



BARNSELY METROPOLITAN BOROUGH COUNCIL

Audit Committee

12th December, 2012

54. **Present:** Councillors Hayward (Chairman), Barnard and D Green together with Co-opted Members – Ms D Brown and Messrs Ellis, Johnston, Lunn and Marks

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

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

56. **Minutes**

The minutes of the meeting held on the 7th November, 2012 were taken as read and signed by the Chairman as a correct record.

57. **Actions Arising from Previous Meetings**

The Assistant Executive Director Finance (Audit and Risk Management) submitted a report detailing actions taken and arising from previous meetings of the Committee.

The Assistant Director provided further information with regard to Auditee Feedback where this had been noted as 'acceptable' and he explained the reasons why it was Internal Audit practice to discuss only 'poor' comments with the relevant audit sponsor.

Work was progressing on the report on the review of Hackney Carriage and Private Hire Vehicle Licensing and Vehicle Testing and reports were to be presented to Cabinet and Council in the near future. In addition, the report would be submitted to this Committee following consideration by Cabinet. Arising out of the above, Mr D Murray (KPMG) commented on a meeting held this morning with the Head of Regulatory Services at which progress had been discussed.

The Assistant Director commented that the briefing sessions on various aspects of Information Governance would be arranged in the near future.

RESOLVED that the report on action arising from the previous meeting be noted.

58. **External Audit – Annual Audit Letter 2011/12**

Mr D Murray (KPMG) gave a brief update of the current position with regard to the transfer of the external audit function from the Audit Commission to KPMG. It was anticipated that there would be very little

impact, if any, on the Authority but a meeting had been arranged between KPMG representatives and the Chief Executive and the Acting Executive Director (Finance) to discuss future working arrangements.

The Committee then received the Audit Commission's Annual Audit Letter for 2011/12 which summarised the key messages from the audit, commenting on the financial statements and annual governance report and giving a progress report on the two recommendations made under Section 11(3) of the Audit Commission Act 1998.

Following the Council meeting on the 28th September, 2012, an unqualified opinion had been issued on the Authority's 2011/12 financial statement which was included in the Council's Statement of Accounts. In addition, it had been concluded that proper arrangements had been made to secure economy, efficiency and effectiveness in the use of resources. Completion of the Audit had been certified on the 5th October, 2012.

Mr Murray commented further on the progress made in addressing the recommendations made in accordance with Section 11(3) of the Audit Commission Act 1998 in relation to Hackney Carriage and Private Hire Vehicle Licensing and Vehicle testing. Arising out of this discussion, particular reference was made to the following:

- The timescales for the submission of the report on the review to Cabinet and to Council and to the possible reasons for the delay which was largely to enable all parties to be appropriately briefed and to the fact that the scope of the review was greater than originally suggested by the District Auditor. Mr Murray suggested that the wider scope of the review reflected positively on the Authority's intent to address issues raised
- It was noted that a briefing with the Chair and Vice Chair of the Licensing Regulatory Board had been held on the 10th December, 2012
- It was anticipated that the report would be submitted to Cabinet on the 16th January and to Council on the 28th February, 2013
- It was impossible to say whether or not the review of the Licensing service would prevent further challenges to the audit of accounts but this should help to address any such challenges

In conclusion, Mr Murray stated that the contents of the Audit Letter had been discussed with the Chief Executive and the Acting Executive Director (Finance). He felt that this had been yet another challenging year for the council and he wished to thank all staff for the positive and constructive approach given to this year's audit. He also wished to thank all senior management and members for their support and co-operation. It was also the last audit undertaken as part of the Audit Commission's

Audit Practice and thanks were extended to everyone for the continued positive and constructive approach they had taken to the audit over the years.

RESOLVED:

- (i) that the report and presentation of the key findings from the District Auditor be received; and
- (ii) that the Committee place on record their thanks and appreciation of the services of Messrs Murray and Chambers in undertaking the audit over the years and extend to them best wishes for the future with KPMG.

59. Annual Governance Statement Action Plan - Update

The Assistant Executive Director (Finance) (Audit and Risk Management) submitted a report supporting the updated action plan relating to the issues identified in the Annual Governance Statement for 2011/12.

The Action Plan was attached to the report and had been last reviewed by this Committee in September.

Generally progress had been made against all actions identified and two of the issues raised in the Annual Governance Statement had been completed. A summary of these actions was detailed within the action plan.

In the ensuing discussion, the following issues were raised:

- it was noted that in relation to the IT Disaster Recovery all outstanding actions were now complete. The Senior Management Team were also to receive and agree the updated Strategic Risk Register which would include the risks identified. Arising out of the above, there was a brief discussion of the balancing of risk of data loss against costs associated with the prevention of such risks. This issue would be picked up within the revised Strategic Risk Register that was currently being updated and would be submitted to Committee shortly
- A 'high level' workplan was being prepared to ensure that the key Information Governance priorities were included in the overall workplan and priorities of the Information Service function.
- It was pleasing to note that as of mid November nearly 60% of live employee personal files had been scanned to the Authority's central document archive facility in accordance with Information Governance requirements. This would ensure the appropriate maintenance and security of all employee records. An explanation of the way in which such work was undertaken was provided. It was noted that whilst this was a slow process, steady progress had,

nevertheless, been made within the resources available. Consideration would have to be given at some future date as to whether or not former employee records would be digitised.

- The Review of Contract Standing Orders was nearing completion and the Borough Secretary was confident that the agreed timescales would be adhered to. The Acting Executive Director commented that a report was currently being prepared for consideration by Cabinet on a change of the financial 'limits' and this was 'tied in' to the review of Standing Orders. A report on the review would be submitted to this Committee in due course.

RESOLVED that the report and the progress being made against each item in the Action Plan be noted.

60. Review of Ombudsman Complaints 2011/12

The Borough Secretary submitted a report giving an overview of the position with regard to complaints against the Authority submitted to the Ombudsman for the financial year 2011/12.

The Ombudsman's Annual Letter and report were appended to the report of the Borough Secretary.

The following matters were highlighted:

- In 2011/12 there had been 80 enquiries and complaints which represented a small reduction from the previous financial year. Of these, 25 had been classed as premature (the complainant not having gone through the Council's Complaints process prior to contacting the Ombudsman); advice was given on 15 complaints; 7 complaints were resubmitted to the Ombudsman following progressing through the Council's Complaints process; 33 were submitted to the investigative team for further review
- The average number of days to respond to first enquiries was 30.1 days compared to the previous three years which had been within 30 days.
- 55 decision on complaints against the Council had been made as follows:
 - Outside Ombudsman's Jurisdiction - 14
 - Local Settlement – 5 (Injustice remedied during enquiries) – this compared to 10 in 2009/10 and 3 in 2010/11. Brief Details of the Local Settlements were detailed within an appendix to the report.
 - No further action required - 36

In summary, it was noted that relatively few of the complaints which were subject to consideration by the Ombudsman's Investigation Team identified any failing or weakness in approach within the Council. In those small number of cases where the Council may have been found

wanting, the extent of any injustice caused to the complainant had been limited.

It was pleasing to note that there was nothing arising from any complaints to the Ombudsman for the financial year 2011/12 which raised any wider internal control of governance issues which impacted upon the role of the Audit Committee.

RESOLVED that the report be noted

61. Risk Management Update Report 2012/13

The Assistant Executive Director (Finance) (Audit and Risk Management) submitted a report outlining the progress made to date in 2012/13 towards the achievement of the goals set out in the Authority's Risk Management Policy, signposting further work to be undertaken within the year and seeking to provide suitable assurance that the Risk Management Framework remained fit for purpose.

The Zero Based review of the Strategic Risk Register was in hand and would be submitted to Senior Management Team for consideration and discussion.

Risk Champion meetings were continuing to be held and assisted in further embedding a culture of Risk Management across the Authority. In addition, significant improvements in the Authority's Risk Management system were envisaged to be delivered later in 2013. It was hoped that this would benefit users of the system in terms of the overall look, functionality and usability.

Robust training and awareness programmes were continuing to be delivered and developed throughout 2013 for both Elected Members and officers which was complemented by the planned roll out of an 'Introduction to Risk Management' E-Learning package later in that year.

The likely impact of the various restructures across the authority in terms of risk was touched upon and ongoing liaison was continuing to ensure that the implications of risk were taken into account and risks suitably addressed and minimised. The Risk Management Workplan for 2012/13 had been regularly updated and provided details of the activities being undertaken by the Section and was available for inspection upon request.

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

- The benefits to be gained following the introduction of the updated Risk Management System. Arising out of this, there was a brief discussion of the ways in which the current system operated and the feedback received from users of the service

- There was a discussion of the management/identification of risk via P2.net, the Authority's Project Management System
- The way in which risk would be identified and managed as a result of the Future Council project and the greater involvement of Partners/Partnerships was highlighted. The potential risks were touched upon as were the ways in which these would be appropriately handled

RESOLVED:

- (i) that the report on the Risk Management Update and the assurances provided as part of the overall consideration of the Authority's Control Framework for the purposes of the Annual Governance Statement be noted; and
- (iii) that the Committee continue to receive periodic reports during the year to monitor the progress in achieving the actions identified for 2012/13.

62. Fraud Management - Update

The Assistant Executive Director (Finance) (Audit and Risk Management) submitted a report giving details of the progress and information in the development of arrangements to effectively assess and manage the risk of fraud and corruption.

The report highlighted the progress made since the submission of the Annual Fraud report to the meeting in June 2012 and indicated that the Framework served as a key vehicle through which anti-fraud and corruption activity was identified and managed.

The Annual Fraud report 2011/12 had included an action plan and an update was attached as appendix 1 together with an updated list of completed actions. A further appendix provided an updated list of completed actions and both documents outlined continuing good progress.

A summary of the key priorities was outlined and would be updated for the committee within the next report submitted in approximately six months time.

The detailed action plan would be updated and maintained regularly and would be available for perusal for members of the Committee.

A number of investigations were ongoing and would be included in more detail in the Internal Audit Quarterly report. Internal Audit had made positive moves to increase resources targeted at prevention and detection of fraud rather than investigations. The 2012/13 annual fraud risk self assessment process was due to commence shortly and the results would be utilised to undertake proactive anti-fraud audits.

It was noted that advice, guidance and instruction was still being offered to managers on matters of fraud and fraud prevention in addition to giving support in dealing with their own investigations.

The report went on to outline the work undertaken in relation to the National Fraud Initiative. In May 2012 the Audit Commission had published a briefing for members which included a checklist of key questions based around five key areas:

- The NFI in our Council
- Maximising Results
- Broadening our Council's engagement with the NFI
- Data Security
- The NFI fit with wider counter-fraud policies.

A completed draft response had been prepared by Internal Audit and which was attached as Appendix 3 and upon which Members views was sought. The initial outcome was that whilst the approach to NFI was good, there were a number of areas where further improvements could be made and these were outlined within the report.

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

- The role of the Chair of this Committee in acting as lead Member for counter-fraud activity, including the NFI, was noted
- The involvement of the Council (as well as a number of other West and South Yorkshire Councils) in a pilot Personal Budget data matching exercise was noted. This engendered a discussion of the increasing importance and collective benefits to be obtained from data sharing, system integration and use of information technology
- The rising profile of the National Fraud Initiative was noted
- The audit plan allowed for 25 days for the involvement in the NFI. This continued to grow but it was noted that every case referred was examined for potential fraud and was pursued as far as was economically viable within available resources where it was considered that corrective action was required. It was also noted that officers were noted for taking a robust approach in this

RESOLVED:-

- (i) that the progress made in the development of effective arrangements and measures to minimise the risk of fraud and corruption and the completed NFI checklist appended to the report now submitted be noted; and
- (ii) that the Committee receive 6 monthly progress reports on the implementation of the identified key actions.

63. Annual Review of the Effectiveness of Internal Audit

The Assistant Executive Director (Finance) (Audit and Risk Management) submitted a report providing an update on the progress made in addressing the issues identified within the Action Plan arising from the Annual Review of the effectiveness of the Internal Audit function.

An Appendix to the report provided an Action Plan outlining the progress on issues identified. With the exception of an issue relating to External Audit, all the areas identified for improvement/action had been addressed. It was noted that the handover to the new External Auditor had taken longer than anticipated, however, a meeting was scheduled for mid December in order to address the issue raised.

The Code of Practice of Internal Audit was one of the key elements of the review of the Internal Audit effectiveness and it was noted that this standard was to be replaced with new Public Sector Internal Audit Standards. The Service was currently assessing compliance against these new standards and the changes that may need to be reflected within the Internal Audit Charter and Strategy.

RESOLVED that the progress made in implementing the actions as contained within the updated Consolidated Internal Audit Action Plan be noted.

64. Audit Committee Work Plan 2012/13

The Assistant Executive Director (Finance) (Audit and Risk Management) submitted a report providing the indicative work plan for the Committee for its proposed scheduled meetings for the remainder of the 2012/13 municipal year.

RESOLVED that the core work plan for 2012/13 meetings of the Audit Committee be approved and reviewed on a regular basis.

At the conclusion of the meeting, the Chairman, Councillor Hayward, thanked Elected Members, Co-opted Members and Officers for their hard work and dedication to this Committee during 2012 and he wished them all best wishes for a Merry Christmas and a Happy and Prosperous New Year.

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Chairman