Value for Money conclusion had commenced as part of the interim audit and would conclude during the final accounts visit in July/August. The VFM Conclusion would also be issued by 30th September, 2015

The Housing Benefit and Council Tax Benefit Claim was the only grant remaining under the Audit Commission regime. Work on this had started in June and a report would be submitted before the deadline of 30th November, 2015

In relation to other work, work was being undertaken on restructuring of subsidiary groups and the Bull TCL contract termination which would require an additional fee of £16,250.

The Technical Update outlined various issues that were currently having an impact on Local Government and these were 'colour coded' to indicate their potential impact. Particular reference was made to Local Authority Accounting Panel Bulletin 101 in relation to accounting for non-current assets used by the local authority maintained schools. Mr Cornett commented that any issues identified would be picked up through the normal audit process and a further report provided if required.

RESOLVED that the External Audit Progress Statement, Resources Report and Technical Update be received and noted.

(b) Interim Audit Report 2014/15

Mr J Cornett, representing the Council's External Auditor (KPMG) submitted a report summarising the key findings in relation to the 2014/15 financial statements and the work to support the 2014/15 Value for Money Conclusion up to April 2015. He commented that there were no specific issues to highlight and no concerns to raise.

RESOLVED that the Interim Audit Report 2014/15 be noted.

23. Audit Committee Work Plan 2015/16

The Committee received a report providing the indicative work plan for the Committee for its proposed scheduled meetings for the remainder of the 2015/16 Municipal Year.

The Chair reminded Members that the next meeting was to be held on Friday, 18th September, 2015 at 2.00 pm.

RESOLVED that the core work plan for 2015/16 meetings of the Audit Committee be approved and reviewed on a regular basis.

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Chairman