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MEETING:	Audit Committee
DATE:	Wednesday, 20 July 2016
TIME:	4.00 pm
VENUE:	Reception Room, Barnsley Town Hall

AGENDA

Procedural/Administrative Items

1. Declarations of Pecuniary and Non-Pecuniary Interest
2. Minutes (*Pages 3 - 8*)

To receive the minutes of the meeting held on 15th June, 2016.

3. Actions Arising From the Previous Meetings (*Pages 9 - 10*)

The Committee will receive a report detailing action taken and arising from previous meetings of the Committee.

Items for Discussion/Decision

4. Internal Audit Quarterly Report 2016/17 - Quarter Ended 30th June, 2016 (*Pages 11 - 28*)

The Head of Internal Audit and Corporate Fraud will submit a report presenting a comprehensive overview of the key activities and findings of Internal Audit based on the Division's work to the end of June, 2016 being the first quarter of the 2016/17 audit year.

5. Risk Management Annual Report 2015/16 (*Pages 29 - 44*)

The Committee will receive a report summarising the risk management activity in 2015 / 16 towards the achievement of the goals and objectives set out in the Council's Risk Management Policy, and to signpost further work to be undertaken in 2016 / 17.

Items for Information

6. External Audit Report - Progress Report and Technical Update (*Pages 45 - 74*)

The Committee will receive the External Audit Progress Report and Technical Update.

7. Corporate Anti-Fraud Team Progress Report (*Pages 75 - 80*)

The Committee will receive a report containing an account of the work of the Corporate Anti-Fraud Team from 1st April 2016 to 30th June 2016.

8. Internal Audit Report Annual Report 2015/16 (*Pages 81 - 100*)

The Committee will receive a report providing the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Authority's internal control arrangements based on the work of Internal Audit during 2015/16 and has been prepared in accordance with the Public Sector Internal Audit Standards.

9. Audit Committee Work Plan 2016/17 (*Pages 101 - 102*)

The Committee will receive the indicative Audit Committee Work Plan for 2016/17.

To: Chair and Members of Audit Committee:-

Councillors Richardson (Chair), Barnard, Clements, David Griffin and Lofts; together with Independent members Ms K Armitage, Ms D Brown, Mr M Marks, Mr P Johnson and Mr S Gill

Diana Terris, Chief Executive
All Executive Directors
Andrew Frosdick, Director Legal and Governance
Frances Foster, Director Finance, Assets and Information Services
Rob Winter, Head of Internal Audit
Neil Copley, Service Director Finance
Ian Rooth, Head of Technical Services
Adrian Hunt, Risk Management Manager
Michael Potter, Service Director Organisation and Workforce Improvement
Julie Winham, Senior Audit Manager

Council Governance Unit – 3 copies

Please contact William Ward on 01226 773451 or email governance@barnsley.gov.uk

Tuesday, 12 July 2016

MEETING:	Audit Committee
DATE:	Wednesday, 15 June 2016
TIME:	4.00 pm
VENUE:	Reception Room, Barnsley Town Hall

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

1. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

2. APPOINTMENT OF VICE CHAIR

RESOLVED that Mr S. Gill be appointed as Vice Chair of the Committee for the municipal year 2016/17.

3. MINUTES

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

4. ACTIONS ARISING FROM THE PREVIOUS MEETINGS

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

RESOLVED that the report be noted.

5. ANNUAL FRAUD REPORT 2015/16

The Head of Internal Audit and Corporate Anti-Fraud submitted his annual report on the counter-fraud activities undertaken by the Internal Audit Corporate Anti-Fraud Team for the period 1st April, 2015 to 31st March, 2016. The report provided information and assurance to the Committee regarding key aspects of the Authority's risk management, control and governance framework.

Of particular note were the following:-

- The role of the Corporate Anti-Fraud Team in ensuring that the Council had the appropriate arrangements to deter, detect and investigate fraud, and setting out the key activities of the team in taking forward this work.
- The specific work being undertaken to develop an anti-fraud culture across the Authority, including the delivery of guidance and training, acknowledging the responsibility of managers for fraud prevention.
- The continuous review of policy and procedural measures within the Council to ensure that any areas of systems weakness were identified. Internal Audit was also a member of the South and West Yorkshire Fraud Investigators Group, which met twice a year to share information and best practice.

- The outcome of the national fraud initiative, which examined twelve mandatory datasets to form the basis of national data matching. This work had identified 32 cases of fraud or error, resulting in the recovery of £135,879, of which £129,748 related to duplicate creditor payment error as previously reported to the April 2016 meeting of the Audit Committee.
- The Corporate Anti-Fraud Team had undertaken a range of reactive fraud work in relation to fraudulent claims for council tax support and council tax liability, with respectively 20 and 23 referrals accepted for investigations. A pro-active data matching exercise in relation to the payment of single persons' council tax discount had resulted in 6,942 review letters being sent. As a result, to date there had been cancellations in 1,179 accounts resulting in an additional council tax income of £321,947. There had been challenges to 104 of these responses, which had resulted in changes to the declared date and a further increase in council tax income of £20,699.
- The increase in the right to buy discounts had prompted the Corporate Anti-Fraud Team to apply an enhanced fraud prevention process, given the greater risk of fraud. Checks of 131 applications during the financial year had resulted in two sales being stopped. Awareness training had also been provided to Berneslai Homes in respect of housing tenancy fraud, made an offence under legislation introduced in November 2013. Although there had been 14 referrals of alleged tenancy fraud, there was only evidence of this in 1 case, which had been referred to Berneslai Homes for further investigation.
- The key priorities for the Corporate Anti-Fraud Team in 2016/17 related to the development of fraud awareness e-learning packages, reviews of council tax single persons' discount and the counter fraud policy framework, a further data matching of creditor payments and investigations of instances of council tax reduction scheme fraud.

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

- It was noted that referrals for potential fraud were often not pursued due to the lack of evidence that fraud had occurred, or no evidence when subsequently investigated. It was confirmed that there was no value of detected fraud below which action was not taken. However, a judgement was made about the amount that would be recovered compared with the cost of recovery.
- The Corporate Anti-Fraud team had focused initially on those areas where there was known scope for fraud, hence the investigation in respect of council tax single person discounts. Future areas for investigation were being considered particularly in the area of care provision. It was noted that adult services staff already audited information provided by service users, and this process had itself been reviewed by internal audit. There had been no prosecutions, although some overpayments had been recovered.

- Members commented that the transaction value in respect of business rates, traded services and sundry creditors was greater than that of council tax, and queried why these former areas had not been pursued. It was noted that the opportunity for fraud or error in these areas was considered to be less than areas such as council tax discounts, given the systems in place and basis for liability. Those areas where fraud might be possible had a range of balancing checks that would prevent this. However, the corporate anti-fraud team continued to consider additional areas where investigation might prove fruitful.
- The areas that were subject to data matching were nationally mandated and some changed from year to year. The electronic data provided identified for investigation those individuals who appeared in a number of different categories and those individuals were then subject to investigation by the local authority concerned. This was now done by the corporate anti-fraud team, rather than services, to ensure a consistent and more rigorous approach.
- It was noted that duplicate creditor payments generally related to the payment for the same services or supplies being made more than once, more usually in error rather than as a result of fraud. Work was done to identify such errors and recover any over-payment.
- The scope for fraudulent orders or payments was limited by the separation of ordering and authorising roles within the Council. There was perhaps greater scope for fraud in those areas not entirely under council control or using council systems, or where there was the possibility of collusion between those in the respective roles. The need for a focus on fraud detection, particularly to identify where the opportunities for collusion in fraudulent activity, was noted.

RESOLVED:-

- (i) that the Annual Fraud report, which forms part of the framework of assurances to support the Annual Governance Statement, be approved; and
- (ii) that the continued embedding of a culture of zero tolerance and high levels of awareness regarding fraud and corruption be supported.

6. EXTERNAL AUDIT - LOCAL AUTHORITY CORPORATE RISK REGISTER ANALYSIS 2015/16

A representative of the Council's External Auditor (KPMG) submitted a report on an analysis undertaken of the content of various local authority corporate risk registers and detailing the current position in relation to Barnsley. By providing comparative information, councils could consider in particular whether there are potential risks that may have been omitted from their own risk registers and whether potential risks were given sufficient priority.

A gap analysis of issues for Barnsley MBC arising from this was considered by the Committee at Minute 7 below.

RESOLVED that the External Audit Corporate Risk Register Analysis for 2015/16 be noted.

7. EXTERNAL AUDIT - RESPONSE TO THE LOCAL AUTHORITY CORPORATE RISK REGISTER ANALYSIS 2015/16

The Director of Finance, Assets and Information Services submitted a response to the report of the External Auditor (KPMG) on the local authority corporate risk register analysis 2015/16, referred to at Minute 6 above, following the completion of a gap analysis of the Authority's own risk management arrangements undertaken as a direct response to that report.

The analysis considered the extent to which Barnsley MBC's risk register included the most frequent risks featured across all local authority risk registers. In addition, the analysis undertaken by KPMG focused on: whether local authorities use specific software to support risk management; how often strategic risks were reported and the responsibilities of officers and Members in the strategic risk review process; and how developed were the Council's arrangements regarding corporate assurance mapping.

A gap analysis of the Council's strategic risk register against the KPMG analysis identified the following:-

- The Council's risk register identified key risks that corresponded closely to those identified in the KPMG analysis. There were two significant red risks on Barnsley's strategic risk register relating to health inequalities and emergency resilience. The recent review of the strategic risk register had sought to provide greater clarity in relation to the Council's ability to respond to emergency incidents and its own resilience by dividing business continuity/emergency resilience risk into two. In addition, a further risk in relation to the governance arrangements from the emerging Sheffield City Region Devolution Deal had been included.
- In terms of the risk register reporting and responsibilities, it was noted that there were no significant gaps in Barnsley's strategic risk register, with the exception that lead Members were not identified for specific risks or risk management itself. It was noted that this was only the case in 19% of local authorities.
- Barnsley MBC was one of the few local authorities that used specialist risk management software, which ensured the uniform and consistent recording of risks, the maintenance of version control and allowed the reporting and aggregation of risk to be performed more easily.
- Barnsley MBC had begun to develop a corporate assurance map to assist in identifying and addressing gaps in assurance, to provide evidence on which to

base the annual audit plan and provide a mechanism to link assurances from various sources against key governance controls.

RESOLVED that the response to the KPMG analysis of the Council's risk management arrangements, as set out in the report now submitted, be approved.

8. OVERALL DEBT POSITION AS AT 31ST MARCH, 2016

The Service Director of Finance submitted a paper detailing the overall debt position for the Authority as at 31st March, 2016. The paper analysed debt by source, ie trade, council tax, business rates and housing benefit, identifying the percentage of debt owed in relation to the year from which it was owed. The meeting noted recent targeting of activity to reduce debt owed to the Council.

RESOLVED that the Council's overall debt position as at 31st March, 2016, as set out in the report now submitted, be noted.

9. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE

The Committee received the External Audit progress report and technical update for June 2016, giving a high level overview of progress in the delivery of the External Auditors' responsibilities. The report set out in the appendix a summary of the main deliverables including reports and opinions given and Members noted progress against those issues. It was noted in particular that the interim audit had identified no areas of concern.

RESOLVED that the External Audit progress report and technical update for June 2016 be noted.

10. AUDIT COMMITTEE WORK PLAN 2016/17

The Committee received a report providing the indicative work plan for the Committee for its proposed scheduled meetings for the 2016/17 municipal year.

RESOLVED:-

- (i) that the core work plan for meetings of the Audit Committee for 2016/17, as set out in the report now submitted, be approved and reviewed on a regular basis; and
- (ii) that information on the various proposed training sessions be consolidated into one communication and recirculated to the Committee.

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Chair

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AUDIT COMMITTEE – 20th July, 2016

ACTIONS ARISING FROM MEETINGS OF THE AUDIT COMMITTEE

Date of Meeting	Agenda Ref	Subject	Details of Actions Arising	Person Responsible	Status / Response
22 nd July, 2015	6	Draft Annual Governance Statement 2014/15	To receive a report on the multi agency approach to safeguarding and the creation by the Police of multi-agency hubs	Chief Executive, Director of Legal and Governance, Director of Finance, Assets and Information Services	To be built into the Future Work Plan when invitations are sent to 'external witnesses/speakers'

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Item 4

Report of the Head of Internal Audit

AUDIT COMMITTEE – 20th JULY 2016

**INTERNAL AUDIT QUARTERLY REPORT 2016/17
QUARTER ENDED 30th JUNE 2016**

Executive Summary

1. Issued reports and the Internal Audit work completed during quarter raised one fundamental recommendation. This related to an information governance issue regarding the monitoring and control of system access. (Para. 4.1).
2. The internal control assurance opinion overall however remains adequate based upon the results of the work undertaken during the quarter (Para. 6.1 / Appendix 1).
3. Of the 6 recommendations followed-up, 1 (17%) had been implemented by the original target date and a further 5 (83%) had not been implemented and have received revised implementation dates by management. (Para. 4.4).
4. In relation to the Barnsley MBC audit plan, actual days delivered is broadly in line with the profiled days at the end of the first quarter (Para.7.7 & Appendix 2).
5. Quarterly performance of the function is generally satisfactory. The PI relating to chargeable time is slightly below profile due to the profile of annual leave taken in the first quarter. (Para. 8.2 and 8.3 & Appendices 3 & 4).

AUDIT COMMITTEE – 20TH JULY 2016

**INTERNAL AUDIT QUARTERLY REPORT 2016/17
QUARTER ENDED 30TH JUNE 2016**

1. Purpose of Report

1.1 This report provides the Audit Committee with a comprehensive overview of the key activities and findings of Internal Audit based on the Division's work to the end of June 2016, being the first quarter of the 2016/17 audit year. This report provides the Audit Committee with information relevant to its responsibilities within its terms of reference (terms of reference items (a), (b), (h), (i) and (k)).

1.2 The report covers:-

- i. The issues arising from completed Internal Audit work in the quarter (section 4 and Appendix 1);
- ii. Matters that have required investigation (section 5);
- iii. An opinion on the ongoing overall assurance Internal Audit is able to provide based on the work undertaken regarding the adequacy and effectiveness of the Authority's internal control environment (section 6);
- iv. Progress on the delivery of the Internal Audit Plan for the period to the end of the first quarter of 2016/17 year (section 7 and Appendix 2);
- v. Details of Internal Audit's performance for the quarter utilising performance indicators (section 8 and Appendices 3 and 4).

2. Recommendations

2.1 It is recommended that the Audit Committee:-

- i. consider the issues arising from completed Internal Audit work in the first quarter along with the responses received from management;**
- ii. note 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 June 2016 of the 2016/17 audit year;**
- iii. note the progress against the Internal Audit plan for 2016/17 for the period to the end of June 2016; and**
- iv. Consider the performance of the Internal Audit Division for the first quarter.**

3. Introduction / Background

- 3.1 Internal Audit is a key contributor to the assurances the Audit Committee requires regarding the adequacy and effectiveness of the internal control, risk and governance environment of the Authority. That assurance is provided through planned work and responding to urgent matters and changes in priority and risk. It is important that all Internal Audit activities are undertaken with due regard to risk and the risk issues prevailing at the time.
- 3.2 In order to fulfil its responsibilities the Audit Committee needs to be satisfied that the Internal Audit Division is undertaking its work as planned, responding appropriately to client demands, operating to the required professional standards and obtaining the necessary responses from management following Internal Audit work.
- 3.3 In accordance with statutory best practice provided by the Public Sector Internal Audit Standards, there is a requirement that the Head of the Internal Audit function prepares an annual report to the appropriate member body. This requirement is best supported through regular reports during the year, providing, amongst other things, ongoing assurances on the adequacy and effectiveness of the Authority's framework of governance, risk management and control.
- 3.4 For the Authority, the appropriate member body is the Audit Committee.

4. Key Issues Arising From Internal Audit Work in the Quarter Ended 30th June 2016

- 4.1 Internal Audit work undertaken during the quarter identified one fundamental recommendation. This related to an information governance issue regarding the monitoring of system access.
- 4.2 It should be noted, that in the process of agreeing a final report, senior officers respond to specific recommendations by identifying relevant actions and agreeing responsible managers and timescales for implementation.

Follow-Up of Report Recommendations

- 4.3 The following protocol is applied to the follow-up of recommendations in audit reports:
- all fundamental and significant recommendations irrespective of the assurance opinion;
 - all recommendations contained within the annual core financial system audit reports and;
 - reports containing a significant number of merits attention recommendations giving rise to a negative assurance opinion.
- 4.4 Table 1A identifies the total number of reports analysed by the assurance opinion given and the total number of recommendations made.

Table 1B shows the number of recommendations followed-up in the quarter. Of the 6 recommendations followed-up, 1 (17%) had been implemented by the original target date and a further 5 (83%) had not been implemented and have received revised implementation dates by management.

- 4.5 Internal Audit continues to get very good co-operation from management including the Senior Management Team and as such is able to closely monitor any implications that may arise from a delay in the implementation of management action. However, it should be noted that the majority of recommendations followed-up had not been implemented and required a revised implementation date. Internal Audit is working closely with management to monitor this situation and will report to the Audit Committee should any concerns be raised due to any change of implementation date.
- 4.6 As part of the 2016/17 reporting process the criteria and process in respect of the follow-up of audit report recommendations is currently being reviewed and the Audit Committee will receive information in this regard at a future meeting.

5. Fraud, Investigations and the Corporate Anti-Fraud Team

- 5.1 A separate report will be provided to the Audit Committee covering the detail of fraud and irregularity investigations undertaken, the preventative work and the general activities and work plan of the Corporate Anti-Fraud Team.
- 5.2 The overall assurance opinion takes into account any control issues arising from investigations or anti-fraud work. No issues are required to be brought to the Committee's attention at this time.

6. Head of Internal Audit's Internal Control Assurance Opinion

- 6.1 Based on the audits reported in the first quarter, an overall **adequate** assurance opinion remains appropriate. However, Audit Committee Members should note the fundamental report recommendation and the impact on the system of internal control in those areas.
- 6.2 As referred to above, although a small number, the percentage of audit report recommendations not implemented, and requiring a revised implementation is relatively high at 83%. The implementation of recommendations is monitored closely to ensure that there are no serious issues or concerns regarding the effectiveness of the control, risk and governance framework arising from the delay or non-implementation of recommendations.
- 6.3 Where control weaknesses have been identified within procedures or in the provision of advice or 'consultancy' services, these have either been resolved with management through the issue of an audit report and/or correspondence or addressed at the time of the audit.
- 6.4 It does however need to be recognised that Internal Audit coverage cannot guarantee to detect all errors, systems or control weaknesses or indeed identify all of the opportunities for improvements in management arrangements that might exist. Accordingly only reasonable and not absolute assurance is given.
- 6.5 The assurance opinion is supported by the knowledge that the underlying framework of financial and other controls, encompassing the Council's Financial Regulations, various codes of practice, procedures and other financial governance arrangements, periodically reviewed by both Internal and External Audit, are appropriate and working satisfactorily.

6.6 The general context and impact of the significant savings and service changes that have been implemented arising from Future Council form a core element of Internal Audit work planning to ensure that the control, risk and governance framework remains adequate and effective.

7. Internal Audit Plan 2016/17 - Progress to the end of June 2016

7.1 Internal Audit utilise a risk-informed approach to planning and delivering its work. This approach seeks to ensure that the key risks facing the Authority are considered and covered, where appropriate, by Internal Audit work. In turn the annual work programme is planned indicatively across the year. This enables quarterly monitoring of progress against planned work and the utilisation of Audit resources.

7.2 It is however important to recognise and appreciate that whilst a significant proportion of audit work is planned, there are many 'external' factors that can and do impact on precisely when pieces of work are actually undertaken and completed and indeed their detailed scope. For this reason the monitoring of the audit plan in each quarter can only provide an indicative picture of progress overall. Individual jobs are monitored on a job-by-job and week-by-week basis utilising the Division's computerised management system.

7.3 Appendix 2 shows the progress of the plan up to the end of June 2016, analysed by Directorate / Service.

7.4 Adjustments are made to the days allocated to particular jobs on an on-going basis and so there is naturally only a minor variance between the actual days and those planned. Given the risk basis and responsive nature of audit work, the Audit Committee should be particularly interested in the overall deployment of audit resources rather than necessarily where those resources have been spent.

7.5 At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency.

7.6 The following audits have either been either added or removed from the audit plan, as agreed in conjunction with management:

Directorate / Service	Audit Assignment Title	Removed / Added
Place	Homes and Communities Agency Grant Funding	Removed – An Internal Audit of the grant funding is no longer required by the HCA.
People	Hunningley Primary School (Management Investigation)	Added - Request by the School and the Service Director to provide advice in respect of the control issues identified as part of the management investigation.

7.7 The position at the end of the first quarter for the audit days allocated to BMBC shows 5 days below profile.

8. Internal Audit Function and Performance

- 8.1 The Division uses a range of performance indicators to monitor operational efficiency. A list of the performance indicators (PIs) for 2016/17 is attached at Appendix 3.
- 8.2 The performance indicators for the first quarter are generally satisfactory at this early stage in the year. The chargeable time indicator is slightly below target but this is due in the main to difficulties / delays in the recruitment of staff and the number of training days being higher than expected.
- 8.3 The analysis of the more detailed feedback received following each audit job is shown in Appendix 4. For the first quarter of the year, at the point of preparing this report 3 feedback sheets have been received out of the 4 final reports issued. All feedback received has been noted as very good.
- 8.4 As reported previously the recruitment exercise to fill the Senior Auditor and Auditor positions resulted in the appointment of an Auditor. The vacant Senior Auditor position is being considered within the savings exercise required for 2017/18.
- 8.5 A savings target has been applied to the Internal Audit function as part of the anticipated 2017/18 budget process. Although detailed structures are currently being developed it is likely that there will be a reduction of up to 2 posts from the current Barnsley MBC audit resource of 8 posts. Part of the restructure process will be to ensure the audit approach provides as much assurance and coverage as possible. Options are currently being developed and the Audit Committee will be apprised of these in due course.

9. Local Area Implications

- 9.1 There are no Local Area Implications arising from this report.

10. Consultations

- 10.1 All audit reports are discussed with the main auditee. Individual audit reports are provided to the appropriate Executive Director and/or Service Director to apprise him/her of key issues raised and remedial actions agreed.
- 10.2 No specific consultation has been necessary in the preparation of this quarterly report.

11. Compatibility with European Convention on Human Rights

- 11.1 In the conduct of audit work and investigations particularly, Internal Audit operates under the provisions of the Data Protection Act 1998, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

12. Reduction of Crime and Disorder

- 12.1 An inherent aspect of audit work is to prevent, detect and investigate incidents of fraud, theft and corruption. The control issues arising from audit investigations have been considered to ensure improvements in overall controls are made.

Additionally, Internal Audit ensures that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.

13. Risk Management Considerations

13.1 The underlying purpose of the work of Internal Audit is to address and advise on key risks facing management and, as such, risk issues are inherent in the body of the report.

13.2 The Division's operational risk register includes the following risks which are relevant to this report:

- Inappropriate use of and management of, information to inform and direct service activities;
- Inability to provide a flexible, high performing and innovative service; and
- Poor levels of customer satisfaction.

All of these risks have been assessed and remain within the tolerance of the Division.

An essential element of the control (and on-going) management of these risks is the provision of update reports to the Audit Committee and the assurance this provides.

14. Employee Implications

14.1 There are no employee implications arising from this report.

15. Financial Implications

15.1 There are no financial implications arising directly from this report. The costs of the Internal Audit function are included within the Authority's base budget.

16. Appendices

- 16.1 Appendix 1 - Key issues arising from completed Internal Audit work
Appendix 2 - Internal Audit Plan 2016/17 – Position as at 30th June 2016
Appendix 3 - Internal Audit Performance Indicators for the Quarter Ended 30th June 2016
Appendix 4 - Analysis of Internal Audit feedback for the first quarter of 2016/17

17. Background Papers

17.1 Various Internal and External Audit reports, files and working papers.

Officer Contact: Head of Internal Audit

Telephone No: 01226 773241

Date: 8th July 2016

A: Completed Audits / Final Reports Issued During the Quarter Ending 30th June 2016

Appendix 1

KEY – Recommendations - Fundamental ‘F’ Significant ‘S’ Merits Attention ‘MA’

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued	Other Action
Finance, Assets & Information Services: Income System	The review identified issues in respect of the timeliness of monitoring and recovery of debt and the inconsistent application of procedures. This has resulted in some debts having little or no action taken to progress the debt to the next recovery stage.	Adequate	F - 0 S - 3 MA - 3	06.06.16	To follow-up the significant and merits attention report recommendations
Finance: SAP System Access	<p>The key issues relate to the absence of effective management information in order that management can recognise when operational duties have not been adequately segregated along with exception reports and / or independent transaction checks in order to mitigate and monitor key risk areas.</p> <p>The audit was scoped to specifically assist management assess the risks and the mitigating actions following a re-organisation and restructure within the Finance Business Unit.</p>	Limited	F - 1 S - 5 MA - 0	10.06.16	To follow-up the fundamental and significant report recommendations
Finance: Council Tax / NDR	The key issue arising from the audit review relates to entitlements to discounts and exemptions which are not reviewed on a timely basis. It was acknowledged that system improvements arising from the re-design of the Council's debt recovery function should help address the issues identified during the audit.	Adequate	F - 0 S - 3 MA - 3	07.06.16	To follow-up the significant and merits attention report recommendations
Information Services: Data Protection, Freedom of Information, Environmental Information Regulations Data Requests	The key issues raised relate to the delays in responses and approvals from services areas / Service Directors which has resulted in the timescales prescribed by the Information Commissioner not always being achieved.	Adequate	F - 0 S - 1 MA - 5	09.06.16	To follow-up the significant report recommendation

Other Completed Work Not Producing a specific Assurance Opinion	
Place – SYMAS 2015/16 Accounts	Validation of the accuracy of the 2015/16 accounts.
Place: Junction 36 Lessons Learnt Review	Internal Audit facilitated a workshop of the key stakeholders to identify the key factors impacting on the delay incurred in the securing of legal agreements with M1 J36 business park developers in order to identify lessons learnt as appropriate.
Place – Trans Pennine Trail 2015/16 Accounts	Validation of the accuracy of the 2015/16 accounts.
Place – Residential Investment Fund	Advisory piece of work in relation to the establishment of a governance and control checklist for use by the service in progressing the Residential Investment Fund.
Place – Local Plan	Advisory piece of work regarding the effectiveness of the risk management arrangements re the development of the Local Plan.
People – Schools	Advice provided to Barugh Green Primary School with regard to the application of contract procedure rules for procuring broadband services.
People – Grant Audit	Validation of the accuracy of the Social Care (Capital) grant.
Berneslai Homes: Information Security	Details of the audit have been reported to the Berneslai Homes Audit Committee meeting to be held on the 26 th May 2016.
Berneslai Homes: Information Governance – Data Protection	Details of the audit have been reported to the Berneslai Homes Audit Committee meeting to be held on the 26 th May 2016.
Berneslai Homes: Shared Core Systems	Details of the audit have been reported to the Berneslai Homes Audit Committee meeting to be held on the 26 th May 2016.
Berneslai Homes: Housing Rents	Details of the audit have been reported to the Berneslai Homes Audit Committee meeting to be held on the 26 th May 2016.

Other Work Undertaken	
Follow-up of Recommendations	Regular work undertaken to follow-up recommendations made.
Attendance at Steering / Working Group	Information Governance Board, Commissioning, Procurement & Contracts Working Group.
Liaison, Planning and Feedback	Meeting and corresponding with Service and Executive Directors and Heads of Service regarding progress of audit work, future planning and general client liaison.
Advice	General advice to services regarding controls, risk or governance matters. Such work often does not require formal reporting but occasionally will escalate into a specific piece of audit work for which a new job will be created.
Audit Committee Support	Time taken in the preparation of Audit Committee reports, Audit Committee Member training, general support and development.
Corporate Whistleblowing	General time taken in providing advice and the initial consideration of matters raised. Also includes the review of arrangements.
Corporate Matters	Covering time required to meet corporate requirements, i.e. corporate document management, service business continuity and health and safety.

Summary Activity

All Audit Reports

Assurance Opinion	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative
Substantial	0 (0%)				0 (0%)
Adequate	3 (75%)				3 (75%)
Limited	1 (25%)				1 (25%)
None	0 (0%)				0 (0%)
TOTAL REPORTS	4				4
Opinion Not Applicable	12				12

Total Recommendations

Number of Recommendations	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative
Fundamental	1 (4%)				1 (4%)
Significant	12 (50%)				12 (50%)
Merits Attention	11 (46%)				11 (46%)
TOTAL	24				24

Recommendations Followed-up by Internal Audit

Quarter 1				
Recommendation Classification	Followed-up	Completed by due date	Completed after target date	Not yet completed – Revised date agreed
Fundamental	1	1	0	0
Significant	1	0	0	1
Merits Attention	4	0	0	4
TOTAL	6	1	0	5

Trend Analysis – First Quarter 2016/17

Assurance Opinions

	2015/16				2016/17				Cumulative	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2015/16	2016/17
	%	%	%	%	%	%	%	%	%	%
Substantial	24	0	0	0	0				7	0
Adequate	38	40	43	50	75				41	75
Limited	38	60	57	50	25				52	25
None	0	0	0	0	0				0	0
	100	100	100	100	100				100	100

Implementation of Recommendations

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	2015/16				2016/17				Cumulative	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2015/16	2016/17
	No.	No.	No.	No.	No.	No.	No.	No.	%	%
Completed by target date	7	13	14	3	1				35	17
Completed after target date	5	6	21	15	0				45	0
Not yet completed – revised date agreed	2	2	6	11	5				20	83
Total followed up	14	21	41	29	6				100	100
% Completed by Original Target Date	50%	62%	34%	10%	17%					
% Completed at time of Follow-up	86%	90%	86%	62%	0%					

INTERNAL AUDIT PLAN 2015/16 – Position as at 30st June 2016

Directorate	Original 2016/17 Plan	Revised 2016/17 Plan	Actual Days
Communities	50	50	2
People	165	185	78
Place	139	122	45
Public Health	10	10	1
Corporate Services:			
➤ HR, Performance & Communications	122	122	7
➤ Legal & Governance	105	105	4
➤ Finance, Assets & Information Services	430	430	125
Council Wide	265	272	79
Contingency	50	40	0
Berneslai Homes	133	133	22
Sub Total	1,469	1,469	363
Corporate Anti-Fraud Unit	581	581	145
Sub Total	2,050	2,050	508
		Profile	513
		Variance	-5
External Clients	1,653	1,653	334
Total Chargeable Planned Days	3,703	3,703	842

INTERNAL AUDIT PERFORMANCE INDICATORS FOR 2016/17

Ref.	Indicator	Frequency of Report	Target 2015/16	This Period	Year to Date
1.	<u>Customer Perspective:</u>				
1.1	Percentage of questionnaire received noted “good” or “very good” relating to work concluding with an audit report. (3 very good)	Quarterly	95%	100%	100%
2.	<u>Business Process Perspective:</u>				
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report. (4/4 reports)	Quarterly	80%	100%	100%
2.2	Percentage of chargeable time against total available.	Quarterly	73%	72%	72%
2.3	Average number of days lost through sickness per FTE (Cumulative 11.5 days in total)	Quarterly	6 days	<1 day	<1 day
3.	<u>Continuous Improvement Perspective:</u>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
4.	<u>Financial Perspective:</u>				
4.1	Total Internal Audit costs v budget.	Quarterly	Within Budget	Within Budget	Within Budget

Performance Indicator Definitions and Supporting Information

PI Ref	Indicator	Comments
1.1	Percentage of favourable auditee questionnaire responses received (noted "good" or "very good") relating to work concluding with an audit report.	Questionnaires are left at the end on each audit job resulting in a formal report. The questionnaire asks 14 specific questions covering the effectiveness of audit planning, communication, timing and quality of the audit report. An overall assessment is sought as to the overall value of the audit. This is the answer used for this PI. All questionnaires are analysed in detail to ensure all aspects of the audit process are monitored and improved.
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report.	This is an operational PI to ensure the timely issue of final reports. This PI is influenced by the availability of senior Internal Audit staff to clear the report and any issues the Division's quality assessment process highlights along with the availability of the auditee.
2.2	Percentage of chargeable time against total available.	A key operational measure of the 'productivity' of Audit staff taking into account allowances for administration, general management, training and other absences. This PI will reflect the % chargeable time of staff in post, net of vacancies.
2.3	Average number of days lost through sickness per FTE.	A corporate PI to measure the effectiveness of good absence / attendance management.
3.1	Personal development plans for staff completed within the prescribed timetable.	IA place a high level of importance on staff training and continuous development and are committed to ensure all staff have their own training plans derived from the personal development plan process.
4.1	Total Internal Audit costs v budget.	This is a simple overall measure to note whether the Division's expenditure for the year has been kept within the budget.

Analysis of Internal Audit Feedback Received in the First Quarter of 2016/17

Number of ticks shown against each question

		Very Good	Good	Acceptable	Poor
A	Audit Planning				
1	Relevance of the audit objectives	2	1	0	0
B	Communication				
1	Consultation on scope and objectives of the audit	3	0	0	0
2	Communication during all aspects of the audit	3	0	0	0
3	Helpfulness co-operation of the auditor(s)	3	0	0	0
4	Professionalism of the auditor(s)	3	0	0	0
5	The auditor(s) demonstrated an appreciation of any relevant issues concerning equality and diversity	3	0	0	0
C	Timing				
1	Duration of the audit	2	1	0	0
2	Timeliness of the audit report	3	0	0	0
D	Quality of the audit report				
1	Format and clarity of audit report	3	0	0	0
2	Accuracy of the findings	3	0	0	0
3	Relevance of recommendations	3	0	0	0
4	Overall quality of the report	3	0	0	0
E	Value of the audit				
1	Basic controls assurance the audit has provided	3	0	0	0
2	Added value given beyond basic controls assurance	3	0	0	0
3	Overall value of the audit	3	0	0	0
		100%			
Total Number of 'ticks' (A – E)		43	2	0	0
Percentage		96%	4%	0%	0%
		100%			

Returned Questionnaires:-

Quarter 1	3
Quarter 2	
Quarter 3	
Quarter 4	
Total	3

Auditee Comments (where given) received in the quarter:

Liaison with colleagues from Audit was helpful and supportive. Timely and effective dialogue ensured that service views and suggestions were incorporated into the recommendations. The findings are supportive of improvement activity in service.

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AUDIT COMMITTEE – 20th July 2016

RISK MANAGEMENT ANNUAL REPORT 2015 / 16

Executive Summary:

Key Issues:

- I. The Risk Management Framework has been reviewed in 2016, and considered by the Audit Committee at their meeting dated 20th April 2016 (section 3.2);

- II. The Corporate Assurance Group (CAG) has subsumed the Risk Champion Group terms of reference and are now leading on the provision of assurance information that underpins the Annual Governance review (section 4.3 – 4.4);

- III. The Risk Management Section now leads on the provision of Insurance and Corporate Governance activities within the Council, and benefits from an annual workplan (section 5);

- IV. All risk registers (Operational and Strategic) have been revised during 2015 / 16 (section 6);

- V. The Councils Risk Profile has slightly increased, and will be mitigated by direct liaison between Executive Directors and the Risk and Governance Manager (section 7);

- VI. Options are being considered in 2016 / 17 in terms of a replacement, or an alternative to the current Risk Management database, Morgan Kai Insight (section 9.2); and,

- VII. The revised Annual Governance Review for 2014 / 15 was completed and the subsequent Annual Governance Statement was signed by the Leader and Chief Executive in 2015 (section 11.3).

AUDIT COMMITTEE – 20th July 2016

RISK MANAGEMENT ANNUAL REPORT 2015 / 16

1. Purpose of the Report

- 1.1 The purpose of this report is to summarise the activity in 2015 / 16 towards the achievement of the goals and objectives set out in the Council's Risk Management Policy, and to signpost further work to be undertaken in 2016 / 17.
- 1.2 This report seeks to provide suitable assurances that the significant risks to the achievement of corporate objectives have been identified and are being appropriately managed within the comprehensive Risk Management Framework.

2. Recommendations

2.1 It is recommended that the Audit Committee:

- I. Considers the Risk Management Annual Report, and the assurances provided, as part of its overall consideration of the Council's control framework for the purposes of the Annual Governance Statement;**
- II. Considers whether any aspect of this report requires a more detailed report at a subsequent meetings; and,**
- III. Continues to receive periodic reports during the year to monitor the progress in achieving the actions identified for 2016 / 17.**

3. Risk Management Framework

2015 / 16:

- 3.1 The revised Risk Management Framework was presented to the Audit Committee at their meeting dated 22nd April 2015. The revised Risk Management Framework was subsequently approved by Cabinet at their meeting dated 20th May 2015.

2016 / 17:

- 3.2 A review of the Risk Management Framework was undertaken in April 2016. A report to the Audit Committee, presented on 20th April 2016 confirmed that the Risk Management Framework remained fit for purpose, and no changes were identified as having to be made. This report was subsequently approved by Cabinet at their meeting dated 1st June 2016.
- 3.3 Within the Council's Vision and Values, the following outcome is considered essential is ensuring the Councils new operating model (the 'Future Council') is sustainable and robust:

'...being innovative and taking managed risks...'

(Source: Future Council Strategy 2014 – 2017)

- 3.4 The positioning of Risk Management as an enabler for change has been beneficial to the service, in terms of being perceived as a management tool that provides the opportunity to consider and understand the risks in doing something differently, and to provide assurances that positive outcomes can be realised by doing things in a different way.

4. Roles and Responsibilities

2015 / 16:

- 4.1 The Risk Champion Group did not meet during 2015 / 16, with the last meeting taking place on 12th March 2015. It was acknowledged at the last meeting that, as a result of Future Council activity, there were a number of 'vacancies' within various Directorates and Business Units relating the provision of a risk champion. This places the future of the risk champion meetings in some doubt, and this had been reflected in recent attendance.
- 4.2 Revised terms of reference for a refreshed Corporate Assurance Group (CAG) (which included the terms of reference of the original Risk Champions Group) were developed in 2015, with a series of presentations to Senior Management Team (SMT) and Barnsley Leadership Team (BLT). Draft terms of reference were circulated to BLT in October 2015.

2016 / 17:

- 4.3 The inaugural meeting of the CAG took place on 5th April 2016. As part of the first meeting, the terms of reference for the group were considered and approved. These are attached as Appendix One to this report.
- 4.4 Recent meetings of the CAG have focused on the provision of information regarding the Annual Governance Review, which underpins the production of the Council's Annual Governance Statement.

5. Risk Management Section

2015 / 16:

- 5.1 From 2015 /16, the Risk Management Section (RMS) now leads in the delivery of the Annual Governance Review, and the subsequent production of the Council's Annual Governance Statement, and the management of the associated Annual Governance Action Plan.
- 5.2 During 2015 / 16 the RMS has led in the provision of insurance queries and customer support, as well as insurance renewal activities, for the Council, and more recently South Yorkshire Fire and Rescue and South Yorkshire Pensions Authority.
- 5.3 The RMS benefited from a detailed workplan, detailing key activities for the year. This workplan was included as an appendix to previous update reports that have been presented to the Audit Committee. The majority of actions for 2015 / 16 were completed. Where appropriate, actions that were not completed have been carried over to the RMS workplan for 2016 / 17.

2016 / 17:

- 5.4 The RMS will be leading the forthcoming insurance tendering exercise for the Council, in September 2016.

5.5 As in previous years, the RMS benefits from a detailed workplan, attached as Appendix Two to this report.

6. Risk Management Process

Strategic Risk Register 2015 / 16:

6.1 A robust and dynamic Strategic Risk Register (SRR) sets the culture and tone for Risk Management across and throughout the Council. The engagement of SMT in the Risk Management process through the ownership and review of the SRR demonstrates a strong commitment to lead and champion Risk Management 'from the top' and to further reinforce the continuing development of a Risk Management culture.

6.2 The SRR was reviewed in February 2015, and considered by the Audit Committee at their meeting dated 22nd April 2015, and was subsequently approved by Cabinet at their meeting dated 20th May 2015. A further review took place in September 2015, and was considered by the Audit Committee at their meeting dated 20th January 2016, and was subsequently approved by Cabinet at their meeting dated 10th Feb 2016.

Strategic Risk Register 2016 / 17:

6.3 The SRR was reviewed in March 2016, and was considered by the Audit Committee at their meeting dated 20th April 2016, and was subsequently approved by Cabinet at their meeting dated 1st June 2016.

6.4 Key issues either logged on the SRR, or being considered as part of the forthcoming review of the SRR (programmed for September 2016) include:

- Emergency Planning and Business Continuity arrangements;
- Governance arrangements surrounding the emerging City Region Devolution Deal; and,
- Implications of 'Brexit' on Local Authorities.

6.5 As with previous reviews of the SRR, the outcomes of future reviews will be reported to, and considered by the Audit Committee.

Operational Risk Registers 2015 / 16:

6.6 The Operational Risk Registers (ORRs) relate to the key risks to the provision of Council services. During 2015 / 16 these risk registers were formally reviewed on a half yearly basis, to ensure risk remained relevant and that identified risk mitigation actions were being implemented. The risks contained within the ORRs are aligned to individual Business Unit Business Plans.

6.7 Following the completion of each review, there is an expectation that 'red' risks (in terms of the 'current' and 'target' risk assessments) are escalated to Business Unit Management Teams for further consideration.

Operational Risk Registers 2016 / 17:

6.8 The RMS will continue to ensure that ORRs are reviewed and updated on a half yearly basis.

6.9 The compliance against the requirements of the ORR review programme will be reported as part of the Annual Governance Review, programmed to take place in the summer of 2016. The compliance

with the ORR process is also included within the Risk Management Performance Indicators, detailed in section 11.7, and Appendix Three of this report.

Project Risk Management 2015 / 16:

- 6.10 During 2015 / 16, the Council continued to use the P2.net system to enable the recording and management of a significant number of risks, mainly relating to project and programme management activities.
- 6.11 Direct liaison with a number of significant projects by the RMS continued, and included:
- 'Better Barnsley' Programme;
 - Property Investment Fund / Speculative Developments;
 - Strategic Business Parks (including Junction 36 and 37 developments);
 - Cooper Gallery Extension; and,
 - Dearne Valley Landscape Partnership.

Project Risk Management 2016 / 17:

- 6.12 A detailed review of the Council's project and programme management requirements is being undertaken, led by the Corporate Projects and Programmes Manager within Business Unit 15 (Organisation and Workforce Improvement). Initial liaison between the Corporate Projects and Programmes Manager and the RMS was undertaken in May 2016. An initial timeline has been developed by the Corporate Projects and Programmes Manager, and a number of update meetings between the RMS and the Corporate Projects and Programmes Manager have been included within this programme to ensure the consideration of robust risk management and governance arrangements are included within this review.

Partnership Risk Management 2015 / 16:

- 6.13 Liaison with the following key partners during 2015 / 16 allowed for the sharing of risk information, which was analysed, and fed back to both the partnering organisation, and the lead officer within the Council, responsible for the specific partnership:
- Barnsley Norse;
 - Barnsley NPS;
 - Barnsley Premier Leisure; and,
 - Berneslai Homes.

- 6.14 Although not strictly a 'partnership', the RMS supports both the Barnsley Safeguarding Adults Board (SAB) and the Barnsley Children Safeguarding Board (BCSB) in their risk management arrangements.

Partnership Risk Management 2016 / 17:

- 6.15 It is envisaged that assurances will be sought from those partners detailed in section 6.13 during 2016 / 17, and the outcomes of any analysis undertaken by the RMS will be provided to the partnering organisation itself, as well as the lead officer within the Council, responsible for the specific partnership.
- 6.16 The issue of Partnership Governance was a key issue identified in the Annual Governance Review for 2014 / 15, and an emerging Partnership Governance Framework, developed by the RMS was presented to BLT in May 2016.

7. Risk Profile / Statistics

7.1 The corporate Risk Management software system, Morgan Kai Insight (MKI) allocates a Category Score to each risk, based upon a combination of likelihood and the highest scoring impact; Category One (red) being the most severe, and Category Six (green) being the least.

SRR and ORR Statistics:

7.2 A breakdown of SRR and ORR risks, by Category, as at 14th June 2016 is shown below:

Risk Category	June 2016		May 2015		May 2014		May 2013	
	No.	%	No.	%	No.	%	No.	%
1	51	16	28	9	67	18	85	17
2	59	18	49	16	71	19	139	27
3	62	19	55	18	55	15	61	12
4	82	25	77	25	81	22	100	19
5	68	21	93	31	99	26	126	24
6	2	1	2	1	3	1	2	1
Total	324	100	304	100	373	100	513	100
Average Risk Category Score	3.19		3.53		3.24		3.09	

7.3 The latest statistics demonstrate a slight increase in the overall risk profile for the Council for the current period (3.19) compared to the profile as at May 2015 (3.53). This is clearly attributable to the increase in red risks (34% as at June 2016) compared to 25% as at May 2015. It appears the majority of 'new' risks (20) will have been allocated a 'red' Category.

In order to ensure that risks are being assessed, and subsequently escalated, the Risk and Governance Manager will be attended Directorate Management Team meetings during 2016 / 17 to ensure that red risks are being escalated, and consideration as to the assessment and risk mitigation actions is being given by the appropriate Executive Director.

The average Risk Category score metric details the average score for all risks of relevance logged in MKI for the period in question. The principle behind this metric is to identify and manage any trend in terms of the overall Risk Category score becoming more 'acceptable'. The closer this metric aligns to Category Six (being the most acceptable Risk Category score possible in MKI) the more assured the Council can be in ensuring risks are being managed down to acceptable levels.

Project and Partnership Statistics:

7.4 A breakdown of Project and Partnership risks, by Category, as at 14th June 2016 is shown below:

Risk Category	June 2016		May 2015		May 2014		May 2013	
	No.	%	No.	%	No.	%	No.	%
1	4	2	11	5	6	5	18	17
2	28	12	32	16	22	18	17	16
3	51	22	49	24	23	19	22	20
4	71	30	53	26	36	29	21	19
5	81	33	57	28	35	28	28	26
6	1	1	1	1	1	1	2	2
Total	236	100	203	100	123	100	108	100
Average Risk Category Score	3.84		3.57		3.61		3.27	

7.5 Whilst the overall number of partnership and project risks has seen a slight increase compared to May 2015 (mainly attributable to new risks being logged in the 'Better Barnsley' risk register, and new risk registers relating to the Urbact programme, being led by Business Unit 4 (Economic Regeneration)), there has been no detrimental impact on the Council's risk profile in this area.

8. Risk Acceptance, Escalation and Reporting

2015 / 16:

8.1 The Council's Risk Acceptance model was revised as part of the overall refresh of the Risk Management Framework in April 2015. This document is intended to provide assurances to owners of risk, that as the Council becomes more willing to consider, and exploit opportunities there is an increased likelihood the Council will, at times, have to accept a higher level of risk.

2016 / 17:

8.2 As detailed in section 3.2, the Risk Management Framework benefitted from a desktop review, which identified no significant improvement actions. As a result, the Risk Acceptance model remains in use during 2016 / 17.

9. Risk Recording / Morgan Kai Insight

2015 / 16:

9.1 The MKI user guide was reviewed in 2015 / 16, and a revised iteration released to users, which included a more detailed guidance note relating to the provision of reports from MKI. There have been no improvements or upgrades to the system during 2015 / 16.

2016 / 17:

9.2 The application and use of MKI was considered by Internal Audit when they conducted their annual review of the Council's Risk Management arrangements, and suggested that consideration is given to the future use of MKI regarding the recording of risks and risk mitigation actions within the Council. Options are currently being explored in terms of alternative methods of recording risks, and managing ORRs.

10. Guidance, Training and Facilitation

2015 / 16:

- 10.1 A number of direct training sessions detailed below have been facilitated and delivered by the RMS for both the Council, and other external customers. This face to face training is also complemented by online training packages, designed specifically for Elected Members, and officers. The RMS also benefits from an intranet site, which hosts a number of guidance documents and resources which is updated on a quarterly basis throughout the year.

2016 / 17:

- 10.2 A training session was recently delivered to colleagues within Business Unit 5 (Housing and Energy) relating to Project and Programme Risk Management.
- 10.3 It is envisaged that training requests from Services and Business Units will be received throughout 2016 / 17, and appropriate training offers will be developed to ensure that Council employees have the correct capabilities and skills to effectively manage risk.

11. Assurance and Performance Management

Integration with Other Processes 2015 / 16:

- 11.1 Details of all significant risks logged in MKI have been passed to the Internal Audit section to maximise opportunities to link Audit Planning with risk issues. This assists in ensuring that the annual Internal Audit plan is risk based, and focuses on the significant threats to effective service delivery.

Integration with Other Processes 2016 / 17:

- 11.2 To complement the above, regular meetings have now been programmed between the Risk and Governance Manager, and the Audit Manager which provides an ongoing opportunity to share information and assist each department in focusing their attention on significant risks and threats to the Council.

Annual Governance Review (AGR) / Annual Governance Statement (AGS) 2015 / 16:

- 11.3 Following the Annual Governance Review (AGR) in the summer of 2015, the RMS was able to produce the Council's statutory Annual Governance Statement (AGS), which was considered by the Audit Committee at their meeting dated 18th September 2015, and subsequently approved by Full Council at their meeting dated 24th September 2015.
- 11.4 The AGS benefitted from a detail improvement action plan, which the RMS has managed for the period. Updates from lead officers have been received on a regular basis, and an update to this Action Plan was presented to the Audit Committee at their meeting dated 20th January 2016.

Annual Governance Review (AGR) / Annual Governance Statement (AGS) 2016 / 17:

- 11.5 The RMS has initiated the AGR process, and has used the CAG to agree elements of the review, and embed these within Business Units. This AGR is expected to formally commence in June, with the outcomes of the AGR being considered in July to enable the production of the draft AGS for consideration by the Audit Committee, at their meeting programmed for 22nd July 2016.

- 11.6 The consideration of the AGS will also influence the developing Corporate Assurance Map, which is being developed by the RMS. This map has been designed to assist in identifying and addressing gaps in the Council's assurance arrangements, and also provide opportunities to streamline these arrangements. It is envisaged this will be subject of a further report to the Audit Committee later in 2016.

Performance Management 2015 / 16:

- 11.7 It is important that the success of the Risk Management Strategy can be measured, and in order to do so, a series of performance indicators for 2015 / 16 are attached as Appendix Three to this report.
- 11.8 The annual independent review of Risk Management arrangements in 2015 / 16 by Internal Audit was undertaken in September 2015. The results of this audit provided the RMS with an 'adequate' assurance opinion for the year.

Performance Management 2016 / 17:

- 11.9 Revised performance indicators for 2016 / 17 are to be developed to ensure that the Council's decision not to participate in the Association of Local Authority Risk Managers (ALARM) and CIPFA Benchmarking Club for Risk Management does not affect the ability to measure performance.
- 11.10 It is envisaged that Internal Audit will undertake their annual review of Risk Management arrangements later in 2016.

12. Risk Improvement Fund

2015 / 16:

- 12.1 The Risk Improvement Fund has been the victim of budget cuts, resulting in no fund now being available for risk improvement opportunities. However, prior to the budget being removed, the RMS led in the procurement of a forensic asset marking solution for Council buildings and assets. The procurement was completed in 2015 / 16, resulting in an annual saving of around £5K.

2016 / 17:

- 12.2 Although no formal risk improvement budget exists, the RMS was asked during 2016 / 17 to assist in the identification of alternative funding streams to assist in ensuring the Parks Service were able to fund a significant amount of repairs to parks and play equipment across the Borough. The RMS was successful in developing a brief business case which allowed for a proportion of this funding to be released from the Insurance Fund to cover an element of these costs, on a 'spend to invest' basis.

13. Culture

- 13.1 The prime objective of the Risk Management Policy is to facilitate the management of risks (and benefits and opportunities arising) in accordance with best practice, through a culture where responsible, informed and controlled risk taking is encouraged. In order to achieve this objective, the activities detailed in the RMS workplan for 2015 / 16 and 2016 / 17 specifically identify activities that will assist in building and improving the Council's own Risk Management culture.

14. Risk Management Considerations

- 14.1 Clearly the most significant and obvious risk to the Council is failing to embrace Risk Management as a vehicle to help process and deliver objectives in a cost effective and efficient manner. Adopting and constantly improving the Risk Management arrangements for the Council is a clear mitigation against this corporate risk.
- 14.2 The Financial Services Business Unit (Business Unit 13) benefits from its own risk register, and this assists in the delivery of the RMS workplan.

15. Financial Implications

- 15.1 Whilst there are no direct financial implications arising from this report, the impact of Risk Management should be recognised as a major contributor to achieving value for money and demonstrating the efficient use of resources.

16. Employee Implications

- 16.1 Whilst there are no direct employee implications arising from this report, the Risk Management process relies entirely on all employees having a good awareness of their responsibilities for Risk Management and for those employees specifically tasked with Risk Management functions, it is essential that they are trained and supported to fulfil that role.

17. Appendices

Appendix One: Corporate Assurance Group Terms of Reference
Appendix Two: RMS Workplan 2016 /17
Appendix Three: 2015 / 16 Performance Indicators

18. Background Information

Previous Audit Committee Reports
Risk Management Framework
MKInsight – Risk Registers
Training Records and feedback

Contact Officer: Risk and Governance Manager
Telephone: 01226 77 3119
Date: 6th July 2016

Corporate Assurance Group 2016 Terms of Reference

Governance and Assurance:

To provide oversight regarding the development, implementation and maintenance of the Council's corporate governance and control framework, by providing:

- A consultative role in respect of changes to the Council's corporate governance and control framework, including contributing towards the development of the Councils Corporate Assurance Framework
- A consultative role regarding the Annual Governance Review (AGR) process, including contributing towards the development of the AGR

For members of the group to act as governance and assurance 'champions' to ensure high levels of awareness and compliance

To examine other opportunities to adopt a strategic challenge and assurance role for other specific areas of the Council's corporate governance that requires improvement through the Annual Governance Review Action Plan

To assist in the management of the Annual Governance Review Action Plan, and to assist in the identification and development of improvements and efficiencies as to how the Council is governed

Risk Management:

To provide a strategic challenge as to the Council's Risk Management arrangements, including consideration of, and input into the periodic review of the Council's Strategic Risk Register (SRR)

Assist in the implementation and delivery of the Councils Risk Management Policy, Strategy and Framework by:

- Encouraging and participating in the identification, development and communication of new and emerging risks, ensuring they are considered, discussed and where appropriate logged and included in risk registers
- Encouraging, facilitating and contributing towards the review of operational risk registers (ORR) in accordance with the ORR review timeline
- Supporting the development and review of project and partnership risk registers

Contribute towards the development of a culture where innovation and managed risk taking is encouraged within the overall tolerances and boundaries in which the Council operates, by:

- Ensuring significant risks are appropriately escalated and communicated
- Being a champion for, and encouraging the use and development of the corporate risk management database, Morgan Kai Insight (MKI)

Ensuring risk management good practice is disseminated throughout the Council, by:

- Providing a conduit for risk management issues to be cascaded to all areas of the Council
- Act as a resource to assist, support and develop good risk management practices

Objective	Action	Date for Completion	Status	Notes
Develop, implement and improve the Risk Management Framework	Review of Strategy	11/04/2016	Closed	All documents reviewed – no changes required; Report to AC 20/04/2016;
	Review of Policy Objective Statement			
	Review of Acceptance Model and Appetite Statement			
	Review of Risk Champion Role			
	Review of Risk Challenge Process			
	Review of Project Protocol			
	Review of Cabinet Writing Guidance			
	Review of Risk Training Strategy			
Provision of assurance in relation to Corporate Governance and Internal Control responsibilities	RM Framework Report to AC	11/04/2016	Closed	All documents reviewed – no changes required; Report to AC 20/04/2016;
	RM Framework Report to Cabinet	11/04/2016	Closed	All documents reviewed – no changes required; Report to Cabinet 01/06/2016;
	RM Annual Report to AC	20/07/2016	Open	Draft report prepared; Being considered by HoTS and SD BU13;
	RM Update Report to AC	30/09/2016	Open	
	AGR Review and Local CoCG to AC	20/04/2016	Closed	AGR Review and Local CoCG report to AC 20/04/2016;
	AGS Draft to SMT	15/07/2016	Open	
	AGS Draft to AC	30/07/2016	Open	
	AGS Final to AC	30/08/2016	Open	
	AGS Final to Full Council	30/09/2016	Open	
	AGS Action Plan Update to AC	31/12/2016	Open	
	AGS Action Plan Update to AC	31/03/2017	Open	
	SRR Review (October 2016) Report to SMT	31/10/2016	Open	
	SRR Review (October 2016) Report to AC	15/11/2016	Open	
	SRR Review (October 2016) Report to Cabinet	30/11/2016	Open	
	SRR Review (March 2017) Report to SMT	31/03/2016	Open	
SRR Review (March 2017) Report to AC	15/04/2016	Open		
SRR Review (March 2017) Report to Cabinet	30/04/2016	Open		
Integration of Risk Management into corporate business processes	ORR Q1	31/03/2016	Closed	Opened via email 07/04/2016;
	QA ORR Q1	30/06/2016	Open	
	ORR Q2	01/07/2016	Open	
	QA ORR Q2	30/09/2016	Open	

Objective	Action	Date for Completion	Status	Notes
	ORR Q3	01/10/2016	Open	
	QA ORR Q3	31/12/2016	Open	
	ORR Q4	01/01/2017	Open	
	QA ORR Q4	31/03/2017	Open	
	SRR Review (October 2016)	01/10/2016	Open	
	SRR Review (March 2017)	01/03/2017	Open	
	Provision of information to feed Audit Planning	31/12/2016	Open	
	Analysis of Internal Audit reports	31/03/2017	Open	<ul style="list-style-type: none"> ▪ Finance – Income System 2015 / 16 Audit Report (07/06/2016); ▪ Finance – SAP User Access Internal Audit Report (09/06/2016); ▪ Information Services – Data [Protection, Freedom of Information Regulations Data Requests Internal Audit Report (09/06/2016);
Support and encourage Risk Management activity throughout the Council, and its partners	Review of Berneslai Homes risk management arrangements	30/09/2016	Open	
	Review of Barnsley Premier Leisure risk management arrangements	30/09/2016	Open	
	Review of Norfolk Property Services risk management arrangements	30/09/2016	Open	
	Review of Barnsley Norse risk management arrangements	30/09/2016	Open	
Development and delivery of training schemes to raise awareness of risk management and to develop competencies	Development of training offer for BMBC officers	31/03/2017	Open	Housing and Energy Risk Management Projects – 08/06/2016;
	Delivery of training for BMBC officers	31/03/2017	Open	Housing and Energy Risk Management Projects – 08/06/2016;
	Development of training offer for Members	31/03/2017	Open	
	Delivery of training for Members	31/03/2017	Open	
	Development of training for external customers	31/03/2017	Open	
	Delivery of training for external customers	31/03/2017	Open	
	Development of E-Learning material	31/03/2017	Open	
	Intranet Update – June 2016	30/06/2016	Open	
	Intranet Update – September 2016	30/09/2016	Open	
Intranet Update – December 2016	31/12/2016	Open		
Intranet Update – March 2017	31/03/2017	Open		
Delivery of a proportionate Corporate Governance	Corporate Assurance Group Meeting – April 2016	05/04/2016	Open	Meeting held 05/04/2016 – minutes released 07/04/2016;

Objective	Action	Date for Completion	Status	Notes
framework for the Council	Corporate Assurance Group Meeting – May 2016	26/05/2016	Open	Meeting held 26/05/2016 – minutes released 15/06/2016;
	Corporate Assurance Group Meeting – August 2016	31/08/2016	Open	
	Corporate Assurance Group Meeting – September 2016	30/09/2016	Open	
	Development of Part One: All IA Recommendations	30/06/2016	Open	Received from IA – awaiting final elements of Part Three;
	Development of Part Two: Themed IA Recommendations	30/06/2016	Open	Received from IA – awaiting final elements of Part Three;
	Development of Part Three: Other Areas of Assurance	30/06/2016	Open	Awaiting final elements of Part Three;
	AGR emails to SD's / ED's	30/06/2016	Open	
	Development of AGS Action Plan	30/07/2016	Open	
	Development of AGS (draft)	30/07/2016	Open	
	Approval of AGS (final)	30/09/2016	Open	
	Development of Corporate Assurance Map	30/09/2016	Open	

Appendix Three: 2016 / 17 Performance Indicators

Indicator	Quarter One (01/04/2015 – 30/06/2015)	Quarter Two (01/07/2015 – 30/09/2015)	Quarter Three (01/10/2015 – 31/12/2015)	Quarter Four (01/01/2016 – 31/03/2016)
Process:				
% of Business Units completing Operational Risk Register Reviews on time	82%	89%	82%	78%
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to Leadership and Management	2015 / 16: Assessed Level: '5 – Driving' (Actual Score 85: +1.8% deviance on national average)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to Policy and Strategy	2015 / 16: Assessed Level: '5: – Driving' (Actual Score 91: +9.2% deviance on national average)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to People	2015 / 16: Assessed Level: '4 – Embedded and Integrated' (Actual Score 79: +2.3% deviance on national average)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to Partnerships and Resources	2015 / 16: Assessed Level: '3 – Working' (Actual Score 64: -5.8% deviance on national average)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to Processes	2015 / 16: Assessed Level: '4 – Embedded and Integrated' (Actual Score 79: -2.4% deviance on national average)			
Changes to Risk Profile:				
Deviance from Average Risk Category Score	2014 / 15: Average Risk Score: 3.53	2015 / 16: Average Risk Score: 3.19	Direction of Travel ↓	
Outcomes:				
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to Risk Handling	2015 / 16: Assessed Level: '3 – Working' (Actual Score 68: -6.5% deviance on national average)			
Maintenance / improvement of ALARM / CIPFA Benchmarking scores relating to Outcomes and Delivery	2015 / 16: Assessed Level: '4 – Embedded and Integrated' (Actual Score 71: +2.9 deviance on national average)			



Technical update

Incorporating the External Audit Progress Report





Barnsley Metropolitan Borough Council

July 2016

Contents

The contacts at KPMG in connection with this report are:		Page
Clare Partridge Director KPMG LLP (UK) Tel: 07 clare.partridge@kpmg.co.uk	External audit progress report	3
	KPMG resources	5
	Technical developments	10
	Appendices	
Linda Wild Senior Manager KPMG LLP (UK) Tel: 07717 483538 linda.wild@kpmg.co.uk	1. 2015/16 audit deliverables	27

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors. The report also highlights the main technical issues which are currently having an impact in local government. If you require any additional information regarding the issues included within this report, please contact a member of the audit team. We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

-  High impact
-  Medium impact
-  Low impact
-  For information



External audit progress report

External audit progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

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Area of responsibility	Commentary
Financial statements	<p>Our interim audit is complete. No report was required as a result of this work, we provided an update on this to the Audit Committee in June.</p> <p>Our audit of your draft financial statements has commenced. Fieldwork will take place during July and August and we aim to issue our opinion before the deadline of 30 September 2016.</p>
Value for Money	<p>Our VFM work will be completed alongside our audit of the draft financial statements to enable us to report back you on this area in September 2016.</p>
Certification of claims and returns	<p>The Housing Benefit & Council Tax Benefit Claim is the only grant remaining under the PSAA Ltd regime. We are discussing the timing of this audit with officers and we will report before the deadline of 30 November 2016.</p> <p>We will discuss the certification of any grants outside of the PSAA Ltd regime with officers in due course.</p>
Other work	<p>Our work in relation to a letter from a member of the public is ongoing. Any additional fee in relation to this will be agreed with officers and reported to the Audit Committee.</p>



KPMG resources

Local government budget survey

KPMG has published the results of its Local Government Budget Survey. The survey collated data from 97 KPMG local authority clients on topics including:

- The content of budget monitoring reports;
- Savings plans;
- Invest-to-save projects
- The type of savings being made;
- Assumptions underlying the medium term financial plan; and
- Reserve movements.

The Survey also poses questions for management and Members to consider when reviewing their budget setting and budget monitoring processes.

We produced this report in February 2016 and it was presented to the Audit Committee in March 2016.

For more information, and a copy of the report, please contact Linda Wild, Senior Manager, on 07717 483538 or linda.wild@kpmg.co.uk.

Publication 'Value of Audit - Perspectives for Government'

What does this report address?

This report builds on the Global Audit campaign – *Value of Audit: Shaping the future of Corporate Reporting* – to look more closely at the issue of public trust in national governments and how the audit profession needs to adapt to rebuild this trust. Our objective is to articulate a clear opinion on the challenges and concepts critical to the value of audit in government today and in the future and how governments must respond in order to succeed.

Through interviews with KPMG partners from nine countries (Australia, Canada, France, Germany, Japan, the Netherlands, South Africa, the UK and the US) as well as some of our senior government audit clients from Canada, the Netherlands and the US, we have identified a number of challenges and concepts that are critical to the value of audit in government today and in the future.

What are the key issues?

- The lack of consistent accounting standards around the world and the impacts on the usefulness of government financial statements.
- The importance of trust and independence of government across different markets.
- How government audits can provide accountability thereby enhancing the government's controls and instigating decision-making.
- The importance of technology integration and the issues that need to be addressed for successful implementation
- The degree of reliance on government financial reports as a result of differing approaches to conducting government audits

The *Value of Audit: Perspectives for Government* report can be found on the KPMG website at <https://home.kpmg.com/xx/en/home/insights.html>

The *Value of Audit: Shaping the Future of Corporate Reporting* can be found on the KPMG website at www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx

Publication 'Reimagine - Local Government'

KPMG have published a number of reports under the headline of *Reimagine – Local Government*. These are summarised below:

Council cash crunch: New approach needed to find fresh income

- By 2020, councils must generate all revenue locally.
- More and more are looking towards diversifying income streams as an integral part of this.
- Councils have significant advantages in becoming a trusted, independent supplier.
- To succeed, they must invest in developing commercial capability and capacity.

Councils can save more than cash by sharing data

- Better data sharing in the public sector can save lives and money.
- The duty to share information can be as important as the duty to protect it.
- Local authorities are yet to realise the full value of their data and are wary of sharing information.
- Cross-sector structures and the right leadership is the first step to combating the problem.

English devolution: Chancellor aims for faster and more radical change

- Experience of Greater Manchester has shown importance of strong leadership.
- Devolution in areas like criminal justice will help address complex social problems.
- Making councils responsible for raising budgets locally shows the radical nature of these changes.
- Cuts to business rates will stiffen the funding challenge, even for the most dynamic councils.

Senior public sector pensions

- Recent changes to pensions taxation have particularly affected the public sector, with fears senior staff may quit as pension allowances bite.
- 'Analyse, control, engage' is the bedrock of an effective strategy.

Time for the Care Act to deliver

- Momentum behind last year's Care Act risks stalling.
- Councils are struggling to create an accessible care market with well-informed consumers.
- Local authorities must improve digital presence and engage providers.
- Austerity need not be an impediment to progress. It could be an enabler.

The publications can be found on the KPMG website <https://home.kpmg.com/uk/en/home/insights/2016/04/reimagine-local-government.html>

Publication 'The future of cities'

We are delighted to share *The future of cities*, a report that helps local government leaders build and evaluate sustainable cities for their current and future generations.

What is *The future of cities*?

The future of cities is a global report that follows from the UK firm's thought leadership partnership with the City of Bristol and the work surrounding its European Green Capital 2015 designation. The report is broken into two modules that draw on the expertise of KPMG practitioners around the world and includes a range of case studies to ensure you find approaches relevant to your context.

The first module, *The future of cities: creating a vision*, explains the central role of vision in the success of second cities, identifying seven guiding principles to make cities more attractive. Examples are provided of various cities around the globe that are putting some of these principles into action.

The second, *The future of cities: measuring sustainability*, discusses some of the ways in which cities are being measured and how these metrics could evolve. More important, it provides practical examples of what leading cities are doing, the lessons to be learned and how these can be applied to other cities.

This content is now featured on kpmg.com/futurecities where readers can access a broader collection of reports and shorter opinion pieces from KPMG's leading thinkers on different aspects on how to create better, more sustainable places to live and work.



Technical developments

New local audit framework

Level of impact: ● (Medium)	KPMG perspective
<p>The <i>Local Audit and Accountability Act 2014</i> included transitional arrangements covering the audit contracts originally let by the Audit Commission in 2012 and 2014. These contracts covered the audit of accounts up to 2016/17, and gave the Department for Communities and Local Government (DCLG) the power to extend these contracts to 2019/20.</p> <p>DCLG have now announced that the audit contracts for principal local government bodies (including district, unitary and county councils, police and fire bodies, transport bodies, combined authorities and national parks) will be extended to include the audit of the 2017/18 financial statements. From 2018/19, local government bodies will need to appoint their own auditors; currently, there is nothing definite in place whether there will be a sector-led body that is able to undertake this role on behalf of bodies. However the Local Government Association (LGA) has been seeking views and expressions of interest to gauge the appetite in the sector for this approach.</p> <p>CIPFA have now issued guidance that was commissioned by DCLG on the creation of Auditor Panels. The guidance is available at www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf. The guidance provides options on establishing an Auditor Panel, and the roles and responsibilities the panels will have once established.</p> <p>NHS and smaller local government bodies (town and parish councils, and internal drainage boards), will not have their contracts extended, and will have to appoint their own auditors for 2017/18, one year earlier than for larger local government bodies.</p>	<p><i>Members may wish to discuss the options open to them on how to procure their auditor for 2018/19 and beyond and ensure they formulate a timetable for making this decision.</i></p>

Modern Slavery Act 2015

Level of impact: ● (Medium)	KPMG perspective
<p>The <i>Modern Slavery Act 2015</i> has now been enacted.</p> <p>All organisations, including local authorities / public bodies, with a year end on or after 31 March 2016 and a turnover greater than £36m have to produce a statement about the current financial year setting out what steps they have taken to ensure that slavery or human trafficking is not occurring in their supply chain or in their own organisation.</p> <p>All local authorities should already be considering what needs to be done to ensure compliance.</p> <p>Background</p> <p>The Act introduces the concept of 'transparency in supply chains' and requires all commercial organisations which carry on a business in the UK with a total annual turnover of at least £36 million to produce an annual slavery and human trafficking statement. Local authorities satisfy the definition of 'commercial organisations' set out in the Act, so many will be caught.</p> <p>A supply chain includes both direct and indirect suppliers and is very wide ranging including outsourced services supplied by agencies. Local authorities need to be satisfied that modern slavery does not exist at any point in the chain leading to a good or service supplied to them.</p> <p>Examples of suppliers where risks may exist across all departments are:</p> <ul style="list-style-type: none">— firms engaged to build / refurbish public buildings / areas;— agencies supplying cleaners; and— suppliers of repair / maintenance materials and / or services. <p>As recent cases in the media demonstrate, modern slavery is not something occurring solely outside the UK and the implications both reputationally and legally can be significant.</p>	<p><i>The Committee may wish to seek assurances how their Authority is progressing with the new requirements.</i></p>

Modern Slavery Act 2015 (cont.)

What should the statement include?

The statement must set out what steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not occurring either in your supply chain or within your own organisation. Although a statement could simply be made saying no steps have been taken in relation to slavery and human trafficking, the legislation suggests the statement should cover the following:

- The organisation's structure, business and supply chains;
- Its policies in relation to slavery and human trafficking;
- Its due diligence processes in relation to slavery and human trafficking;
- The parts of its business and supply chain where there is a risk of slavery and human trafficking taking place and the steps it has taken to assess and manage that risk;
- Its effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chain measured against appropriate performance indicators;
- The training and capacity building about slavery and human trafficking available to its staff.

The statement needs to be approved and published on the website, with a link in a prominent place on the website's home page. The statement should be published within six months of the financial year end.

There are no financial or criminal penalties for failing to produce a statement, although the Secretary of State may seek an injunction through the High Court requiring the organisation to comply. However, the reputational damage an organisation may suffer if it chooses not to report or to take no action may be significant.

What should local authorities be doing?

There is obviously a lot for local authorities to consider in order to be able to publish their first statement relating to the current financial year. In preparation they should be considering what type of statement they want to make, who will be responsible for compliance, how they identify and assess the risks of slavery and trafficking in their supply chain and how they determine the level of due diligence that needs to be undertaken, what policies and training is going to be put in place and how they are going to ensure effective ongoing monitoring and review. But the clock is ticking and time is running out.....

For further information or if you would like us to come out and see you to discuss how the Modern Slavery Act could impact the Authority please contact Julie Bruce (Julie.bruce@kpmg.co.uk) (0115 935 3420) or your local KPMG contact

CIPFA/LASAAC briefing on Highway Network Assets

Level of impact: ● (Medium)	KPMG perspective
<p>Authorities will be aware that the CIPFA/LASAAC consultation on the Draft Code of Practice on the Highways Network Asset (HNA Code) closed in April 2016.</p> <p>Following the consultation, the second in a series of Briefings on the Highways Network Asset has been made available on the CIPFA website at: http://www.cipfa.org/policy-and-guidance/local-authority-highways-network-asset.</p> <p>The Briefing covers the HNA Code consultation, the definition of the Highways Network Asset, 2015/16 reporting requirements and the Central Assurance process.</p> <p>Further guidance, and future briefings, on this topic are also available on this same webpage.</p>	<p><i>The Committee may wish to understand the progress their Authority has made in its plans to meet the new reporting requirements.</i></p>

Exercising electors' rights - 2015/16 changes

Level of impact: ● (Low)	KPMG perspective
<p>Authorities may be aware that the <i>Accounts & Audit Regulations 2015</i> have introduced new arrangements for the exercise of electors' rights, which take effect from the 2015/16 financial statements. One of the most significant changes is that the auditor is no longer required to 'call the audit' and specify a date upon which electors can meet with the auditor and ask questions about the accounts.</p> <p>Regulation 15 requires the Responsible Financial Officer (RFO), after signing and dating the draft accounts on behalf of the Authority, to commence the period for the exercise of electors' rights. This period is limited to 30 working days, and for 2015/16 must include the first 10 working days of July.</p> <p>Authorities should also note that Regulation 9(2) is clear that the authority's meeting to consider and approve the accounts should take place after the period for the exercise of electors' rights has ended. Due to the requirement in Regulation 15 for a common inspection period during July, the inspection period this year cannot end before 14 July 2016. This means that authorities should not approve and publish their accounts before 15 July 2016.</p> <p>Electors' rights are important, and the courts have in the past been critical of those who have not ensured that adequate provision for the exercise of these rights is made.</p> <p>Auditors are mindful that they may be contacted by electors or their representatives during the 30 working day inspection period. Given the limited time available, auditors will ensure that they have adequate arrangements in place during the prescribed period for receiving and identifying promptly whether any correspondence received includes formal questions under the <i>Local Audit and Accountability Act 2014</i>, and/or objections to the accounts.</p>	<p><i>The Committee may wish to seek assurances that the impact for their Authority is understood.</i></p>

DCLG consultation on pension fund investment returns

Level of impact: ● (Low)	KPMG perspective
<p>The Department for Communities and Local Government (DCLG) has recently closed a consultation on revised regulations for the investment of local government pension scheme assets. The proposed regulations include the proposal to allow pension schemes to pool assets for investment purposes.</p> <p>The revised regulations can be found here at www.gov.uk/government/publications/local-government-pension-scheme-investment-reform-criteria-and-guidance</p> <p>The outcome of the consultation will be published here: https://www.gov.uk/government/consultations/revoking-and-replacing-the-local-government-pension-scheme</p>	<p><i>The Committee may wish to enquire of officers whether their Authority responded to the consultation and the views expressed.</i></p>

Councillors' travel expenses

Level of impact: ● (Low)	KPMG perspective
<p>HM Revenue and Customs (HMRC) are in the process of contacting Local Authorities to commence PAYE and NIC compliance reviews focusing on the historic treatment of councillors' mileage expenses. Those authorities that are unable to demonstrate they have reported payments correctly face a tax and NIC charge, with interest and potentially penalties applying.</p> <p>The previous rules</p> <p>Up until 5 April 2016, HMRC could agree that for some councillors, home is a place of work and therefore the cost of journeys to council offices could be paid free of tax and NIC. This could have been the case where, for example, councillors were required to see constituents at home. HMRC do not accept however that working from home out of choice makes home a place of work and in these cases, any expenses reimbursed in respect of travel to council offices should have been subject to tax and NIC.</p> <p>HMRC Compliance Reviews</p> <p>Those local authorities that are unable to support their historic treatment of councillor mileage expenses face a liability to unpaid PAYE, NIC, interest and potentially penalties going back four, and possibly six years. It will be important for local authorities to review their expenses records to determine how travel expenses have been treated and the processes and rationale behind that treatment. Given that different councillors can have different working patterns it will be important to review the treatment on a case by case basis.</p> <p>The new rules</p> <p>With effect from 6 April 2016, a new exemption has been introduced for councillors' travel expenses. From this date, a councillor's journey between their home and their office will be treated as 'business travel' which means that any mileage expenses reimbursed for this journey will, up to certain limits, be free of tax and NIC (subject to their home not being more than 20 miles outside the relevant authority boundary).</p> <p>How KPMG can help</p> <p>KPMG's public sector Employment Tax specialists provide practical advice on dealing with HMRC Employer Compliance reviews. We regularly assist local authorities in liaising with HMRC and staying ahead of legislative and practice developments. If you would like to speak to one of our specialists please contact your normal KPMG contact.</p>	<p><i>The Committee may wish to seek assurances how their Authority is progressing with the new requirements.</i></p>

Capital receipts flexibility

Level of impact: ● (Low)	KPMG perspective
<p>The 2015 Spending Review included an announcement that local authorities would be able to use capital receipts on the revenue costs of service reform projects. The Department for Communities and Local Government (DCLG) has now issued guidance on the capital receipts flexibility, including a draft direction setting out the types of project that would qualify and expected governance and transparency framework. In summary:</p> <ul style="list-style-type: none">— the flexibility is available from 1 April 2016 to 31 March 2019;— only capital receipts generated during that period can be used for the flexibility;— the Secretary of State's direction will have the effect of allowing authorities to treat revenue expenditure on service reform as capital during the three year period;— authorities will not be allowed to borrow to fund revenue expenditure on service reform; and— authorities are required to have regard to a statutory code which contains certain transparency requirements when taking advantage of the flexibility. <p>We understand that DCLG's aim is that the final signed direction will be issued with the final settlement in February 2017.</p> <p>A copy of the draft guidance can be found at www.gov.uk/government/uploads/system/uploads/attachment_data/file/486999/Capital_receipts_flexibility_-_draft_statutory_guidance_and_direction.pdf</p>	<p><i>The Committee may wish to seek assurances how their Authority is planning to use the new flexibility.</i></p>

Better Care Fund policy framework 2016/17

Level of impact: ● (Low)	KPMG perspective
<p>The Department of Health, in conjunction with the Department for Communities and Local Government, has recently published 2016/17 Better Care Fund planning guidance.</p> <p>The guidance introduces a number of changes, requiring local clinical commissioning groups (CCGs), councils and providers to establish risk sharing arrangements to fund unplanned emergency admissions. Local areas will also have to agree to 'stretching' local targets for cutting delayed transfers of care supported by an action plan.</p> <p>The guidance can be found here: www.gov.uk/government/publications/better-care-fund-how-it-will-work-in-2016-to-2017</p>	<p><i>The Committee may wish to seek assurances how their Authority is developing these arrangements.</i></p>

2015/16 Code of Practice Update

Level of impact: ● (Low)	KPMG perspective
<p>CIPFA/LASAAC has issued an update to the <i>2015/16 Code of Practice on Local Authority Accounting in the United Kingdom</i> (the Code) following its consultation process. The 2015/16 Code update should be read alongside the 2015/16 Code published in April 2015.</p> <p>Authorities should note that the update confirms the transitional reporting requirements for the measurement of the Highways Network Asset. The Code does not require a change to the preceding year information for the move to measuring the Highways Network Asset at current value (and under that provision would not require a change to the balance sheet information at 1 April 2015). It also does not require a restatement of the opening 1 April 2016 information but there will need to be an adjustment to those balances.</p> <p>The Code update also includes amendments as a result of legislative changes and particularly the <i>Accounts and Audit Regulations 2015</i> for English authorities. It specifies the principles for narrative reporting which CIPFA/LASAAC considers should be used to meet the new requirements of those regulations.</p>	<p><i>The Committee may wish to seek assurances that their Authority is aware of the update to the 2015/16 Code</i></p>

2016/17 Work Programme and Scale of Fees

Level of impact: ● (For Information)

Following consultation, Public Sector Audit Appointments Ltd (PSAA) has published the work programme and scale fees for the audits of the 2016/17 accounts of principal audited bodies. There are no changes to the overall work programme for 2016/17.

The 2016/17 work programme documents and scale fees for individual audited bodies are now available to view on the PSAA website at <http://www.psa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees>

NAO report 'English devolution deals'

Level of impact: ● (For Information)

Published on 20 April, this report finds that devolution deals to devolve power from central government to local areas in England offer opportunities to stimulate economic growth and reform public services for local users, but the arrangements are untested and government could do more to provide confidence that these deals will achieve the benefits intended.

The report is available free of charge and the full version or a summary can be accessed at <https://www.nao.org.uk/report/english-devolution-deals/>

Greater Manchester Combined Authority

Level of impact: ● (For Information)

Greater Manchester Combined Authority (GMCA) has pioneered the concept of local devolution within England. 'Devo Manc' encompasses a broad range of proposals to address the challenges and opportunities GM is facing:

Health and Social Care

Greater Manchester is facing an estimated financial deficit of c. £2 billion by 2020/21. A Memorandum of Understanding was signed in February 2015 between all partners in GM, committing the region to produce a comprehensive Strategic and sustainable Plan for health and social care.

As part of the Plan, GM is seeking to use its share of the £8 billion promised to the NHS in the CSR to support new recurrent costs and protect social care budgets, closing over a quarter of the funding gap. A further investment by the partners of £500 million, phased over three years, will release future recurrent savings with a likely payback of £3 for every £1 invested.

GM proposals

In addition, GM has made a number of proposals to reform the way public services work together and deliver services within the region:

- Investment in transport infrastructure
- New funding mechanisms to support site remediation and infrastructure provision
- Making better use of Social Housing Assets to support growth
- Locally led low carbon
- A scaled-up GM Reform Investment Fund
- Devolution of decision making for apprenticeships and training, and reform to careers advice and guidance
- Fundamental review of the way services to children are delivered
- Research and innovation funding
- Investment in integrated business support to drive growth and productivity
- Reform of the New Homes Bonus
- Further employment and skills reform
- GM approach to data sharing across public agencies
- Fiscal devolution, including reform to Business Rates, Council Tax, Stamp Duty Land Tax and a Hotel Bed Tax

All of these proposals involve joint working, not just with other GM agencies, but also central government departments. This allows the existing financial resources provided to the region to be redeployed more efficiently to maximise the benefits to GM.

Proposed changes to business rates and core grants

Level of impact: ● (For Information)

The Chancellor of the Exchequer has proposed some radical reforms of local government finance. The proposals are that by the end of the decade, councils will retain all locally raised business rates but will cease to receive core grant from Whitehall.

Under the proposals, authorities will be able to keep all the business rates that they collect from local businesses, meaning that power over £26 billion of revenue from business rates will be devolved.

The uniform national business rate will be abolished, although only to allow all authorities the power to cut rates. Cities that choose to move to systems of combined authorities with directly elected city wide mayors will be able to increase rates for specific major infrastructure projects, up to a cap, likely to be set at £0.02 on the rate.

The system of tariffs and top-ups designed to support areas with lower levels of business activity will be maintained in its present state.

'Cities and Local government Devolution Act 2016'

Level of impact: ● (For Information)

Authorities will wish to note that the *Cities and Local Government Devolution Act 2016* received Royal Assent on 28 January 2016. The Act provides the enabling legislation to:

- allow for the election of mayors for a combined authority area;
- allow for the devolution of functions, including transport, health, skills, planning and job support; and
- provide a power to establish sub-national transport bodies which will advise the Government on strategic schemes and investment priorities in their own area.

Most of the changes under the Act, including the implementation of 'devolution' deals, will be implemented by Orders to be made under the Act.



Appendix

Appendix 1

2015/16 audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2015	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2016	Complete
Interim			
Interim report	Not applicable.	N/a	N/a
Substantive procedures			
Report to those charged with governance (ISA 260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2016	TBC

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Appendix 1

2015/16 audit deliverables (cont.)

Deliverable	Purpose	Timing	Status
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2016	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2016	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2016	TBC
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2016	TBC



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Item 7

Report of the Head of Internal Audit and Corporate Anti-Fraud

AUDIT COMMITTEE – 20TH JULY 2016

CORPORATE ANTI-FRAUD TEAM PROGRESS REPORT

1. Purpose of the Report

- 1.1 This report provides the Audit Committee with an account of the work of the Corporate Anti-Fraud Team from 1st April 2016 to 30th June 2016.

2. Recommendations

2.1 It is recommended that:-

- i. **The Audit Committee notes the progress made in the development of effective arrangements and measures to minimise the risk of fraud and corruption.**
- ii. **The Audit Committee continues to receive regular progress reports on internal and external fraud investigated by the Corporate Anti-Fraud Team.**

3. Background Information

- 3.1 The Audit Committee received details of progress in the Annual Fraud Report presented at the June meeting. This report highlights the work undertaken and progress in respect of fraud management in the first quarter of 2016/2017.

4. Council Tax Support Investigations

- 4.1 On 1st April 2013 Council Tax Benefit (CTB) was replaced by Council Tax Support (CTS). Council tax Benefit was a Social Security benefit and was administered under Social Security legislation whilst CTS is a Council Tax discount administered under the Local Government Finance Act.
- 4.2 As CTS has only been in legislation for two financial years the levels of fraud identified nationally are still relatively low. CAFT have accepted six referrals for further follow-up and the outcomes of these investigations will be reported to the Audit Committee in due course.
- 4.3 A summary of the Council Tax Support workload of CAFT for the period 1st April 2016 to 30th June 2016 is shown below.

Referrals	60
Accepted for investigation	6

4.4 A summary of referrals not pursued for investigation is shown in the table below.

Details	Numbers
Change in circumstance already known - no issue	1
Poor intelligence – not enough evidence to pursue	7
Referred to DWP for investigation	28
Overpayment less than £500	5
No benefit in payment – no issue	1
No evidence of fraud	12
Total	54

4.5 It should be noted that the majority of fraud referrals are received from members of the public via the fraud hotline or the online fraud referral forms. Many of these allegations of fraud provide limited, poor or even incorrect information e.g. names of additional household members or previous addresses are not known, the 'suspect' has already declared a change in circumstance or does not receive a reduction in council tax. In other cases CAFT checks to council records have identified housing benefit implications. Responsibility for investigating housing benefit fraud now lies with the DWP and these referrals are subsequently forwarded to the DWP for them to investigate.

5. Council Tax

5.1 CAFT has identified fraudulent council tax liability claims of £6,952 since April 2016.

5.2 A summary of the Council Tax workload of CAFT for the period 1 April 2016 to 30th June 2016 is shown in the table below.

Total referrals	93
Overpayment only	23
Currently under investigation	7

5.3 A summary of referrals not pursued for investigation is shown in the table below.

Details	Numbers
Change in circumstance already known - no issue	3
Poor intelligence – not enough evidence to pursue	4
No discount present	1
Referred to DWP	8
No evidence of fraud	47
Total	63

5.4 As referred to in paragraph 4.5 above, the majority of fraud referrals are received from members of the public with most alleging that a taxpayer is receiving a discount to which they're not entitled. Preliminary checks made by CAFT into allegations of council tax fraud have not identified any evidence of fraud in the majority of referrals.

- 5.5 CAFT investigations have resulted in two successful prosecutions of council tax single person discount fraud. These are the first council tax prosecutions pursued by BMBC and demonstrate the Council's commitment to identifying and dealing with instances of fraud.
- 5.6 Both individuals were made the subject of a conditional discharge for 12 months and ordered to pay costs of £300 and £150 respectively. Press releases were issued following each prosecution.

Review of Single Person Discounts

- 5.7 A pro-active data matching exercise to identify council tax payers fraudulently claiming a single person discount commenced in October 2015 as previously reported to Audit committee.
- 5.8 The cancellations to date (1,182 accounts) have resulted in an additional £321,947 Council Tax income being raised across the identified Council Tax accounts.
- 5.9 The review is not yet complete and additional outcomes will continue over the next few months. A further update report will be included in the CAFT Annual Report to the Audit Committee in September.

6 Right to Buys (RTB)

- 6.1 The number of RTB applications has continued to rise from 40 in 2011/12 to 148 in 2015/16 following the increased discount (up to a maximum of £77K). This rise increases the risk of fraud and CAFT are assisting the Right to Buy Team to ensure that all new applications are subject to appropriate scrutiny and challenge.
- 6.2 CAFT has undertaken checks against 62 Right to Buy applications during the period April to June 2016.
- 6.3 Nine of these applications have been referred to the DWP for further investigation due to tenant being in receipt of DWP benefits. A further two applications were stopped during the right to buy application process.

7. Corporate Investigations

- 7.1 Corporate investigations are defined as fraud cases which relate to employee fraud or other third party fraud which does not fall within a specific service area such as council tax or tenancy fraud.
- 7.2 CAFT has provided advice to managers undertaking management disciplinary investigations during the first quarter of 2016/17.

8. National Fraud Initiative (NFI)

- 8.1 The NFI is the Cabinet Office's national data matching exercise and is designed to help participating bodies detect fraudulent and erroneous payments from the

public purse. The Council has routinely participated in this initiative from its inception in 1996-1997.

- 8.2 The Council is required to provide information relating to 12 mandatory sets of data. These datasets consist of information from Payroll, Housing Rents, Creditors, Private Residential Care Homes, Blue Badges, Residential Parking Permits, Licensing, Market Traders, Insurance, Personal Budgets, Council Tax and Electoral Registration.
- 8.3 CAFT co-ordinates the Council's involvement in the National Fraud Initiative (NFI), takes an active role in pursuing data provided through this means, and advises improvements in the Council's systems in order to minimise future losses.
- 8.4 CAFT's approach to NFI is based upon the guidelines issued by the former Audit Commission, which recognises a number of key elements that participating organisations must have in place to ensure that the resources invested into the NFI are used as efficiently and effectively as possible. These are:
- Key contact role;
 - Co-ordination of the data submissions;
 - Overseeing data subject notification;
 - Follow-up approach;
 - Initial review;
 - Equipping staff with the NFI application and appropriate knowledge;
 - Allocating work appropriately; and
 - Tracking progress.
- 8.5 The resultant data matches received from the NFI are prioritised. Data filters, recommended and supplied by the former Audit Commission, are used to sort the matches based on the quality of the data in the match. There is no requirement for the Authority to review 100% of the matches, as long as an effective system of sampling is used to manage the risk of identifying frauds and errors.
- 8.6 Investigations into the 2014-2015 datamatches have identified overpayments totalling £135,879. (A breakdown of these overpayments has previously been reported).
- 8.7 Instructions relating to the 2016-2017 exercise have now been received. CAFT will be liaising with officers responsible for extracting and uploading BMBC datasets to the NFI website over the next few months. This will help to ensure that datasets are up-to-date and accurate prior to their due submission in October 2016.

9. Tenancy Fraud

- 9.1 CAFT currently provides a basic investigative support to Berneslai Homes to help identify potential fraudulent tenancies. This support has enabled Berneslai Homes to recover a property which was not being used by the tenant as their main home.

9.2 A summary of alleged tenancy fraud referrals received for investigation during the period April to June 2016 is shown in the table below.

Details	No.
Alleged non-residency – not pursued no evidence of fraud	2
Alleged breach of tenancy agreement – not pursued no evidence of fraud	1
Allegation of sub-letting - not pursued no evidence of fraud	3
Total	6

10. Pro-active Work

10.1 The Council's fraud related policies are currently being reviewed and revised. These revised policies will be presented to the Audit Committee in September 2016.

10.2 The suite of e-learning fraud awareness material (BOLD) is currently being reviewed. This E-Learning will raise the profile of counter fraud and will reinforce messages about the standards of behaviour expected from BMBC employees, ways to consider fraud risks and how and when to report suspicions of fraud. The training is due to be launched in September to coincide with the revised counter fraud policy framework.

11. Financial Implications

11.1 Whilst there are no direct financial implications arising from this report there are inherent financial issues concerning anti-fraud and corruption. An increase in controls may have cost implications, both in terms of additional checks, potentially slowing down service delivery, and computer system changes. Those costs have to be balanced against the risk of loss, whether because of fraud or general inefficiency. Any cost implications arising from the need to introduce additional controls and mitigations will be discussed with management. The emphasis at all times will be to improve controls without increasing costs or jeopardising efficient and compliant service delivery.

12. Risk Considerations

12.1 Somewhat obviously, the process prompted by this work is focussed entirely on the effective assessment of fraud risk.

12.2 The loss of assets and resources as a result of fraud is included within the Strategic Risk Register.

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Telephone: 01226 773241

Date: 11th July 2016

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Item 8

Report of the Head of Internal Audit and Corporate Anti-Fraud

AUDIT COMMITTEE – 20th July 2016

INTERNAL AUDIT ANNUAL REPORT 2015/16

Executive Summary

- i. This report provides the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Authority's internal control arrangements based on the work of Internal Audit during 2015/16 and has been prepared in accordance with the Public Sector Internal Audit Standards.
- ii. Considering the overall results of internal Audit work undertaken together with management's implementation of recommendations the opinion given is **adequate** assurance. This has been based upon the completion of an agreed annual programme of risk based audit coverage which has enabled a valid assurance opinion to be provided.
- iii. Whilst the overall opinion is positive, there are some key issues arising from Internal Audit work in the year that senior management should consider. In general terms these relate to the impact of Future Council and the implications of changed structures, new and changed systems and an increased workload for many managers which has impacted upon their ability to maintain reasonable and effective controls in some areas of activity.
- iv. It is recognised that the Future Council approach requires a change in risk appetite and that there is a natural period during which new operational arrangements will embed. This has been openly acknowledged and discussed with senior management during the year but it is nevertheless important that during this period senior managers remain alert to and focussed on maintaining an appropriate, risk-based and effective framework of controls.
- v. The key issues arising from all completed audits have been reported throughout the year within the Quarterly Internal Audit Reports and are summarised in this report.
- vi. Throughout the year the Audit Committee have been made aware of progress in the implementation of audit report recommendations. This has continued to be an issue throughout the year. Overall, at the point of follow-up and over the year only 35% of recommendations had been implemented by the date agreed by management. This in turn has been in many cases as a result of the implications of embedding new operational and/or structural arrangements as part of Future Council. The monitoring of report recommendations will continue to be a priority for the Service.
- vii. The current audit plan is focussed on supporting management to consider the approach to controls in the context of reduced resources.

Report of the Head of Internal Audit and Corporate Anti-Fraud

AUDIT COMMITTEE – 20TH JULY 2016

INTERNAL AUDIT ANNUAL REPORT 2015/16

1. Purpose of Report

1.1 This annual report has been prepared adopting recommended practice contained within the Public Sector Internal Audit Standards (PSIAS) which came into effect on the 1st April 2013. These Standards require the Head of Internal Audit (HoIA) to report to the appropriate Member body, the Audit Committee, providing his opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control based on the work undertaken by Internal Audit.

1.2 In order to comply with these Standards the report provides:-

- i. an opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control;
- ii. summary of the audit work undertaken to formulate the opinion;
- iii. details of key control issues identified which can be used to inform the Annual Governance Statement (AGS); and
- iv. the extent to which the work of other review or audit bodies has been relied upon.

1.3 The Committee received at its June meeting reports regarding the annual effectiveness review of the Internal Audit function and an Annual Fraud Report. The requirements of the Public Sector Internal Audit Standards (PSIAS) have been met in the delivery of the audit function and in the preparation of this annual report. The Committee received the formal external assessment report at its March meeting confirming compliance with the PSIAS.

2. Recommendations

2.1 It is recommended that the Audit Committee:-

- i. **considers the opinion provided by the Head of Internal Audit based on the work undertaken in 2015/16 regarding the adequacy and effectiveness of the Authority's framework of governance, risk management and control;**
- ii. **notes the key issues arising from the work of Internal Audit in the context of the Annual Governance Statement (AGS) and;**

3. Introduction / Background

- 3.1 In accordance with statutory best practice provided by the PSIAS, there is a requirement that the Head of Internal Audit (HoIA) prepares an annual report to the appropriate member body providing, amongst other things, an opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control based on the audit work undertaken. For the Authority, the appropriate member body is the Audit Committee.
- 3.2 The Accounts and Audit Regulations require all councils to publish an Annual Governance Statement (AGS) providing an opinion on the overall effectiveness of the Council's internal control and governance framework and detailing action to be taken in respect of any identified weaknesses. The AGS will address all aspects of corporate governance including internal control and risk management arrangements, in addition to financial controls.
- 3.3 This report provides a summary of key issues arising from the work of Internal Audit during 2015/16 which contribute to the overall assurance the HoIA is able to give the Audit Committee.
- 3.4 Although providing an important and significant contribution to the assurances the Audit Committee needs in its consideration of the AGS, this report forms only part of the assurance framework. The Audit Committee will receive the draft Annual Governance Statement for 2015/16 at the July meeting. The Audit Committee are therefore encouraged to consider this annual report in the context of broad controls assurance.

4. Head of Internal Audit's Opinion on the Effectiveness of the Authority's Internal Control Environment

- 4.1 The Audit Committee has received quarterly reports throughout the audit year. In each of these reports an adequate assurance opinion had been given reflecting on a quarterly basis an overall satisfactory level of internal controls and their application.
- 4.2 Taking the whole year into account and the audits completed, it is appropriate to give an overall **adequate** assurance opinion for the year. The information supporting this opinion is provided below. Whilst statistically there has been a significant rise in the number of audits resulting in a limited assurance opinion and a further deterioration in the timely implementation of audit recommendations, there is an important context that has been considered and taken into account.
- 4.3 Whilst the overall opinion is positive, there are some key issues arising from Internal Audit work in the year that senior management should consider. In general terms these relate to the impact of Future Council and the implications of changed structures, new and changed systems and an increased workload for many managers have had on the ability to maintain reasonable and effective controls in some areas of activity.

- 4.4 It is recognised that the Future Council approach requires a change in risk appetite and that there is a natural period during which new operational arrangements will embed. This has been openly acknowledged and discussed with senior management during the year but it is nevertheless important that during this period senior managers remain alert to and focussed on maintaining an appropriate, risk-based and effective framework of controls. The audit work undertaken and planned for the current year has sought to take into account the change in risk appetite necessary to embrace and implement such significant change and achieve financial savings. Although the overall assurance opinion is adequate, it is essential that senior management retain a focus on embedding new operational and governance arrangements.
- 4.5 To highlight this issue, a number of audits undertaken during the year were commissioned by senior managers in the knowledge that there may have been a weakening in the control framework in a certain area and therefore Internal Audit support was requested to highlight key risk issues and assist management in how best to manage the risks. Of key importance of course is the consideration and management of the identified and accepted risks moving forward.
- 4.6 It should be noted that the audit work completed has in the main identified weaknesses in the framework and application of controls that increases the risk of the failure to meet operational objectives. The failure to then address control weaknesses through the timely implementation of recommendations clearly adds to this risk.
- 4.7 Section 6 of this report provides more detail regarding the results of the audit work. Again, in summary, half of the completed audits resulted in a limited assurance opinion and only 35% of recommendations made (and agreed by management) were implemented by the date set by management.
- 4.8 Within the quarterly reports a number of key issues were drawn to the Committee's attention. These are summarised in Section 6.
- 4.9 The results of the core system reviews for the 2015/16 financial year are given in paragraph. 6.15.
- 4.10 There was however only a small percentage of the recommendations made that fell into the Fundamental category (6%). The percentage of Significant recommendations increased slightly (49%) from 2014/15. Overall, there has been an increase in the percentage of these categories of recommendation from 48% in 2014/15 to 55% in 2015/16.
- 4.11 Audit work in the year has found areas where controls remain good and only relatively minor issues have been raised. However, as mentioned above, the work has identified a general theme that has impacted on the adequacy and effectiveness of the control framework and indeed the ability to implement recommendations by the agreed dates.
- 4.12 Although audit work aims to cover a broad range of services, systems and areas of Council activity, it needs to be recognised that Internal Audit

coverage cannot guarantee to detect all errors, systems or control weaknesses or indeed identify all of the opportunities for improvements in management arrangements that might exist. Accordingly the assurance opinion provided is based on reasonable coverage, as resources allow, and cannot be regarded as absolute assurance. Equally, there is a responsibility of senior managers through the annual governance statement process to provide assurances to the Chief Executive regarding the application and effectiveness of the internal control and governance framework in their operational or functional areas. The Audit Committee will consider the draft AGS at the July meeting.

- 4.13 To remind the Committee, Internal Audit assurance opinions are classified within a range of four options, two positive and two negative. The table below shows in broad terms the basis for the different opinions applied.

	Level	Control Adequacy	Control Application
POSITIVE OPINIONS	Substantial Assurance	A robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Adequate Assurance	A sufficient framework of key controls exist that are likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
NEGATIVE OPINIONS	Limited Assurance	Risk exists of objectives not being achieved due to the absence of key controls in the system.	A significant breakdown in the application of key controls.
	No Assurance	A significant risk exists of objectives not being achieved due to the absence of controls in the system.	A fundamental breakdown in the application of all or most controls.

- 4.14 Internal Audit seeks to work closely as appropriate with other auditors, most significantly External Audit. However, for 2015/16 no work undertaken by other auditors or any other review body has been specifically relied upon in the provision of this annual overall assurance opinion.

5. Summary of Internal Audit Work and Coverage 2015/16

- 5.1 Internal Audit aim to utilise a risk-based approach to planning its work. This approach seeks to ensure that the key risks facing the Authority are covered where appropriate by Internal Audit work. Internal Audit was able to use the Strategic and Operational Risk Registers to inform audit coverage. The audit planning process and details of the 2015/16 audit plan were reported to the Audit Committee in the March 2015 meeting.
- 5.2 The areas of audit work during the year upon which the controls assurance opinion is based are listed in Appendix 1. The Audit Committee has received quarterly reports that incorporate the results of audit work and management's

response on an on-going basis. A summary of the Internal Audit reports for 2015/16 is at Appendix 3.

- 5.3 At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for Audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency. Over the last couple of years there has been a notable increase in the number of these adjustments which is indicative of the rapidly changing control environment and structure of the Council. Details of audit work which has been deferred, deleted or requests for specific pieces of work have been reported within the quarterly reports.
- 5.4 It should also be noted that Internal Audit work is variable both in its nature and timing. The risk-based approach ensures the highest priority work is undertaken. As with all plans, the audit plan was determined at a particular time (March 2015) utilising information available and has been subject to significant changes in certain areas arising from the Future Council Programme and requests for audit input. The Audit Committee should be assured that within the finite resources available to Internal Audit, the key audit risks identified have either received audit attention during the year or are reflected in the audit plan for 2016/17.
- 5.5 The position at the end of the year for Audit days shows a shortfall of just 40 days, less than 3%, of the original provision and therefore does not jeopardise the ability to provide reasonable coverage and therefore a valid opinion. Due to the flexible nature of the plan this was constantly monitored and revised with any work that was unable to be resourced being re-assessed and where appropriate carried over to the current audit year.
- 5.6 In terms of the overall delivery of planned days, a total of 1,410 days were delivered by the core Internal Audit team. Details of the original and revised plan along with how these days were actually spent against each Directorate are shown in Appendix 2. This overall level of core internal audit resource is 25% less (or approximately 500 days) than provided in 2014/15.
- 5.7 Within the reduced resources there remains a significant amount of time needed to respond to requests for providing advice, support to services, innovation and initiatives, changes, projects and programmes, corporate change projects and general work that does not result in a specific report. Approximately half of operational audit time is spent on work that generates a specific report. Details of the non-report work have been provided through the quarterly reports, but in summary has covered the following:
- Grant verification
 - Final account reviews
 - Charity accounts
 - Requests for service reviews on a consultancy or advisory basis
 - Review of Financial Regulations and Contract Procedure Rules
 - Support and challenge to the Future Council programme
 - General advice to services in relation to controls, risk and governance

- Audit Committee support
- Follow-up of recommendations
- Corporate document management / information asset requirements
- Annual audit planning process
- Feedback and liaison to all services
- Input to the annual governance review
- Policy review and advice

5.8 Whilst the work covered in the above list has not resulted in a specific assurance opinion, all work undertaken is considered in terms of the overall annual assurance provided in this annual report. Much of this work has also been considered in the 2016/17 planned coverage.

6. Summary of Internal Control Issues Arising from Internal Audit work in 2015/16

6.1 Internal Audit has completed 27 individual reviews of aspects of the Authority's internal control framework during 2015/16 that resulted in a formal report. These 27 audits sought to identify, test and review various controls to ensure management were meeting their responsibilities to establish and adhere to appropriate systems of internal control. These 27 completed audits have been delivered from a significantly reduced level of resources from that in 2014/15.

6.2 A summary of the assurance opinions given for the 27 reports issued for the year is shown below together with a comparison to 2014/15 and 2013/14.

Assurance Opinion		2015/16		2014/15		2013/14	
		No.	%	No.	%	No.	%
Positive Opinions	Substantial	2	7%	12	44%	8	25%
	Adequate	11	41%	12	45%	20	63%
Negative Opinions	Limited	14	52%	3	11%	4	12%
	No	0	0%	0	0%	0	0%
TOTAL		27	100%	27	100%	32	100%

It should be noted that clearly some audit areas have a greater significance and potential impact on the overall assurance opinion, i.e. a small establishment or system receiving a 'limited assurance' opinion will have a lower impact on the overall opinion compared to say a major service or a core financial system receiving such an opinion.

6.3 As can be seen from the table, there has been a significant increase in the number of reports issued with a negative assurance opinion. Whilst the statistic is in itself significant, the actual reports are different each year.

6.4 Across the various completed pieces of work 175 recommendations were made. These are summarised below:

	No.	%	No.	%	No.	%
Recommendation Category	2015/16		2014/15		2013/14	
Fundamental	10	6%	3	3%	3	2%
Significant	86	49%	47	45%	59	30%
Merits Attention	79	45%	54	52%	134	68%
Total	175	100%	104	100%	193	100%

- 6.5 As can be seen, only 10 fundamental recommendations were made reflecting the fact that overall relatively few major control issues were identified. In all cases management have agreed the recommendations made and set their own timescales for implementation. Although there has been significant pressure on management throughout the year and across all services, Internal Audit has continued to get good co-operation from management across the Council and at various levels.
- 6.6 Details of the key issues arising from these reviews have been presented to the Audit Committee in the quarterly reports. These findings have arisen across audit reviews ranging from specific establishments to areas of governance.
- 6.7 As stated in the quarterly reports it is important to note that the identification of control weaknesses does not necessarily indicate that any loss or inefficiency has actually occurred. Weaknesses indicate an increased *potential* that losses or inefficiencies could occur.
- 6.8 An important part of Internal Audit's assessment of controls is undertaken through the annual reviews of the core financial systems of the Authority. This work is considered by External Audit who have regard to Internal Audit's work to assist in their opinion on the financial systems for their audit of the Accounts.
- 6.9 The core system reviews in relation to 2015/16 have just been completed. The necessary timing of these reviews is extremely challenging in coinciding with the preparation of the draft accounts. It is appropriate to highlight the excellent co-operation once again received from Financial Services. A separate section on the core system reviews is given below.
- 6.10 In relation to specific establishments or other minor systems, controls are tested at a lower level to ensure the detailed operation of systems and procedures, and the use of assets and resources are effective.
- 6.11 During the year 105 audit report recommendations were followed-up in accordance with the recommendation follow-up protocol. As reported through the quarterly reports, the percentage of recommendations implemented by the original date has been relatively low and lower than in 2014/15.
- 6.12 Overall, at the point of review and across the year, only 35% of recommendations had been implemented as originally planned. However,

again at the point of review 80% of recommendations had been implemented albeit the majority outside of the original timescales.

- 6.13 The Audit Committee has continued to monitor this situation and has expressed concern regarding this matter. Senior management have been reminded of their responsibilities to implement agreed recommendations to ensure any control, risk or governance weaknesses identified through internal audit work are corrected. The Senior Management Team has asked for regular monitoring reports regarding the implementation of recommendations. Clearly, any significant delay in implementation or non-implementation weakens the overall control environment.
- 6.14 In common with the general theme highlighted previously, Internal Audit has found that in many cases the delay in the implementation of recommendations has been as a direct consequence of the significant demands placed on senior management over the last 12 months in managing the implementation of Future Council. It is hoped that in 2016/17 senior management will be able to better meet their own timescales for implementing recommendations. However, it is acknowledged that additional and significant savings will be required over the next few years which are likely to continue to impact on management capacity.

Core System Reviews 2015/16

- 6.15 Overall there are 11 systems regarded as core and fundamental to the financial management of the Authority. The assurance opinions given for each of them are shown in the table below:-

Core System	Assurance Opinion 2015/16	Assurance Opinion 2014/15	Assurance Opinion 2013/14	Assurance Opinion 2012/13	Assurance Opinion 2011/12
Purchase to Pay	Not Audited	Adequate	Adequate	Adequate	Adequate
Income	Adequate	Limited	Adequate	Adequate	Substantial
Council Tax / NDR	Adequate	Not Audited	Substantial*	Substantial	Substantial
Housing Benefits	Not Audited	Not Audited	Substantial	Substantial	Substantial
Pay, Employee Admin & Org. Management	Not Audited	Substantial	Substantial	Adequate	Adequate
Fixed Assets / Asset Mgt.	Not Audited	Limited	Adequate	Substantial	Adequate
Cash Receipting & Banking	Not Audited	Adequate	Adequate	Adequate	Adequate
Main Accounting	Not Audited	Not Audited	Substantial	Substantial	Substantial
Housing Rents	Substantial	Substantial	Substantial	Substantial	Substantial
Treasury Management	Not Audited	Not Audited	Substantial	Substantial	Adequate
SAP System*	Limited	Limited	Not audited	Not audited	Substantial

Summary

Assurance Opinion	2015/16	2014/15	2013/14	2012/13	2011/12
Substantial	1 / 33%	2 / 29%	7 / 64%	7 / 64%	7 / 58%
Adequate	2 / 33%	2 / 29%	4 / 36%	4 / 36%	5 / 42%
Limited*	1 / 33%	3 / 42%	0 / 0%	0 / 0%	0 / 0%
No	0 / 0%	0 / 0%	0 / 0%	0 / 0%	0 / 0%
Not audited	7	5	1	1	0

- 6.16 Due to the timing of these audits, the detailed results will be included in the Progress report to the July Audit Committee meeting.
- 6.17 It should be highlighted that the key issue in the SAP System* review relates to the absence of effective management information in order that management can recognise when operational duties have not been adequately segregated along with exception reports and / or independent transaction checks in order to mitigate and monitor key risk areas. This was a specifically targeted piece of work developed in conjunction with the Service Director, Finance who sought Internal Audit input to this area.
- 6.18 The overall approach to the audit of core systems was reviewed and agreed with the Director of Finance, Assets & Information Services. This resulted in a further refinement of the risk-based approach. All systems are subject to an annual risk based review before a final decision is taken regarding the overall coverage.

Summary of Control Issues

- 6.19 During the year the Audit Committee has received quarterly reports that highlighted key control issues that could potentially undermine the provision of an overall positive assurance opinion for the year. The major issues that resulted in the issue of fundamental recommendations were:-
- a corporate issue relating to the effectiveness of business continuity arrangements
 - relating to the accountability and use of small plant and equipment within Environment & Transport
 - delays in the banking of monies at cultural establishments
 - a corporate issue relating to non-compliance with Contract Procedure Rules.
 - the adequacy of contract management arrangements
 - the effectiveness of safeguarding training relating to Taxi Drivers
 - a legal issue regarding the Authority's ability to meet statutory timescales for completion of Deprivation of Liberties assessments.
 - the adequacy of IT change management control processes
 - compliance failures in relation to the established framework of controls in respect of the administration of personal budgets / direct payments.
- 6.20 It is noted and highlighted that the Future Council Programme will continue to have significant implications for the structure and nature of the Council's control framework. This will inevitably give rise to implications in terms of the

effectiveness of control and governance structures and will require careful management in order to retain a positive assurance overall.

7. Local Area Implications

7.1 There are no Local Area Implications arising from this report.

8. Consultations

8.1 All audit reports are discussed with the main auditee. Individual audit reports are provided to the appropriate Executive and/or Assistant Director to apprise him/her of key issues raised and remedial actions agreed. No specific consultation has been necessary in the preparation of this annual report.

9. Compatibility with European Convention on Human Rights

9.1 In the conduct of investigations, Internal Audit operates under the provisions of the Data Protection Act 1998, the Human rights Act 1998, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

10. Reduction of Crime and Disorder

10.1 An inherent aspect of audit work is to prevent, detect and investigate incidents of fraud, theft and corruption. The control issues arising from audit investigations have been considered to ensure improvements in overall controls. Additionally, Internal Audit ensures that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.

11. Risk Management Considerations

11.1 Whilst there are no specific risks emanating as a result of this report there are a range of risk issues worthy of consideration and note.

11.2 During the year, the Division reviewed and revised its operational risk register to ensure all risks to the delivery of the function's objectives were identified and could therefore be managed. This risk register is the subject of regular review in accordance with the corporate process.

11.3 The Audit Committee has received a detailed report on the audit plan including the basis of the plan and the utilisation of risk information. This is a critical aspect of the audit function and seeks to ensure audit resources are targeted at the areas of the Council's business where the most significant risks have been identified.

11.4 There is a risk to the Authority as a whole should the internal audit function not be effective. This would undermine the internal control and governance

arrangements of the Authority and fail to provide the Audit Committee with the independent information upon which to base their assurance views upon. The provision of detailed quarterly reports during the year, plus this annual report and the report on the effectiveness of the audit function should act as mitigation in ensuring the Audit Committee is in a position to constantly keep the audit function under review.

- 11.5 There is a risk to the control and governance of the Authority if management fail to implement recommendations. In mitigation Internal Audit has introduced a more rigorous 'follow-up' process to ensure the most significant issues are implemented. This is reported to the Audit Committee within the quarterly and annual reports.

12. Employee Implications

- 12.1 There are no employee implications arising from this report.

13. Financial Implications

- 13.1 There are no financial implications arising directly from this report. The costs of the Internal Audit function and the external audit fees are included within the Authority's base budget.

14. Appendices

- 14.1 Appendix 1 - Internal Audit Coverage 2015/16
Appendix 2 - Internal Audit Plan 2015/16
Appendix 3 - Summary of Internal Audit Reports 2015/16

15. Background Papers

- 15.1 Various Internal and External Audit reports, files and working papers.

Officer Contact: Rob Winter CPFA
Head of Internal Audit and Corporate Anti-Fraud
Telephone No: 01226 773241
Date: 28th June 2016

INTERNAL AUDIT COVERAGE 2015/16

The table below lists the areas of Audit coverage and work undertaken during 2015/16. This incorporates work originally planned and additional work commissioned during the year.

Directorate	Audit Area
Communities	Planning & Feedback Customer Services Organisation Programme Troubled Families grant verification
Core Services: Finance	Data Protection, Freedom of Information, Environmental Data Requests IT Change Controls Information Governance Policies Attendance at Information Governance Board Deferred Payment Scheme Corporate Risk Management Budget Monitoring and Reporting / Service & Financial Planning Financial Regulations Unannounced Cash Ups Financial Systems - New Developments Advice Planning & Feedback Carbon Reduction Commitment Energy Efficiency Scheme Final Accounts Corporate Assurance Map Procurement & Commissioning Unit Contract Procedure Rules Working Group Personal Budgets Income core system Purchase to Pay core system Payroll core system Final Account Process Review IT Security (SAP & Civica ICON) core system Cash Receipting & Banking core system Procurement Cards Benefits & Taxation E Forms Council Tax & Non Domestic Rates core systems IT Control - SAP Access core system

Directorate	Audit Area
Core Services: HR	Partnership Governance Business Plans Check and Challenge Reviews Agency Workers Business Continuity & Resilience Planning Advice Planning & Feedback Future Council Programme Review SVÉR/VS
Core Services: Legal	Compliance with Contract Procedure Rules Delegated Decisions Business Trading Units Area Council Arrangements Advice Planning & Feedback Charity Accounts Brierley Town Council
People	Children's Safeguarding Children's Homes Governance Review Schools Forum - High Needs Block Schools Financial Value Standard Safeguarding Process (Deprivation of Liberties) Advice Planning & Feedback Safeguarding Adults Board Scrutiny & Overview Health and Wellbeing Board
Place	Property Investment Fund Asset Management Taxi Licensing Home to School Transport Advice Planning & Feedback South Yorkshire Mining Advisory Service Trans Pennine Trail Unannounced Cash Visit Cannon Hall

Directorate	Audit Area
	Unannounced Cash Counts Cannon Hall & Cooper Gallery HCA Grant Funding URBACT Funding – Project Techtown
Public Health	Planning & Feedback Public Health Grant - Governance Arrangements Contracts with Providers
Council Wide	West & South Yorkshire Audit Group PDR process Business Plan preparation External Audit Liaison Health & Safety (IA) Hyperwave, Shortwood, Document Management Audit Committee Support Follow up of audit report recommendations Preparation of the 2016/17 Audit Plan Whistleblowing Business Continuity (IA) PSIAS External Assessment

INTERNAL AUDIT PLAN 2015/16 – Position as at 31st March 2016

Directorate	Original 2015/16 Plan	Revised 2015/16 Plan	Actual Days
Communities	65	47	46
People	175	140	137
Place	112	161	159
Public Health	39	20	20
<i>Corporate Services:</i>			
➤ HR, Performance & Communications	80	56	45
➤ Legal & Governance	77	105	97
➤ Finance, Assets & Information Services	469	470	463
Council Wide	220	282	310
Contingency	80	36	0
Berneslai Homes	133	133	133
Total Internal Audit	1,450	1,450	1,410

Corporate Anti-Fraud Team	580	580	587
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Total Chargeable Planned Days	2,030	2,030	1,997
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Summary of Internal Audit Reports 2015/16

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
HR, Performance & Communications: Agency Workers	The audit identified that the appointment of agency workers did not always comply with the Council's guidance regarding the employment of agency workers.	Adequate	F - 0 S - 4 MA - 2	11.05.15
HR, Performance & Communications: Business Continuity	Testing of the Corporate BCP and service BCPs identified that most plans were incomplete and out of date. The review also identified that the service BCPs and therefore by default the Corporate BCP had not been aligned to Future Council arrangements with regard to service functions and key personnel named and accountable within the plan.	Limited	F - 1 S - 5 MA - 3	17.06.15
HR, Performance & Communications: SVER/VS	The audit did not identify any issues.	Substantial	F - 0 S - 0 MA - 0	26.06.15
Finance, Assets & Information Services: Deferred Payment Scheme	The key issue related to the need to ensure that the ContrOCC system could generate the necessary expenditure information.	Adequate	F - 0 S - 1 MA - 5	23.07.15
Legal & Governance – Delegated Decisions	The review identified the need for more detailed guidance to ensure that the Authority complies with the current regulations and to ensure a consistent approach to the recording of officer decisions.	Limited	F - 0 S - 2 MA - 0	12.08.15
Communities: Customer Services Programme – Complaints and Feedback	The main issues related to the need to improve the clarity and prominence of those routes for members of the public to report any concerns about the welfare of both adults and children via the Corporate web site, together with the need to ensure data checks and input validation routines relative to the configuration of the Customer Feedback application are properly documented.	Adequate	F - 0 S - 3 MA - 5	23.07.15
Place: Environment & Transport - Asset Management	The controls and procedures in relation to the recording, accountability and use of small plant and equipment required strengthening. The key issue relates to the inventory which was found to be incomplete and had not been updated on timely basis. The results of sample audit testing reinforced this issue.	Limited	F - 1 S - 2 MA - 3	31.07.15

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
Place: Culture, Housing & Regulation – Cannon Hall Unannounced Cash Count	The internal control framework in place at Cannon Hall in relation to the banking of income required strengthening to ensure all cash is banked promptly and accurately. The audit identified significant delays in the banking of monies impacting upon the Council's cash flow and accuracy of the ledger. This issue is compounded due to the lack of accountability and control in relation to the physical control and security of cash.	Limited	F - 1 S - 1 MA - 3	17.08.15
Place: Culture, Housing & Regulation – Cannon Hall & Cooper Gallery Unannounced Cash Counts	The results of a second unannounced visit to Cannon Hall identified further delays in the banking of monies impacting upon the Council's cash flow and accuracy of the ledger.	Limited	F - 0 S - 5 MA - 1	29.09.15
People: Spring Lane Children's Home	The key issue arising from the review relating to the incorrect accounting of VAT in respect of procurement card transactions.	Adequate	F - 0 S - 1 MA - 3	24.08.15
People: High Needs Block Funding Arrangements	Based upon the results of sample audit testing, the audit concluded that the governance arrangements in respect of special education needs funding requires improving in order to ensure that effective education plans are put in place.	Limited	F - 0 S - 5 MA - 1	10.09.15
Finance, Assets & IS: Benefits & Taxation E-Forms	Control issues were identified in respect of the effectiveness of the weekly internal checking routine which should be addressed to ensure errors and potential training and development issues are promptly identified.	Adequate	F - 0 S - 2 MA - 4	17.09.15
Legal & Governance: Compliance with Contract Procedure Rules	The requirements of the Council's Contract Procedure Rules and the terms and conditions of framework agreements had been inconsistently applied and an effective audit trail to support procurement decisions within YORtender did not always exist. In addition, a process does not exist to ensure that suppliers selected for quotation opportunities within YORtender are chosen on a fair, open and transparent basis. Sample test results identified compliance issues in respect of 16/25 (64%) of the contracts and CPR waivers examined.	Limited	F - 1 S - 3 MA - 1	17.08.15
Finance, Assets & Information Services: Procurement Cards	The procurement card process required improvement in order to ensure that it was efficient, excessive bank charges were avoided and VAT was accounted for correctly.	Limited	F - 0 S - 6 MA - 5	20.10.15

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
Finance, Assets & Information Services: Corporate Risk Management	The key issues raised related to the effectiveness of the corporate arrangements for managing risk in that the Governance Assurance Group and Risk Champions had not met for some time. In addition, although risk registers had been realigned to the new Council structure, the actual updating on the Risk Management System had not always been undertaken by the risk owners.	Adequate	F - 0 S - 1 MA - 3	23.11.15
Communities / Legal & Governance – Area Council Governance Arrangements	Sample audit testing highlighted that procedures had not been applied consistently. The key areas of non-compliance related to the evidence required to support the decision making process and the completeness of submitted applications.	Adequate	F - 0 S - 3 MA - 5	14.10.15
Public Health - Grant Governance Arrangements	The key issue related to the need to ensure staff roles, responsibilities and accountabilities were defined and to ensure that performance management reporting was sufficiently robust and effective.	Adequate	F - 0 S - 2 MA - 9	20.11.15
Place: Environment & Transport – Home to School Transport	The key issue related to the adequacy of the contract management arrangements in that one of the three Home to School Transport Contracts had expired. In addition, contract compliance monitoring arrangements had not yet been established. The results of sample audit testing reinforced the need for such checks to be undertaken.	Limited	F - 1 S - 5 MA - 2	27.11.15
Place: Taxi and Premises Licensing Arrangements	The key issue arising from the review related to the absence of an effective programme of safeguarding training in order to ensure that service users, Members and officers can recognise safeguarding issues and be aware of how to report concerns.	Limited	F - 1 S - 3 MA - 2	17.08.15
People: Safeguarding - Deprivation of Liberties	The audit identified shortfalls in relation to compliance with the established processes and controls along with a backlog of standard authorisation requests. In addition, DoLS assessments had not been completed within the required timescales and consequently failed to meet its legal responsibilities.	Limited	F - 1 S - 6 MA - 2	21.10.15
Finance, Assets & Information Services: IT Change Controls	The review concluded that the change management and control processes require improvement and assurance could not be provided that IT changes had been correctly recorded, evaluated, authorised and tested. The absence of a performance measurement system has compounded the issue as the extent to which the changes benefited the Council was not known.	Limited	F - 1 S - 8 MA - 0	19.01.16

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
Place: Property Investment Fund	Overall the audit has concluded that there is an adequate governance and internal control framework in relation to the Property Investment Fund. Notwithstanding this, the audit has identified a number of areas where this framework may be further improved e.g. the need to ensure key project stages and corresponding decisions are adequately evidenced, in accordance with established project governance protocols.	Adequate	F - 0 S - 2 MA - 6	23.02.16
People: Personal Budgets	The audit identified shortfalls in relation to compliance with the established processes and controls. In addition, limited work had been carried out to recover excess monies from service users and delays were identified in issuing recharges to recover money due to the Council.	Limited	F - 1 S - 3 MA - 0	15.03.16
People: Health & Well Being Board	Overall the audit has concluded that there is an adequate governance and internal control framework in relation to the Health & Wellbeing Board. Notwithstanding this, the audit identified a number of areas where this framework may be further improved, having particular regard for the need to clearly evidence compliance with its statutory obligations, ensure performance management arrangements are sufficiently robust and to ensure risks are managed effectively.	Adequate	F - 0 S - 5 MA - 7	17.02.16
Finance, Assets & Information Services: Income	The review identified in respect of the timeliness of monitoring and recovery of debt and the inconsistent application of procedures. This has resulted in some debts having little or no action taken to progress the debt to the next recovery stage.	Adequate	F - 0 S - 3 MA - 3	06.06.16
Finance, Assets & Information Services: Housing Rents	The audit did not identify any significant issues.	Substantial	F - 0 S - 0 MA - 4	17.03.16
Finance, Assets & Information Services: SAP System Access	The key issues relate to the absence of effective management information in order that management can recognise when operational duties have not been adequately segregated along with exception reports and / or independent transaction checks in order to mitigate and monitor key risk areas.	Limited	F - 1 S - 5 MA - 0	10.06.16

BARNSELY MBC AUDIT COMMITTEE – INDICATIVE WORK PROGRAMME

	Mtg. No.	2*	3*	4	5	6	6	7	1	
Committee Work Area	Contact / Author	20.07.16	23.09.16	2.11.16	7.12.16	18.1.17	22.3.17	19.4.17	7.06.17	
Committee Arrangements										
Committee Work Programme	WW	X	X	WORKSHOP MEETING/TRAINING EVENT	X	X	X	X	X	
Minutes/Actions Arising	WW	X	X		X	X	X	X	X	
Review of Terms of Reference and Self Assessment	RW/CHAIR	X							X	
Training Review and Skills Assessment	RW/CHAIR	X							X	
Review of Terms of Reference & Working Arrangements	FF						X			
Draft Audit Committee Annual Report	RW/CHAIR								X	
Audit Committee Annual Report	RW/CHAIR	X								
Internal Control and Governance Environment										
Local Code of Corporate Governance	AF/AH							X		
Annual Governance Review Process and Timescales	AF/AH									
Draft Annual Governance Statement & Action Plan	AF/AH	X								
Final Annual Governance Statement	AF/AH		X							
AGS Action Plan Update	AF/AH					X				
Corporate Whistleblowing Update & Annual Report	RW								X	
Annual Fraud Report	RW									X
Fraud Management Update / SPD Review	RW					X				
RIPA Update Report	AF/GK		X							
Review of Ombudsman Complaints	AF					X				
Corporate Risk Management										
Risk Management Policy & Strategy	AH								X	
Risk Management Update	AH					X				
Annual Report	AH	X								
Strategic Risk Register Review	AH				X (from 2/11/16)	X		X		
Internal Audit										
Internal Audit Charter & Strategy	RW						X			
Internal Audit Plan	RW						X			

	Mtg. No.	2*	3*	4	5	6	6	7	1
Committee Work Area	Contact / Author	20.07.16	23.09.16	2.11.16	7.12.16	18.1.17	22.3.17	19.4.17	7.06.17
Internal Audit Quarterly Report	RW	X			X (from 2/11/16)	X		X	
Annual Review of the Effectiveness of Internal Audit	RW	X							
Review of the Effectiveness of Int. Audit - Update	RW				X	X			
Internal Audit Annual Report	RW								X
Corporate Fraud Team - Report	RW		X				X		
External Audit (KPMG)									
Annual Governance Report (ISA260 Report)	KPMG		X						
Audit Plan	KPMG						X		
Annual Fees Letter	KPMG						X		
Annual Audit Letter	KPMG				X (from 2/11/16)				
Grants Letter	KPMG	X (no longer required)							
Claims & Returns Annual Report	KPMG					X			
External Audit Progress report & Technical Update	KPMG	X	X		X	X	X	X	
Financial Reporting and Accounts									
Budget Proposal Section 25 Report	FF/NC						X		
Draft Statement of Accounts Percentage of debt on year by year basis	FF/NC FF/NC	X							
Corporate Finance Summary	FF/NC		X						
Corporate Finance and Performance Management & Capital Programme Update	NC		X		X (from 2/11/16)		X		
Treasury Management Annual Report	IR		X						
Treasury Mgt. Policy & Strategy Statement	IR						X		

* Meeting to be preceded by an Information Briefing/Training Session commencing at 3.00 pm