

MEETING:	Audit Committee
DATE:	Wednesday, 23 March 2016
TIME:	4.00 pm
VENUE:	Reception Room, Barnsley Town Hall

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

49. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

50. MINUTES

The minutes of the meeting held on 20th January 2016 were taken as read and signed by the Chair as a correct record.

51. ACTIONS ARISING FROM THE PREVIOUS MEETINGS

The Head of Internal Audit submitted a report detailing actions taken and arising from previous meetings of the Committee.

RESOLVED that the report be noted.

52. INTERNAL AUDIT CHARTER AND STRATEGY

The Head of Internal Audit submitted a report prefacing the annually reviewed and revised Internal Audit Charter and Strategy. It was explained that there is a requirement to review the strategy annually and that this is a generic charter and strategy. There are no significant changes other than it is now more explicit regarding the delivery of the function in line with the risk profile of client organisations, linked to financial pressures. The service constantly strives to ensure that management are supported in the correct way using a 'right first time' approach. As the risk profile of the Council changes in the medium and long term it will be essential to ensure that the right resources are in place to deliver that work. This will be reviewed and monitored. It was highlighted that last year's relationship with organisations and services has been reflected upon. Effective face to face communication with Managers is essential rather than relying on email communication.

The Audit Committee considered the Internal Audit Charter and Strategy and raised a number of questions.

A member referred to client organisations who receive an internal audit functions and queried if providing this level of service was a significant drain on resources. Reassurances were given that the external income generated more than covers costs and has paid for Council savings in past years. Furthermore, the 18 FTE staff

have the capacity and flexibility to deliver this level of service to external organisations whilst also fulfilling the Council's requirements. If extra capacity was needed a recruitment exercise would be undertaken. Organisations such as the Police have their own mechanisms to investigate potential fraud although the Corporate Anti-Fraud Team (CAFT) can act in an advisory capacity.

A query was raised regarding the difference between the audit work undertaken on behalf of the South Yorkshire Police Chief Constable and the South Yorkshire Police and Crime Commissioner. It was explained that there is a slightly artificial distinction between the two bodies but that each is required to produce an annual governance statement and statement of accounts. Both bodies use the same internal auditor and have the same audit committee and will in the future be managed as a whole.

A Member asked if the changing balance of work as schools convert to academies would lead to a significant loss of work and associated risk to the function. It was reported that there will be no loss of work as schools comprise only a small percentage of audit work. However, this could be an opportunity to develop a marketing strategy to offer internal audit services to schools using the function's existing expertise and experience. Similarly, the amount of work carried out for the Sheffield City Region (SCR) is small at the moment but is likely to increase in the future.

It was explained that the impact of budget changes and future pressures is closely monitored to ensure that resources are adequate to provide an effective service. The level of financial resources available governs the number of people and days which can be applied to the audit function. If less resources are available a risk based approach is used. The views of External Audit have been sought regarding level of resources but there is no formula to determine this. The service provided is of high quality, competitively priced and in line with other local authorities. Further opportunities to work for external organisations are explored.

A query was raised regarding the Corporate Anti-Fraud Team (CAFT) 600 allocated days. It was explained that this focussed on the needs of the Council, although the service could be provided to external clients if required. The Police and Fire Service have their own internal mechanisms for dealing with fraud, although the CAFT can act in an advisory capacity.

Members were satisfied that the Internal Audit Charter and Strategy adequately represented and described the function and that the delivery of the Strategy provided the assurances the Committee require from Internal Audit regarding the effectiveness of the function.

RESOLVED:

- (i) That the report be noted.

53. CORPORATE ANTI-FRAUD TEAM 2016/17 PLAN AND STRATEGY

The Head of Internal Audit submitted a report detailing the support provided to the Council by the Corporate Anti-Fraud Team together with an updated Corporate Anti-Fraud Team Strategy and a summary of the proposed counter fraud plan for 2016-17.

It was explained that the key aim of the strategy is to ensure that public funds entrusted to the Council are protected against fraud and loss based on the three key themes of Acknowledge, Prevent and Pursue. Recent successes include an additional £333,256 of Council Tax income through removal of fraudulent Single Person Discounts together with identification of £136,000 of overpayments via the National Fraud initiative data matching exercise.

Members were assured that the CAFT will not focus solely on citizen fraud but will also focus on corporate fraud, including value for money, invoices etc. Staff will need to be trained to detect fraud, particularly within Berneslai Homes. The current level of fraud is not known as the Audit Commission previously collated this information. Benchmarking data will now be collected.

RESOLVED:

- (i) That the CAFT plan 2016/17 and supporting strategy is agreed, acknowledging the need for the Head of Internal Audit to exercise his professional judgement during the year to apply the plan flexibly, allowing for planned proactive/detective days to be diverted to reactive investigation work as required.
- (ii) that the Audit Committee receive quarterly monitoring reports from the HoIA to demonstrate progress against the plan including information where the plan has materially varied from the original plan.

54. PUBLIC SECTOR INTERNAL AUDIT STANDARDS - EXTERNAL COMPLIANCE ASSESSMENT 2016

The Executive Director Finance, Assets and Information Services submitted a report detailing the recent external assessment of the Internal Audit arrangements for BMBC against the Public Sector Internal Audit Standards (PSIAS).

Mark St Romaine IPFA from Bradford City Council, who carried out the review, was welcomed to the meeting and gave an overview of the assessment. He explained that Barnsley Council Internal Audit Services 'generally conforms' to the Public Sector Internal Audit Standards and Code of Ethics, which is the top rating within the Standards.

A number of suggested areas for improvement were outlined together with action proposed to address them. It was highlighted that Barnsley issues fewer reports than neighbouring authorities. It was explained that this could be due to a number of reasons, including that some pieces of work do not require a formal report. What is important is the quality of the work taking place, not the number of reports produced.

The review was carried out rigorously and confirmed compliance against the standards.

RESOLVED

- (i) that the content of the report be noted, and that;
- (ii) Internal Audit staff and Mark St Romaine be thanked for the professional manner in which the review was conducted

55. REVIEW OF THE AUDIT COMMITTEE WORKSHOP AND DRAFT ACTION PLAN

The Executive Director of Finance, Assets and Information and the Executive Director of Legal and Governance submitted a joint report regarding the updated action plan, as requested by the Committee at its meeting on 20th January 2016 for consideration by the Audit Committee. It was noted that some returns for items 'a' and 'b' are still awaited and that items 'h', 'l', 'j' and 'l' are due to be implemented for the new Municipal year.

RESOLVED:

- (i) That the report be noted and agreed and that;
- (ii) the Audit Committee receive regular reports on progress.

56. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE

Ms C Partridge, Director (KPMG) and Ms L Wild, Manager, (KPMG) were welcomed to the meeting and provided the Audit Committee with an external audit progress and technical update, detailing progress in delivering their responsibilities as external auditors whilst also highlighting the main technical issues currently impacting on local government. No concerns have been raised. It was reported that the interim report will come back to the Audit Committee once value for money planning stages have been completed. A Member noted that fees have reduced by 25% but was assured that as this was built in 3 years ago, this will have no impact on coverage and a high quality audit opinion will still be provided. If any significant issues were found, a further additional fee would be requested in accordance with Public Sector Audit Appointments.

RESOLVED:

- (i) That the report be noted.

57. EXTERNAL AUDIT PLAN 2015/16

Ms C Partridge, Director (KPMG) provided the Audit Committee with a copy of the External Audit Plan for 2015/16. The report supplemented the Audit Fee Letter 2015/16. It was highlighted that there are no significant changes to the Code of

Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the Authority needs to comply with. The team had changed but a seamless service was still provided. There are now 3 new sub-criterion in respect of achieving value for money, as set by the National Audit Office for NHS organisation, other Local Authorities and private sector organisation. Consolidation of subsidiaries and Minimum Service Provision have been identified as significant risks. The former, which is not a materiality issue, will be audited and the latter will come to the next Audit Committee meeting.

RESOLVED:

- (i) That the report be noted.

58. EXTERNAL AUDIT - LOCAL GOVERNMENT BUDGET SURVEY

KPMG provided the Audit Committee with a copy of the Local Government Budget Survey, published in February 2016. The report provides the results of the survey responses along with a brief analysis of the highlights, including extra information provided by audit teams where appropriate and possible questions that Members may wish to consider in the context of their own organisations.

It was highlighted that this is a very useful document which is being used by Barnsley as a 'check and challenge'

RESOLVED:

- (i) That the KPMG representatives be thanked for their attendance and contribution, and
- (ii) That any comments are fed back to KPMG directly or through Frances Foster, and
- (iii) That Members note that the issue of reserves (question 12) will be brought to the next meeting.

59. 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 2016/17 municipal year, up to and including the meeting scheduled for 18th January 2017. The Chair felt that a 1 hour training session should take place prior to the meetings on the 1st, 2nd and 3rd months to look at an issue in detail (3 p.m. start) and that the 4th meeting should be a full training day.

RESOLVED

- (i) That Members agree the core work plan for meetings of the Audit Committee, which will be reviewed on a regular basis, and

- (ii) That Members give thought to future training topics which could be included in the training programme.

60. EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED:

- (i) That the Public and Press be excluded from this meeting during the consideration of the following item 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.

61. INTERNAL AUDIT PLAN 2016/17

The Head of Internal Audit submitted a copy of the Internal Audit Plan 2016/17 to the Audit Committee. The report detailed the indicative Internal Audit plan for the Council for 2016/17 which had been compiled in accordance with the Public Sector Internal Audit Standards (PSIAS).

The report indicated that the overall level of resources remained similar to last year and had been developed through extensive consultation and the HoIA indicated that input from SMT and others had been excellent.

The Audit Committee acknowledged the need for the HoIA to exercise his professional judgement during the year to apply the Plan flexibly according to priority, risk and resources available.

RESOLVED:

- (i) That the report be agreed, and
- (ii) That the Audit Committee receive quarterly monitoring reports from the Head of Internal Audit to demonstrate progress against the plan, including information where the Plan has materially varied from the original plan.

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Chair