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BARNSLEY METROPOLITAN BOROUGH COUNCIL

Audit Committee

10th December, 2014

51. Present: Councillors T Sheard (Chairman), Barnard, P Birkinshaw and D Green together with Co-opted Members – Ms Brown and Messrs Gill and Marks.

52. Declarations of Pecuniary and Non-Pecuniary Interest

Councillor T Sheard declared a non pecuniary interest in any matters relating to Berneslai Homes being Board Members on that Organisation.

53. Minutes

The minutes of the meeting held on the 5th November, 2014 were taken as read and signed by the Chairman as a correct record.

54. Actions Arising from Previous Meetings

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

It was noted that the Awareness Session on various aspects of Information Governance was to be arranged 3.00 pm immediately prior to the meeting scheduled for 21st January, 2015.

A reminder of this event would be sent out by the Director of Legal and Governance and the Director of Finance, Property and Information Services was discussion with the Service Director Designate, Information Services, regarding the circulation of various Information Governance Policies which would be sent out well in advance of the Session.

RESOLVED that the report be noted.

55. Review of Ombudsman Complaints 2013/14

The Director of Legal and Governance submitted a report providing an overview of the position with regard to complaints against the Authority by the Ombudsman in the Financial Year 2013/14 and a commentary on the changing nature of the Ombudsman Service.

The report indicated that it was anticipated that the Ombudsman Service would move to be overseen formally by one single Ombudsman for the whole of England and Wales although the wider role of the Local Government Ombudsman Service and its relationship with other related Ombudsman Services was likely to be the subject of wider review. The view was emerging

that there may be advantages in a single Ombudsman Service for all Public Services although this would require primary legislation.

The Ombudsman's Annual Letter, which was appended to the report, provided an overview of the position with regard to complaints made against the Authority for the 2013/14 financial year. It was noted that the way in which complaints statistics had been changed which had an impact on the scope for analysis and details of the new approach were outlined in an explanatory note.

In summary, the report indicated the following:

- The figures indicated that there was no significant trend in complaints received although nationally there was an increase in relation to complaints relating to Adult Care Services and Education and Children's Services which it was felt reflected the pressure on resources in those areas
- There was a national downward trend in the number of complaints relating to planning and housing issues and this reflected the experience in Barnsley
- There was no direct relationship between the number of complaints received in the period and the number of decisions made as the decision outcomes could relate to a previous years complaint or where some lengthy investigations meant that decisions were made in the following year.
- There had been a change in the categorisation of complaints which were now either listed as upheld or not upheld. It was important, however, to draw the distinction between those complaints which had been upheld but resolved informally and where there was a formal finding of maladministration which was subject to public notice and inspection
- Five complaints upheld had not raised any issues of concern with regard to internal control or operating practices or procedures and were respolved to the satisfaction of the Ombudsman. It was noted that the small number of complaints falling within this category were of a similar number to previous years
- The number of complaints 'Referred back for Local Resolution' (previously classified as Premature Complaints) which had not been dealt with initially through the Council's Complaints Procedure was broadly comparable to previous years
- Where the Investigation Team had become involved it had concluded in other than five cases that there was no evidence (or insufficient evidence) of maladministration
- Complaints had been closed following initial inquiries in around 20 cases
- The schedule of complaints and enquiries received and decisions made was appended to the Ombudsman's letter together with statistical data for 2011 and 2012
- There were no significant issues of concern identified which raised wider internal control or governance issues which would impact on the role of this Committee.

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

The following matters were highlighted:

- A copy of the full Ombudsman's letter would be provided for all Members of the Committee
- A further explanation was given as to why some complaints were not resolved within the year in which the complaint was received
- It was disappointing that the information provided by the Ombudsman did not give details of why decisions had been made as this did not allow the Committee to consider if there were systemic failures in processes and procedures. The Director of Legal and Governance, in accepting the limitations of the statistical date, reminded the Committee that there were no issues of significance identified and he stated that if this were the case, such matters would have been reported. Further information could, however, be provided form internal data giving a breakdown of the number of upheld complaints (together with the reasons for those decisions) on a department by department basis
- In response to further questioning, the Director of Legal and Governance outlined the role of the Scrutiny Committee in scrutinising potential breaches of procedures and protocols in relation to Ombudsman complaints and also his role as the Monitoring Officer and in liaising, on behalf of the Chief Executive, with the Ombudsman Office
- It was noted that the success of the Authority's Complaints Procedures was largely resulting in a reduction in the number of successful complaints to the Ombudsman. In general, however, members of the public appeared to be more 'satisfied' with the services provided by Local Authorities despite the imposition of severe financial
- Reference was made to the officer time involved in processing complaints and it was noted that the majority of these were completed within the prescribed timescales
- It was noted that as part of Future Council the Authority was introducing new Customer Service arrangements which would mean that, amongst other things, there would be better systems in place to record and report customer feedback
- Given the size of the organisation and the services provided, it was pleasing to note that the number of complaints submitted to the Ombudsman were relatively small although it was acknowledged that this did not necessarily guarantee that there was no dissatisfaction as some 'complainants' may not have submitted their complaints or may have felt there was no point in pursuing them

RESOLVED that the report be noted

56. Risk Management Update Report 2014/15

The Head of Internal Audit and Risk Management submitted a report outlining the progress made to date towards the achievement of the goals set out in the Council's Risk Management Policy and signposting further work to be undertaken in the year.

The report, which was presented by Mr A Hunt, Principal Corporate Risk Management Officer, sought to provide suitable assurance that the Risk Management Framework remained fit for purpose.

It was noted that the Risk Management Framework had been substantially reviewed in April 2014 and that this had been considered by this Committee at the meeting on the 30th April, 2014. In addition, the Strategic Risk Register had recently received its fourth review and key significant risks identified therein related to Engagement, Health Inequalities and Business Continuity preparedness/resilience arrangements.

The Council's Corporate Risk Management System had been upgraded to the new version and this had significantly enhanced functionality and improved usability.

Risk Management awareness training was continuing to have a high profile within the Council and over 50 officers had attended sessions during the summer and it was pleasing to report that positive feedback of 98% had been received from attendees.

It was noted that corporate review of the Annual Governance process had resulted in a much reduced process regarding the capturing and analysis of governance related issues. Revisions and improvements to this process would be reported to the Committee early in 2015. It was also reported that the Council had subscribed to the CIPFA/ALARM (Association of Local Authority Risk Managers) Local Authority Benchmarking club for 2014/15. The outcomes of this activity suggested that the outputs and overall maturity of the Council's Risk Management arrangements were broadly in line with similar unitary and Metropolitan Authorities.

Appendices to the report provided the Risk Management workplan for 2014/15, the Performance Indicators for the first two quarters of the year together with an Executive Summary of the Benchmarking outcomes for 2014/15.

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

- In relation to the Benchmarking Exercise, reference was made to the reasons for the deviance in Barnsley's results for Risk Handling and assurance and Outcomes and Delivery compared to other participating authorities. It was noted that these issues had been picked up as part of the Action Plan
- There was a discussion of the revision of the wording within the Risk Management Strategy and particularly as this related to opportunity management. It was suggested that further consideration be given to the wording to ensure that there was clarity of meaning and that the intentions were clearly understood
- It was reported that risk management procedures and processes were now embedded and part of the culture of the organisation. Arising out of the above, reference was made to the way in which risk management principles were used in decision making processes

- Reference was made to the use of risk management systems and to the way in which the Authority worked with external organisations and Partners. In this respect particular reference was made to the risk management arrangements that had been put in place in respect of the Digital Region Project. Arising out of this discussion, it was noted that, and Members were reminded of an external assessment of Digital Region Project which had been undertaken by the External Auditors KPMG which had been subject to a detailed report to this Committee. The Committee was reminded of the lessons that had been learned for the future from this project.
- The Director of Finance, Property and Information Services reported on the role of the Senior Management Team in ensuring that the risk management process was monitored and processes and procedures were adhered to

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

(ii) that the Committee continue to receive periodic reports during the year to monitor the progress in achieving the actions identified for 2014/15.

57. Fraud Management Update

The Head of Internal Audit and Risk Management submitted a report providing further details of the progress and information on 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 2014 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 2013/14 had included an action plan and an update was attached as appendix 1 together with an updated list of competed actions at appendix 2.

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.

A number of investigations were ongoing and would be included in more detail in the Internal Audit Quarterly report. Internal Audit had also submitted a bid for funding to assist with the creation of a central Corporate Fraud Team within Internal Audit and it was pleasing to note that this had been successful and that Barnsley had been one of only 59 local authorities to receive this funding.

Particular reference was then made to the way in which this Team, comprising a Senior Corporate Fraud Investigator and a Corporate Fraud Investigator would operate under the auspices of the Principal Auditor (Fraud and

Investigations) and managed by the head of Internal Audit. The focus of this Teams workload was outlined and a report on the roles and responsibilities would be submitted to the meeting in March 2015.

It was reported that Internal Audit resources had been focussed on supporting a couple of investigations that were now coming to an end, however, the Service still continued to offer advice, guidance and instruction to departmental managers on matters of fraud and fraud prevention in addition to supporting them in managing their own investigations.

Whilst there were no direct financial implications arising from the report there were inherent financial issues concerning anti-fraud and corruption and an increase in controls may have cost implications both in terms of additional checks, potentially slowing down service delivery, and computer system changes. These costs would have to be balanced against the risk of loss and such costs would have to be discussed with management. The emphasis at all times would be to improve controls without increasing costs or jeopardising efficient and compliant service delivery.

In the ensuing discussion reference was made to the following:

- the way in which data was used and shared in order to raise awareness of fraud. In this respect particular reference was made to the National Fraud Initiative and to the network of Fraud Auditors who regularly addressed such issues
- Members of the Committee asked to place on record their congratulations at the success of the Service in obtaining government funding to fund the central Corporate Fraud Team. Arising out of this, the Head of Internal Audit and Risk Management briefly outlined the basis of this funding which would be for a period of two years and would be used to create the two posts described

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 6 monthly progress reports on the implementation of the identified key actions.

58. <u>Annual Governance Review – Action Plan Update</u>

The Director of Legal and Governance submitted a report supporting the updated action plan relating to the issues identified in the Annual Governance Statement for 2013/14.

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

Generally progress had been positive against all actions identified and a summary of these actions was detailed within the action plan. This would be further reviewed in May 2015 as part of the 2014/15 Annual Governance progress.

There was a brief discussion of the three items included within the Action Plan. Particular reference was made to the role of the new unit established to deal with strategic commissioning and procurement within the context of the development of Future Council initiatives and to the way in which the Council would deal with effective governance and control of partnerships, contracts and general relationships with external organisations. Further details of the work of this Unit would be submitted to a future meeting.

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

59. Internal Audit Recommendations – Implementation Update

The Head of Internal Audit and Risk Management submitted a report providing an update on the status of the recommendations reported within the Quarterly Report ending 30th September, 2014 as requested by the Committee at its meeting held on the 5th November, 2014.

The report, in giving details of the requirements of the Public Sector Internal Audit Standards in relation to the introduction to a protocol requiring the follow up of recommendations to audit reports, provided an analysis of the outstanding recommendations as reported to the Committee at the last meeting. These were outlined in detailed within an appendix.

Of the 11 recommendations which had not been completed and had a revised due date:

- 8 - the revised end date remained valid and did not require any further action
- 2 – which required follow up had not been implemented and a further revised date had been agreed
- 1 had been implemented by the revised implementation date

Ten recommendations had not been implemented and had been given a revised implementation date where appropriated and managers were aware of the implications of the delay in implementation.

It was noted that Internal Audit were continuing to liaise with relevant managers to obtain updates on implementation progress and to ensure that revised dates that were agreed were appropriate. Internal Audit were satisfied that sufficient attention was being given to address agreed actions/recommendations, but it was acknowledged that the increasing pressure arising from Future Council initiatives was still an issue.

All Senior Managers had been reminded of the importance of, and this Committees concern, about implementing audit recommendations in an timely manner.

RESOLVED that the report be received and a further progress report be submitted as part of the next Quarterly Internal Audit Report in order to continue monitoring progress in implementing the agreed recommendations.

(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 6 monthly progress reports on the implementation of the identified key actions.

60. Annual Review of the Effectiveness of Internal Audit – Progress Report

The Head of Internal Audit and Risk Management submitted a report providing an update in addressing issues arising from the annual review of the effectiveness of the Internal Audit Function which had been presented to Committee on the 11th June, 2014.

The self assessment, which was a key part of the Quality Assurance Improvement Programme and a requirement arising from the implementation of the new Public Sector Internal Audit Standards, had resulted in a detailed action plan. The priority attached to addressing each action had been based on the value of the outcome added to the client/auditee. The areas for improvement and action along with an update regarding progress in addressing these was summarised in an Appendix to the report.

The Actions which remained outstanding predominantly related to the External Assessment process and this remained the current focus in respect of the completion of the outstanding actions.

Reference was made to the role of this Committee and particularly to the proposal to involve selected members to oversee and champion the internal and external assessment process.

RESOLVED that the progress made in implementing the actions contained with the updated Action Plans as detailed within Appendix 1 of the report now submitted by noted.

61. Corporate Finance Position as at 30th September, 2014 and Capital programme 2014/15 – 2016/17 Update

The Director of Finance, Property and Information Services submitted a report summarising the Corporate Finance position and the Authority's Capital Programme for 2014/15 to 2016/17 as at 30th September, 2014.

As previously agreed only the covering report was presented, the full documentation having been made available to Members and on the Council's

website prior to the meeting. In addition, it was noted that the reports had been submitted to the Cabinet meeting held on the 5th November, 2014.

In relation to the Corporate Finance Position it was noted that:

- The overall position showed a pot4ntial year end operating surplus of £0.3m. it was noted that this included £1.1m of non-related underspends that had been factored into future years budgets as part of the recently updated Medium Term Financial Strategy and which were, therefore, non-recurrent
- The forecast operational deficit on non service expenditure was £0.8m for the current financial year
- There were cost pressures in the Children, Young People and Families Directorate of around £1.4m which was predominantly related to Community learning and Information Services and higher than budgeted social worker costs relating to the Ofsted Improvement Plan. It was noted that mitigating action plans were now in place which it was hoped would deliver a balanced budget. This included the Cabinet decision to close Moorland Plastics. In response to further questioning, the rationale behind this decision were noted
- The overspend on Children, Young People and Families was being offset to some extent by the early delivery of certain savings proposals
- One off resources of around £7.5m mainly in relation to the New Homes Bonus had been transferred into strategic reserves pending consideration of any one-off investment needs relating to the Town Centre and Core Services
- Cabinet approval had been sought to establish a prize draw incentive of up to £1,000 in relation to the Direct Debt Campaign
- 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

In relation to the Capital Programme it was noted that the estimated cost was around £204m which included £35m investment set aside to fund the regeneration of the Town Centre. It was noted that the costs associated with the Town Centre were currently under investigation largely because it was anticipated that these would increase due to the buoyancy in the construction sector. In response to questioning, details of how these issues were being addressed were outlined which included the use of Strategic Reserves. The Director of Finance, Property and Information Services, in her capacity as Section 25 Officer, was confident regarding the appropriate use of funds and the arrangements to secure robust financial management processes and procedures in relation to this project.

The Chair reported the Cabinet had given approval to the release of additional resources required to fund the Town Centre Regeneration Scheme and the Committee were informed of the rationale for that rather than submitting a request to a meeting of the Council. This was largely because the timeframe for a decision was critical to enable the project to proceed within the previously

agreed timescales. It was noted that a report on this matter would, however, be submitted to the February Council meeting.

RESOLVED that the report be received and the Corporate Finance and Performance Management position and Capital Programme for the three year period 2014/15 to 2016/17 as at 30th September, 2014 be noted.

62. Audit Committee Work Plan 2014/15

The Head of Internal 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 2014/15 municipal year.

It was reported that the advertisement seeking the recruitment of independent Members to fill the existing two vacancies was to be published shortly.

The next meeting, scheduled for the 21st January, 2015, would be proceeded by an awareness session on various aspects of Information Governance. This would commence at 3.00 pm immediately prior to the meeting scheduled for 4.00pm. The Director of Legal and Governance would send out a reminder for this session prior to the next meeting.

RESOLVED that the core work plan for 2014/15 meetings of the Audit Committee be approved and reviewed on a regular basis.

The Chair, in closing the meeting, extended to all Members and officers his best wishes for Christmas and the New Year.

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Chairman