

BARNSELY METROPOLITAN BOROUGH COUNCIL**Audit Committee****18th September, 2015**

Present: Mr S Gill (Vice Chair – in the Chair), Councillors Barnard and Clements together with Co-opted Members – Ms Armitage and Ms Brown and Mr Johnson and Mr Marks.

Councillor Sir Steven Houghton CBE was also in attendance in relation to Minutes 27 and 28.

24. Declarations of Pecuniary and Non-Pecuniary Interest

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

25. Minutes

The minutes of the meeting held on the 22nd July, 2015, were taken as read and signed by the Chairman as a correct record.

26. Actions Arising from Previous Meetings

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

RESOLVED that the report be noted.

27. Report to those charged with Governance (ISA 260) 2014/15

The Committee considered the report of the External Auditor (KPMG) which had been submitted in accordance with International Standard on Auditing 260, the External Audit Annual Governance Report for 2014/15. John Cornett (Director) from KPMG presented the report which incorporated, amongst other things, the following:

- the Headline findings
- the proposed opinion and audit adjustments
- the key financial audit risks and areas of audit focus
- the Accounts Production and audit process
- the current position with regard to the completion of the audit of the financial statements
- the Value for Money Conclusion including the specific Value for Money Risks
- Audit differences
- the Declaration of independence and Objectivity
- Materiality and reporting of audit differences

- The KPMG Audit Quality Framework

He indicated that he anticipated issuing an unqualified audit opinion on the Authority's Financial Statements by 30th September, 2015 following consideration by the Council on the 24th September. He would also report that the Annual Governance Statement complied with guidance issued.

The Audit had identified one audit adjustment relating to the reclassification of a grant between creditors and grants received in advance, therefore, the net impact of the adjustment was nil. The appropriate adjustments had been made to the financial statements. In addition, one presentational adjustment had been identified and this matter had been addressed by the Authority.

No significant risks had been identified specifically to the Authority during 2014/15 with regard to the financial statements, however, Local Authority Maintained schools had been an area of focus during the year. The External Auditor had reviewed the accounting treatment for Local Authority Maintained Schools and confirmed that there were no significant matters arising as a result of this work.

The Authority continued to have good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt with queries efficiently and the audit process had been completed within the required timescales. The Finance Team, Mr N Copley, Service Director Finance, and Mrs F Foster, Director of Finance, Assets and Information Services and their staff were thanked for their assistance and support.

All work on the financial statements was substantially complete subject to the receipt of approved financial statements and signed management representation letter.

The External Auditor had identified financial resilience as a Value For Money risk in the external audit plan for 2014/15 and work had continued with officers throughout the year to discuss this risk. Information about this was contained within the report but there were no matters arising as a result of this work. It had been concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In the circumstances it was anticipated that an unqualified VFM conclusion would be issued by 30th September, 2015.

The presentation engendered a full and frank discussion during which matters of a detailed and general nature were raised and answers were given to Members questions where appropriate.

The following issues were referred to:

- There was a discussion of the financial resilience in terms of Value For Money risk, with reference to the level of reserves and whether or not this was appropriate within the context of the Authority's medium Term Financial Plan. The External Auditor confirmed the view that reserves

were in line with the assumptions based in the Medium Term Financial Plan and, therefore, appropriate

- Arising out of the above the Leader of the Council specifically referred to the Council's financial commitments particularly in relation to the funding of the Town Centre improvements, to the use of reserves and to the long term financial implications for the Authority in the light of potential future government decisions in relation to grant aid which was likely to raise significant challenges
- In response to detailed questioning the Service Director Finance confirmed that there were no significant issues arising from the financial adjustments which had been required and that this merely related to the reclassification of grants received
- Reference was made to the changing approach to risk management, to the classification of risk and the manner in which this was addressed. It was noted that this was a significant issue for all authorities within the current financial climate and local authorities were likely to be challenged as financial reductions impacted on service provision
- The liaison arrangements between Internal Audit and Risk Management to ensure appropriate compliance and support were outlined.
- In response to detailed questioning, the Head of Internal Audit referred to staffing levels and to action taken to ensure they remained appropriate.
- Mr J Cornet gave details of the three levels of Quality Assurance undertaken by KPMG

RESOLVED:-

- (i) that the External Auditor's Report 2014/15 be received and referred for consideration by the Council to be held on the 24th September, 2015;
- (ii) that the Auditor's findings on the effectiveness of the Council's internal controls and his conclusion on the Council's arrangements for securing Value for Money be noted;
- (iii) that the Committee place on record their thanks and appreciation to the hard work of the External Auditor and the Director of Finance, Assets and Information Services and their respective Teams in this process.

RECOMMENDED TO FULL COUNCIL ON THE 24th SEPTEMBER:-

- (i) that the External Auditor's Draft Annual Governance Report 2014/15 be approved;
- (ii) that the findings on the effectiveness of the Council's internal controls and his conclusions on the Council's arrangements for securing Value for Money be noted; and
- (iii) that the findings from the audit work in relation to the 2015/16 financial statements be noted and accordingly, the final accounts 2015/16 be approved.

28. Annual Governance Statement 2014/15

Further to minute no 19 of the previous meeting held on the 22nd July, 2015, the Committee considered a joint report of the Director of Legal and Governance and Director of Finance, Assets and Information Services on the final Annual Governance Statement for 2014/15, requesting the Committee to refer it to the Council for consideration and adoption as part of the process for approving the 2014/15 Statement of Accounts. A copy of the Statement was appended to the report.

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

- the final Statement was substantially the same as the draft submitted to the previous meeting and provided an assurance that the Authority had appropriate procedures and processes in place
- Reference was made to the action being taken by the Authority following the Casey report into corporate governance which would ensure that all the necessary procedures and processes were in place. The Director of Finance, Assets and Information Services referred to the role of the Senior Management Team in this respect. It was also suggested that consideration be given to the involvement of Voluntary Agencies in any review
- The Service Director Governance and Member Support briefly explained the arrangements the Authority had in place to ensure that Members and Officers standards of behaviour was appropriate and was maintained. In this respect reference was made to the Codes of Member and Employee conduct, although if fraud or other criminality, for example, was suspected, this would be referred for investigation through the normal arrangements.

RECOMMENDED TO FULL COUNCIL ON THE 24th SEPTEMBER: that the final Annual Governance Statement 2014/15 be approved and adopted.

29. Corporate Anti-Fraud Team Progress Report

The Head of Internal Audit submitted a report providing details of the work of the Corporate Anti-Fraud Team for the period 1st April to 1st September, 2015.

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

The positive impact the Team was having in tackling fraud was very much welcomed and whilst the results of the Team's work were relatively modest so far, significant results were expected in the latter part of the year.

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

- The number of cases, workload and agencies in which the Team was involved
- The use of an external organisation (and rationale for the use) to assist with the verification and investigation into claims for Single Person Discount. In response to specific questioning, the Head of Internal Audit briefly commented on the arrangements in place to ensure due diligence. A report on the first 'tranche' of the work undertaken would be provided for the next meeting. Arising out of the discussion reference was also made to the importance of maintaining the reputation of the Council
- The liaison arrangements in place with other organisations/agencies to pursue fraud enquiries
- Particular reference was made to the types of investigation undertaken and the reasons for not pursuing some cases due to insufficient evidence
- The arrangements in place to provide 'reminders' to residents of the need to keep personal information up to date
- Particular reference was made to the potential for fraud associated with Right to Buy and the implications this had for the Authority
- In response to specific questioning, reference was made to
 - the corporate investigations in relation to a review of a recruitment exercise. It was noted that no issues had been identified as a result of this investigation other than an improvement in compliance
 - a data match investigation which had revealed certain overpayments
- it was noted that generally, residents within the Borough had an excellent record in reporting changing circumstances

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.

30. Corporate Financial Performance – Quarter Ended 30th June, 2015

The Director of Finance, Assets and Information Services submitted, for information and comment, a report that had been submitted to Cabinet on the 9th September, 2015 on the financial performance of the Authority during the quarter ended 30th June, 2015 (including the progress made against agreed savings targets) and assessing the implications against the Council's Medium Term Financial Strategy (MTFS) and Reserves Strategy.

The report, which outlined the key headline messages, had been produced in a new format which would hopefully assist Members in assessing financial performance.

In the ensuing discussion reference was made to the following:

- in response to queries about the reporting timeframe and the need for the most 'up to date/real time' financial information, Director of Finance, Assets and Information Services explained the rationale for the submission of the information. Any matters of material significance would be reported as a matter of urgency
- there was a discussion of debt management and specifically in relation to bad debts and to debt recovery. Information in relation to the write off of historic debt could be provided. It was noted that the next report to Committee would give an indication of changes to levels of debt. Arising out of this discussion, the Service Director Finance commented that Authority had a 99.5% collection record in relation to Council Tax. It was suggested that the report should provide a comparator to previous months as this would assist in determining the progress made in debt recovery matters
- the Director of Finance, Assets and Information Services commented that the new format of reports presented additional information that had previously not been made available
- reference was made to the issues associated by budget overspends particularly where services were demand led. The Director of Finance, Assets and Information Services commented that such matters were under constant review
- Reference was made to the potential impact on the Council's Reserves Strategy and particularly in relation to the impact of the New Homes Bonus
- There was a further discussion of the Council's Reserves Strategy a report on which could be provided for a future. It was considered that this might be particularly pertinent following the November Comprehensive Spending Review
- Reference was made to the corrective action proposed within the Place Directorate in order to meet the budget reduction proposals and to the implications of presenting mitigating alternative proposals in order to meet savings targets. The Director of Finance, Assets and Information Services commented that this matter was under review as were all savings proposals. In this particular case, however, there were no issues of concern. The Service Director Finance stated that the

savings proposals were possibly not articulated well enough and this matter would be addressed in all future reports

RESOLVED

(i) that the report on the Corporate Financial Performance for the quarter ended 30th June, 2015 be received and the new format or report be welcomed; and;

(ii) that reports be submitted to future meetings on the Council's Reserves Strategy and on Debt Recovery.

31. Capital Programme Performance – Quarter ended 30th June, 2015

The Director of Finance, Assets and Information Services submitted, for information and comment, a report which had been submitted to the Cabinet on the 9th September, 2015 on the financial performance of the Council's Capital Programme during the quarter ended 30th June, 2015 and assessing the implications against the Council's Medium Term Financial Strategy (MTFS) and Reserves Strategy.

The report, which outlined the key headline messages, had been produced in a new format which would hopefully assist Members in assessing financial performance.

In the ensuing discussion reference was made to the following:

- It was noted that there were no major issues to report
- In response to questioning, the Service Director Finance gave details of the role of the Capital Programme Oversight Board which was charged with the effective management of the Capital Programme. The Chair of the Board was the Executive Director Place and details of the Terms of Reference could be provided for the Committee

RESOLVED that the report on the Capital Programme Performance for the quarter ended 30th June, 2015 be received and the new format of report welcomed.

32. Treasury Management Activities and Investment Performance – Quarter Ended 30th June, 2015

The Director of Finance, Assets and Information Services submitted, for information and comment, a report which had been submitted to Cabinet on the 9th September, 2015 updating the Committee on the Treasury Management Activities and Investment Performance as at 30th June, 2015.

The report had been produced in a new format which would hopefully assist Members in assessing whether or not the Council was implementing best practice in accordance with the CIPFA Code of Practice for Treasury Management.

In the ensuing discussion reference was made to the following:

- Information was provided on the awarding of a contract for the provision of Treasury Management Services and on the rationale for this
- Arising out of the above, reference was made to the work which would be undertaken by Treasury Management Advisors
- The difficulties of Investment Benchmarking were outlined and in this respect reference was made to the information contained within Appendix 5. These difficulties were largely as a result of the alternative risk 'appetite' of differing authorities and to factors detailed within the Treasury Strategy. The Director of Finance, Assets and Information Services stated that the Authority was within the parameters predicted

RESOLVED that the report on Treasury Management Activities and Investment Performance as at 30th June, 2015 be received and the new format of report be welcomed.

33. External Audit Progress Report and Technical Update

Ms L Wild, representing the Council's External Auditor (KPMG) 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 Local Government Seminar Series – Winter 2015 to be held in Leeds on the 15th October, 2015 invitations for which had been sent out
 - The KPMG Publication entitled 'Value of Audit – Perspectives for Government)
- 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. The audit of the draft financial statements was almost complete and the ISA260 report had been presented to Committee today with a view to the issuing of the opinion on the financial statements by 30th September, 2015.

The Housing Benefit and Council Tax Benefit Claim was the only grant remaining under the Public Sector Audit Appointments regime (PSAA) and work had commenced on this audit in June. 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. Work was also being undertaken in relation to grants falling outside the PSAA regime in relation to the Teachers Pension Return, National Teacher Training and Pooling of Capital Receipts. The audit fees for these claims and returns were to be agreed with officers.

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.

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

34. 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 Committee was reminded that the November meeting would commence at 2.00 pm and would take the form of a workshop focussing on the Terms of Reference and future working arrangements for the Committee.

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