

MEETING:	Audit Committee
DATE:	Friday, 23 September 2016
TIME:	2.00 pm
VENUE:	Reception Room, Barnsley Town Hall

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

23. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

24. MINUTES

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

25. 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 and that, where appropriate, future reports detail progress of actions required and timescales for submission of future reports.

26. REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2015/16

The Committee considered a report of the External Auditor (KPMG) which had been submitted in accordance with International Standard on Auditing 260, the External Audit Governance Report 2015/16. Ms C Partridge and Ms L Wild representing KPMG presented the report which incorporated, amongst other things, the following:

- The Headline findings
- The proposed opinion and audit adjustments
- The key significant financial audit risks, area of audit focus and judgements
- The Accounts Production and audit process
- The current position with regard to the completion of the audit of the financial statements
- The Value for Money Conclusion including the specific Value for Money Risks

Appendices to the report provided the following:

- Key issues and recommendations
- The audit differences
- Materiality and the reporting of audit differences
- The Declaration of independence and objectivity

It was reported that it was anticipated that an unqualified audit opinion on the Authority's Financial Statements would be issued by 30th September, 2016 following

consideration by Council on the 29th September. It was also reported that the Annual Governance Statement complied with the guidance issued and was in line with the auditor's understanding of the Authority.

The audit had identified one material audit adjustment with a total value of £13.3m, however, whilst there was an impact on the net worth in year, there was no overall impact on the Authority's medium term financial plan as this was simply a reallocation of costs over a longer period. In addition, there was no impact on the Council Tax requirements for the Council. The appropriate adjustments had been made to the financial statements.

During the year KPMG had continued to review the risks to the financial statements on an ongoing basis. In January 2016 they had identified risks in relation to the Consolidation of subsidiary companies and the Minimum Revenue Position (MRP). Work had continued on these two issues throughout the year and the findings on these were outlined within Appendix 3. There were no matters of any significance arising as a result of audit work in the Consolidation of Subsidiary Companies and the changes to the policy on the MRP.

The Authority had continued to have good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt with queries efficiently and the audit process had been completed within the prescribed timescales. The Finance Team, Mr N Copley, Service Director Finance, and Miss F Foster, Director of Finance, Assets and IT and their staff were thanked for their assistance and support.

No specific Value for Money risks had been identified within the Audit Plan for 2015/16. It had been concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. It was anticipated that an unqualified VFM conclusion would be issued by 30th September 2016.

All work on the financial statements was substantially complete subject to the completion of work in relation to Creditors, Journal Entries, Whole of Government Accounts and Completion of Final Review.

The presentation engendered a full and frank discussion during which matters of a detailed and general nature were raised and answers were given to Members questions where appropriate.

The following issued were referred to:

- Reference was made to the two recommendations and to the rationale for them:
 - The need for the Authority to review its written procedure notes for the posting and authorisation of journal entries and ensure that they reflected the procedures what were both required and were currently in practice. This was due for completion by the 31st October, 2016

- The need for the latest valuation of the waste PFI asset to be reflected in the 2016/17 statement of accounts and for all new assets to be valued when they came into use in line with the requirements of the Code. Work was ongoing in this respect and it was anticipated that this would be complete by 31st March, 2017. In response to questioning, it was noted that there was no additional staff training needs identified in this area
- Specific reference was made to the reasons for the audit adjustment given that this was a value of £13.3 m. The Authority had accepted that adjustments due to the repayment for the PFI contracts made by the Council had been put into a prepayment account to match the revised MRP policy over a longer period. This was not in accordance with accounting standards. It was reported that the Authority had accounted for the actual payment over 60 years, per the revised MRP policy instead of over the 25 years in line with the life of the lease. Several adjustments had been required to the draft statement of accounts to rectify this and the impact of these adjustments was outlined. It was stressed, however, that there was no overall impact on the Authority's medium term financial plan as this was simply a reallocation of costs over a shorter period. It was further stressed that the necessary adjustments had been accepted and made by the Council and there were no additional financial implications for the Authority
- There was a discussion of materiality, how this was calculated and whether or not this was appropriate. It was noted that this had been set at £11m which equated to around 1.7% of the gross expenditure of the Authority. It was considered that the reassessment undertaken due to the significant fall in Gross Expenditure (compared to 2014/15) was correct and appropriate in the circumstances
- Reference was made to Significant Risk 1 and to the consolidation of subsidiary companies. It was noted that, following review, KPMG had agreed with the Authority that for 2015/16 group accounts were not required
- In relation to Journal authorisation:
 - It was noted that the creditors and journal entries had now been completed. The Service was looking to undertake a review of Journal entries/authorisation including an interim audit of processes and controls
 - It was noted that the authorisation procedures were being updated. There was no evidence of inappropriate entries. The Service Director Finance would submit a further report on this once the procedures had been updated and were in place
- It was noted that the final Director review was now complete, pending receipt of the final signed financial statements
- All Members of the Council had the opportunity to comment on the Annual Governance Statement, it had been published and was to be the subject of a presentation and report to the Council meeting to be held on the 29th September, 2016
- As previously stated, and in response to further questioning, the KPMG representatives stated that it was anticipated that, following consideration by Council, an unqualified opinion would be issued by 30th September, 2016

RESOLVED:-

- (i) That the External Auditor's Reprt 2015/16 be received and referred for consideration by the Council to be held on the 29th September, 2016;
- (ii) That the Auditor's findings on the effectiveness of the Council's internal controls and the conclusion on the Council's arrangements for securing Value for Money be noted; and
- (iii) That the Committee place on record their thanks and appreciation for the hard work of the External Auditor and the Director of Finance, Assets and Information Services and their respective Teams in this process.

RECOMMENDED TO FULL COUNCIL ON THE 29th SEPTEMBER, 2016:-

- (i) That the External Auditor's Annual Governance Report 2015/16 be approved;
- (ii) That the findings on the effectiveness of the Council's internal controls and the conclusions on the Council's arrangements for securing Value for Money be noted; and
- (iii) That the findings from the audit work in relation to the 2015/16 financial statements be noted and accordingly, the final accounts 2015/16 be approved.

27. ANNUAL GOVERNANCE REPORT 2015/16

Further to minute 21 of the previous meeting held on the 20th July, 2016, the Committee considered a joint report of the Chief Executive, Director of Finance, Assets and IT and Director of Legal and Governance on the final Annual Governance Statement for 2015/16, requesting the Committee to refer it to Council for consideration and adoption as part of the process for approving the 2015/16 Statement of Accounts. A copy of the Statement was appended to the report.

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

- The final Statement was substantially the same as the draft submitted to the previous meeting and provided an assurance that the Authority had appropriate procedures and processes in place
- The Service Director, Legal Services, who presented the report, emphasised that the Council's Governance arrangements were fundamentally sound and no major issues were revealed. There was, however, a light touch action plan (attached as Appendix 2) to capture some improvements suggested through the review process. The Service Director briefly went through the plan and explained that this would form the basis for the Committee monitoring

throughout the year. An update of the Action Plan would be reported to the Committee in December, 2016.

- It was noted that in relation to the recording of officer delegated decisions that the processes were now in place to ensure that this was in line with legislation. It was suggested, however, that this action should not be considered complete until a review had taken place to evidence that the recording of officer decisions was working in line with the implemented processes.
- Arising out of the above discussion, the Service Director Legal Services commented that there was no evidence to suggest that there had been any misuse of the officer delegated decision process. Any decisions taken were required to be listed on the Council's Website and the link to this would be sent to all Members
- It noted that there was no reference to the Sheffield City Region governance arrangements. It was noted, however, that the City Region had its own governance and audit arrangements although it was accepted that the Council was in a strong position to influence these through the support given in relation to internal control support functions such as HR, Risk Management, Health and Safety, Information Governance and Internal Audit that were delivered via a service level agreement. It was suggested that reference to this be made via a small amendment to paragraph 3.19 of the AGS
- It was noted that the link to the Council's Risk Management site was not public facing and action would be taken to address this
- In relation to the Panel to consider allegation of misconduct by Members it was reported that these Independent Panel Members were Messrs S Carvell, M Moore, and D Waxman. These persons were appointed for the relevant provisions of the Local Government Act 2000 as amended by the Localism Act 2011 with regard to the investigation of ethical standards complaints. The term of office was coming to a close and arrangements were being made to undertake a recruitment exercise to seek new/replacement members
- In relation to Whistleblowing complaints, the Committee was reminded of the policy currently in place. A review of the arrangements was to be reported to Committee in spring 2017 which would include an analysis of the use of the arrangements in the previous year. It was noted that the number of referrals/complaints received was extremely small which could either mean that there were relatively few instances of 'misconduct' that needed reporting or that employees were reluctant to report issues (which could be for a variety of reasons). The policy was, however, well-advertised both on the BMBC Intranet site and on staff notice boards in 'break out' areas. It was important to realise, however, that the Whistleblowing arrangements were only one of a number or ways to raise issues
- It was suggested that a training session be arranged on the Council's Risk Management Framework arrangements. This could possibly form an item for discussion at the Audit Committee Training Day scheduled for 2nd November, 2016

RECOMMENDED TO FULL COUNCIL ON THE 29th SEPTEMBER, 2016 that the final Annual Governance Statement 2015/16 be approved and adopted.

28. EXTERNAL AUDIT REPORT AND TECHNICAL UPDATE

The Committee received the External Audit progress report and technical update for September, 2016 giving a high level overview of progress in the delivery of the External Auditor's responsibilities. The report set out in the appendix a summary of the main deliverables including report and opinions give and members noted progress against those issues.

The following matters were highlighted:

- It was noted that no areas of concern had been identified
- The audit of the draft financial statements was almost complete and the Value for Money conclusion was complete
- The Housing Benefit and Council Tax Benefit Claim was the only grant remaining under the Public Sector Audit Appointments (PSSA) regime
- Additional work was being undertaken in relation to the Teacher's Pensions Agency and the Pooling of Capital Receipts which fell outside the PSAA regime and the cost for this work was £7,750. In response to detailed questioning, the External Audit representatives explained the rationale for these fees and the Service Director Finance commented particularly on the issues previously addressed in relation to the Teacher's Pensions Agency return
- Reference was made to the KPMG publication of reports 'Value of Audit – Perspectives for Government'; 'Reimagine – Local Government'; and 'The Future of Cities'

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

29. AUDIT COMMITTEE WORK PLAN 2015/16

The Committee received a report providing the indicative work plan for the Committee for its proposed scheduled meetings for the remainder of the 2015/16 municipal year.

It was noted that a number of training requests had been received, some of which could be dealt with at the sessions immediately prior to the meetings of the Committee and some that required more in depth discussion which could possibly be dealt with at the Member Training Day in November.

Arising out of the discussion particular reference was made to the itinerary for the training day.

RESOLVED:

- (i) that the core work plan for 2015/16 meetings of the Audit Committee be approved and reviewed on a regular basis; and

- (ii) that, in order for an itinerary to be produced, the Director of Legal and Governance and Head of Internal Audit and Corporate Anti-Fraud compile a list of outstanding training events for circulation to all Members who then be requested to submit their suggestions for items for discussion at the November Training day.

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Chair