

BARNSELY METROPOLITAN BOROUGH COUNCIL**Audit Committee****6th November, 2013**

44. **Present:** Councillors T Sheard (Chairman) Barnard P Birkinshaw and D Green together with Co-opted Members – Messrs Johnston, Lunn and Marks.

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

Councillor T Sheard (Chair) and Mr M Lunn declared non-pecuniary interests in any items relating to Berneslai Homes in view of their membership of Berneslai Homes Board.

46. **Minutes**

The minutes of the meeting held on the 20th September, 2013 were taken as read and signed by the Chairman as a correct record.

47. **Actions Arising from Previous Meetings**

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

Members were reminded that a series of briefing sessions had been organised on various aspects of Information Governance. Public Health functions (including Strategic Risk Register and Clinical Governance arrangements) and the Strategic Risk Register prior to meetings of the Committee later in the year.

An update on Internal Audit Reports which had been outstanding for more than six months was included within the Internal Audit Quarterly report to be considered later in the meeting.

In addition, the meeting with the Chair of the Overview and Scrutiny Committee and Task Group Leads with the Chair and Vice Chair of this committee was to be held on the 12th November, 2013. .

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

48. **External Audit - Annual Audit Letter 2012/13**

The Committee received the Audit Commission's Annual Audit Letter for 2012/13 which summarised the key messages from the audit,

commenting on the financial statements and the Value for Money Conclusion.

The External Auditor had issued an unqualified Value for Money conclusion for 2012/13 on the 27th October, 2013. The financial governance, financial planning and financial control processes had been examined as had the prioritisation of resources and the improvements in efficiency and productivity. The Auditors were, satisfied that there were proper arrangements in place for securing financial resilience and for challenging how the Authority secured economy, efficiency and effectiveness.

The Audit Plan had identified Digital Region as a significant risk to the Value for Money conclusion, however, the arrangements in place to mitigate risks were noted and it had been concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in respect of its involvement in Digital Region during the year.

It was noted that an unqualified opinion on the financial statements had been issued on the 27th October, 2013. Overall the quality of the accounts submitted to audit continued to be good with only three audit adjustments (relating to the classification of information in the detailed notes and having no impact on the net worth of the Authority) being required which were corrected by management. In addition, the Annual Governance Statement had been reviewed and this had been deemed to be consentient with the Auditor's understanding of the Authority.

There were no issues to raise in relation to the Whole of Government Accounts as the Authority's consolidation pack was consistent with the audited financial statements.

One high priority recommendation had been raised in relation to the need for the South Yorkshire Authorities to commission an independent review of Digital Region and for Barnsley to ensure that appropriate arrangements were in place to manage the closure of Digital Region so as to minimise the financial impact on the Authority. This recommendation was detailed within Appendix 1 to the report together with the Action Plan agreed by management. The External Auditor would follow this matter up as part of the 2013/14 audit work.

As previously reported, it was not possible to close the audit and issue the certificate of completion until the approach to an objection to the accounts in relation to various taxi licensing issues had been determined. In response to detailed questioning, the Assistant Chief Executive (Legal and Governance) stated that he had responded comprehensively to the Auditor on this objection. This response was now being considered by the External Auditor who was not in a position, at this stage, to say when the audit would be closed or what other measures would have to be considered.

Reference was made to the Audit Fees, details of which were provided within Appendix 3 to the report. It was noted that fees were still subject to final determination due to the additional work on Digital Region and the objection to the accounts.

RESOLVED:

- (i) that the report and presentation of the key findings from the External Auditor be received; and
- (ii) that the Committee place on record their thanks and appreciation of the services of Mr D Murray and Ms R Lindley in undertaking the audit.

49. Internal Audit Quarterly Report 2013/14 - Quarter Ended 30th September, 2013

The Assistant Executive Director (Finance) (Audit and Risk Management) submitted a report providing a comprehensive overview of the key activities and findings of Internal Audit based on the work of the Division to the end of September, 2013 being the second quarter of the 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 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 second quarter of 2013/14
- Details of Internal Audit's performance for the quarter utilising performance indicators

The report was presented by Ms J Winham, Senior Audit Manager who indicated that reports had been issued during the period covering a range of services but these did not include any fundamental recommendations. The control weaknesses highlighted were not collectively sufficiently serious to jeopardise the overall assurance opinion.

Twenty six recommendations had been followed up, 73% of which had been implemented by the original agreed date compared to 56% in the previous quarter. Of the remaining, a further 15% had been implemented after the original target date and 12% had been implemented by the revised target date.

The report indicated that an analysis of audit report recommendations had identified six recommendations which had been outstanding for more than six months, five had been categorised as being significant and one as fundamental. For each of these, Internal Audit was satisfied that sufficient management attention was being focussed on agreeing actions and recommendations.

Since preparing the report responses had been received in relation to two reports which were not yet due and a further satisfactory response had been received to an outstanding report response.

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

The internal control assurance remained adequate. There was a slight shortfall of days against the overall plan which was attributable to the profile of annual and statutory leave. Overall, Divisional performance remained satisfactory with only the discussion of draft reports performance indicator slightly below target.

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

- there was a further discussion of the issues relating to outstanding recommendations. It was suggested that if these matters were significant/fundamental, then this Committee, as part of its monitoring role, should have access to the reports/recommendations. Arising out of this, the Assistant Director commented on the potential reasons for the delay in the receipt of responses to outstanding recommendations which in some instances could be attributable to restructuring required as part of the Future Council proposals or other external factors. Questions were then asked as to whether, in such circumstances, existing recommendations remained valid. The Assistant Director commented that these issues would be addressed in future reports.
- in relation to the outstanding 'fundamental' recommendation, the Assistant Director commented on the significant amount of work that had been undertaken to address the issues identified. Whilst this was not 100% complete he was satisfied that matters were being addressed appropriately
- there was a discussion of the potential for increased risks within the current economic climate and in the light of the issues facing the Authority and of the need for these to be monitored and managed.

RESOLVED

- (i) that the issues arising from the completed Internal audit work for the second 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 September, 2013 of the 2013/14 audit year be noted;
- (iii) that the progress against the Internal Audit Plan for 2013/14 for the period to the end of September 2013 be noted;
- (iv) that the performance of the Internal Audit Division for the second quarter be noted; and
- (v) that details of the six outstanding recommendations be provided to Committee Members.

50. Regulation of Investigatory Powers Act 2000

The Assistant Chief Executive (Legal and Governance) submitted a report updating Members of the current position with regard to the Regulation of Investigatory Powers Act surveillance activity undertaken by the Council. It also provided an update on the progress in relation to the action points identified in the previous report submitted to Committee on the 27th March, 2013 following the biennial inspection by the Assistant Commissioner appointed by the Surveillance Commissioners.

The report reminded Members of the type of surveillance activity that could be undertaken. It was noted that the Council had never made use of Covert Human Intelligence Source (CHIS) and that since the submission of the previous report no surveillance activity had been authorised under the RIPA powers.

The report went on to outline the ways in which the Authority would deal with an application/authorisation for surveillance and the progress made in addressing the recommendations of the Inspector.

In the ensuing discussion, particular reference was made to:

- the provision of training and the ways in which this would undertaken were highlighted
- the revision of Local Codes of Practice and Guidance in relation to directed surveillance and CHIS were being undertaken. It had not been possible to complete these in time for this meeting due to the need to prioritise work within the Legal Services Division. It was hoped that these would be available for the next meeting. It was noted that the revisions were relatively minor and in the meantime, the previous codes remained essentially fit for purpose
- the ways in which surveillance could be undertaken in relation to employee matters and the powers available in this respect under the provisions of the Local Government Act 1972

- no surveillance was undertaken to establish proof of residence in relation to school admissions

RESOLVED that the report be received

51. Corporate Finance and Performance Management Position for the Month Ended 30th September, 2013, and Capital Programme Update 2013/14

The Assistant Chief Executive (Finance, Property and Information Services) submitted a report summarising the position of the Corporate Finance and Performance management position and the Authority's Capital Programme for the three year period 2013/14 – 2015/16 as at 30th September, 2013.

As previously agreed only the covering report was presented, the full documentation having been made available to Members prior to the meeting. In addition, it was noted that the reports had been submitted to the Cabinet meeting held on the 23rd October, 2013.

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

- the overall position showed a year end surplus on services of £3.5m. It was noted that this included surpluses or under-spends which had already been factored into future years budgets. This was detailed within the Medium Term Financial Strategy
- the current position with regard to the deficit of £2.7m in relation to Children in Care was discussed as were the reasons for this deficit. It was noted that an Action Plan was being produced to ensure that, where possible, the spending was brought into line with the budget over the next two years. A further report on this would be submitted to Cabinet in due course. It was also noted that one of the issues facing the Service was the extremely high cost of 'Out of District' Placements. Further details in relation to this matter could be made available for Members
- the current position with regard to the Business Rate Retention Scheme was outlined. Arising out of this, it was noted that money transferred into strategic reserves would be considered in the light of the Council's one-off investment needs, including those related to the funding requirements of the Economic Plan
- Members noted that the financial position remained as expected, however, given the funding outlook over the medium term, Executive Directors were continuing their efforts to ensure spending was kept budget this in this and future financial years

RESOLVED that the report be received and the Corporate Finance and Performance Management position and Capital Programme for the three year period 2013/14 to 2015/16 as at 30th September, 2013 be noted.

52. External Audit Progress and Technical Update

The Committee received a progress report from the Council's External Auditor (KPMG) which was presented by Ms R Lindley

The report:

- provided an overview of the progress made by the External Auditor in delivering their responsibilities to the Council. At the end of each stage of the audit the Auditor issued certain deliverables including reports and opinions and a summary of progress against these deliverables was appended to the report.
- highlighting the main technical issues which were currently having an impact on local government and which were being addressed.

The progress report detailed the current position with regard to Financial Statements, Value for Money and Certification of Grants and Returns work were detailed within the report. There were no significant issues to report. The Auditor had also been commissioned by Financial Services to provide advice on the tax implications of alternative methods of service provision. Consideration was being given to this and training was to be provided to key officers within the Council.

The technical update outlined the likely level of impact of issues affecting the Authority together with their comments and timescale for action where appropriate.

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

- the current position with regard to financial statements and, as previously reported earlier within the meeting, the receipt of an objection to the 2012/13 financial statements. Until the approach to this had been determined it was not possible to issue the certificate of completion
- the 'linked' reports detailed within the Technical Update section would be made available to members of the Committee
- it was noted that NHS England had announced the transfer of £859m to local authorities to allow them to support adult social care in 2013/14. Details of the amount likely to be allocated to Barnsley would be provided in due course
- the Assistant Director commented on the implications of the introduction of the new Public Sector Internal Audit Standards and on how the Authority would ensure that there was independent assurance and that Internal Audit were complying with those standards

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

53. Audit Committee Work Plan 2013/14

The Assistant 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 2013/14 municipal year. The report also gave details of the indicative timetable of meetings from June to December 2014, the work plan for which would be issued nearer the date.

The Assistant Director reminded Members of the awareness sessions that were currently outstanding which would be extended to January 2014 and possibly beyond.

RESOLVED

- (i) that the core work plan for 2013/14 meetings of the Audit Committee be approved and reviewed on a regular basis; and
- (ii) that details of the outstanding awareness/training sessions be noted.

Council Governance Unit
12th November, 2013

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Chairman