

MEETING:	Audit Committee
DATE:	Wednesday, 7 December 2016
TIME:	4.00 pm
VENUE:	Meeting Room 1, Barnsley Town Hall

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

30. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

31. MINUTES

The minutes of the meeting held on the 23rd September, 2016 were taken as read and signed by the Chair as a correct record.

32. 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.

33. INTERNAL AUDIT QUARTERLY REPORT - QUARTER ENDED 30TH SEPTEMBER, 2016

The Head of Internal Audit and Anti-Fraud submitted a report presenting a comprehensive overview of the key activities and findings of Internal Audit based on the Division's work for the whole of the second quarter of the financial year together with additional details of audits completed up to the end of October, 2016.

The report covered:

- The issues arising from the completed Internal Audit work undertaken within the period
- Matters that had required investigation
- An opinion on the ongoing overall assurance Internal Audit was able to provide based on the work undertaken regarding the adequacy and effectiveness of the Authority's internal control environment
- Progress on the delivery of the Internal Audit Plan for the period to the end of the second quarter of 2016/17
- Details of Internal Audit's performance for the quarter utilising performance indicators

Reports issued and the Internal Audit work completed during the quarter had raised no fundamental recommendations.

Internal control assurance opinion overall remained adequate based upon the results of the work undertaken during the quarter.

Of the 31 recommendations followed up, 32% had been implemented by the original target date with a further 52% implemented after that date. A revised implementation date had been agreed by management in relation to the 16% that had not been implemented.

In relation to the Audit Plan, actual days delivered was broadly in line with the profiled days at the end of the reported period.

Overall, Divisional performance remained satisfactory with only the chargeable time performance indicator being slightly below the profile due to the number of training days being higher than expected.

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

- Reference was made to the revisions agreed with management to the Audit Plan together with the reasons for this and appendices to the report gave details of the specific work that had been completed during the reporting period
- The Head of Service explained that a minority (but increasing amount) of time was spent on 'other audit activities' which did not produce a specific assurance opinion but that these nevertheless actively contributed to the assurance given in respect of other areas including, for example, contract management and procurement, safeguarding arrangements and financial management (procurement) and payment processes.
- Reference was made to the number of audit days utilised against the Audit Plan and arising out of this, particular mention was made to the time that had been spent moving to a new document management system, the work on corporate services and the restructure of the division which had had an impact on the number of days allocated
- Reference was made to the audit of Commissioning, Procurement and Contracts and to the reasons for the deferral to 2017/18. This was at the request of management and was to allow sufficient time for revised processes to be embedded. Arising out of the above, there was a discussion as to whether or not the council had sufficient or appropriate commercial expertise. It was acknowledged that this was an area where the Council had not performed as strongly as would have been hoped largely because of the difficulties of obtaining the right staff with the correct skill set required within a rapidly changing world. This matter was being addressed and would be kept under review both by management and by this Committee
- The Head of Service commented that he was comfortable with the rationale for the deferral of various audits
- In relation to the Performance Indicators:
 - particular reference was made to the Indicator 'percentage of final audit reports issued within 10 working days of completion and

- agreement of the draft audit report' and whether or not this was 'meaningful'.
- the Head of Internal Audit outlined the data available that enabled the Service to monitor performance and commented that reporting systems were in the process of being developed further to ensure that data produced was truly meaningful and efficient.
 - Conversations had been held with the software developers who had outlined how the information system could be interrogated and exploited. The Service was looking to develop Performance Indicators for 2017/18
- In response to specific questioning, the Head of Internal Audit and Corporate Anti-Fraud gave details of the operation of the protocol applied to the follow-up of recommendations in audit reports. It was noted that any issues of significance would be referred as a matter of urgency to the Senior Management Team. At the moment, he had no specific concerns in relation to any delays in follow-up reports
 - There was a detailed discussion of the potential implications of the savings target to be applied to Internal Audit as part of the 2017/18 budget process and to whether or not the Service would remain sufficiently robust. It was noted that a restructure was to be undertaken but would be undertaken in such a way as to ensure that the audit approach would provide as much assurance and coverage as possible. A further report would be submitted in due course and this report would also track the size of the audit service against the size and reduction of the Council as an organisation. The Director of Finance, Assets and IT gave an assurance that despite any Service reduction, sufficient resources would be retained to ensure that satisfactory assurance could be given
 - The Head of Service gave the Committee and update of the system changes that were to be introduced as part of the audit process
 - Reference was made to the way in which audits were 'commissioned' and to the discussions held with Managers prior to the commencement of the audit
 - The high level and importance given to training and development was noted

RESOLVED:

- (i) that the issues arising from the completed Internal audit work for the period along with the responses received from management be noted;
- (ii) that the assurance opinion on the adequacy and effectiveness of the Authority's Internal Control Framework based on the work of Internal Audit in the period to the end of October 2016 of the 2016/17 audit year be noted;
- (iii) that the progress against the Internal Audit Plan for 2016/17 for the period to the end of October 2016 be noted; and
- (iv) that the performance of the Internal Audit Division for the second quarter be noted.

34. CORPORATE ANTI-FRAUD TEAM PROGRESS REPORT

The Head of Internal Audit and Anti-Fraud submitted a progress report providing an update of the work of the Corporate Anti-Fraud Team for the 1st April to 31st October, 2016.

The report provided details of the following activities in which the Team were currently involved:

- Council Tax Support investigations
- Council Tax fraudulent liability claims
- Right to Buy investigations
- Corporate Investigations
- National Fraud Initiative involvement
- Tenancy Fraud

An appendix to the report gave details of sample fraud cases that had been investigated together with the results/outcome.

The report indicated and the Head of Service gave details of the positive impact the Team was having in tackling fraud which was very much welcomed. It was noted that the Team's work was now having significant results as initiatives were rolled out and became fully embedded within the Council's processes and procedures.

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

- Details of the cumulative financial amounts obtained/recovered by the Service that would otherwise have been lost amounted to around £500,000 and was likely to increase
- The number of Right to Buy, National Fraud Initiative and Tenancy Fraud cases were continuing to increase, however, the number of Corporate Investigations was relatively small due to the Service giving advice to managers who now undertook appropriate investigations (although the Service retained the right to intervene if it thought that managers hadn't got the necessary skills to undertake investigations)
- It was the intention to present a report to either the January or March meeting on an update of the corporate anti-fraud policy and strategy
- In response to specific questioning, an explanation was provided of how investigations were undertaken in order to detect Council Tax Fraud, and particularly in relation to Single Person Discount and also for unoccupied properties. Arising out of this reference was made to a pilot being undertaken in relation to Single Person Discount which would allow data matching against other benefit and payroll systems. If this was successful it was possible that a mandatory system might be introduced
- In relation to the National Fraud Initiative, questions were asked with regard to the sale of data sets and whether or not the Council obtained income from such sales. The Director of Legal and Governance explained that the Council was limited in what information it could legitimately sell as it was constrained by Data

Protection legislation. Data match information was only relevant to appropriate organisations. The Head of Internal Audit and Corporate Anti-Fraud explained the way in which the Team ensured that it was fully compliant with all the relevant regulations and legislation in relation to the investigation and detection of fraud

- Information was provided about the robust processes in place in relation to the raising of orders and the payment of invoices. It was felt that there was limited scope for any kind of fraud. In addition, computer software was used to identify areas of overpayment/dual payments etc. Information was also provided on the arrangements and controls in place in relation to the prevention of fraud on contracts
- There was a discussion of the changing risk appetite within the context of the financial restrictions facing the Authority. It was noted that inherent risks would never go away, however, the necessary controls and systems were in place to minimise any fraud
- Information was provided in relation to referrals that were not pursued for investigation and the reasons for this
- In response to questioning, information was provided on ways in which supplier fraud or theft by employees (particularly in relation to theft of fuel from vehicles) was detected and investigated

RESOLVED:-

- (i) that the progress made in the development of effective arrangements and measures to minimise the risk of fraud and corruption be noted; and
- (ii) that the Committee receive six monthly progress reports on internal and external fraud investigated by the Corporate Anti-Fraud Team.

35. STRATEGIC RISK REGISTER - FULL REVIEW OCTOBER, 2016

The Director of Finance, Property and IT submitted a note presenting a report to be submitted to Cabinet on the 11th January, 2016 on a full review of the Strategic Risk Register undertaken in October 2016 and presenting the outcomes of that review.

The report, which was presented by Mr A Hunt, Risk and Governance Manager formed part of the Committee's assurance process where it was agreed that following the completion of the review of the Strategic Risk Register, the Committee consider the latest version and provide appropriate comments thereon.

The Register contained those high level risks that were considered significant potential obstacles to the achievement of the Authority's Corporate Objectives. It was important that the Register remain up to date and be reviewed regularly in order to accurately reflect the most significant risks to the achievement of objectives and facilitate timely and effective mitigations to those risks.

Following a review of the Strategic Risk Register in March 2016, a further review had been undertaken in October, 2016 the outcomes of which were detailed within the report. Mr Hunt outlined in some detail the way in which the register had been

reviewed together with the role of the Senior Management Team in this process. He commented on the main components of the review and the items included.

The report outlined:

- The introduction and background to the Strategic Risk Register
- The distribution of the risks across the six concern rating classifications
- The changes since the last review with the inclusion of an additional risk 3842 (Failure to ensure the transfer of 0-19 Services that are being transferred back into the Council Control to ensure customers remain safe, there is a continuous service and that during and after the transition period customers remain safe)
- The two risks that had had their risk concern rating reduced:
 - Risk 3024 (Lack of educational attainment)
 - 3034 (Failure to deliver the Medium Term Financial Strategy – ‘Failure of Future Council to achieve the required level of savings)
- The significant /red risks and new and emerging risks and the risk mitigation actions
- Other significant risks to the Strategic Risk Register

A further review of the Register was now programmed with other governance related reports relating to Corporate Finance and Performance Management in order for the Cabinet to receive and consider governance related reports as a broad suite of documents.

The report and Register indicated how assurance against significant risk was being managed appropriately and Appendices to the report provided details of:

- The background to the Strategic Risk Register
- The improved and worsened risks
- The ‘direction of travel’ trends
- The risks that had been completed/closed
- The new and updated risk mitigation actions
- A copy of the full Strategic Risk Register

Reference was also made to the embedding of the risk management culture throughout the Authority.

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

- In response to questioning the Director of Legal and Governance referred to Risk 3842 and gave details of the services which had been transferred to the Council in relation to the 0-19 Service. He also outlined the reasons for the one off transitional cost of £442,000 which had been minimised but was unavoidable. It was noted that there had been some initial issues with regard to integration with Council IT systems and this matter was being kept under review. The Risk and Governance Manager gave details of the risks that had been reported to Senior Management Team by the Director of Public Health

- Some concern was expressed in relation to Risk 3794 in relation to the failure to influence the governance arrangements underpinning and controlling the emerging City region Devolution Deal. Particular reference was made to the scrutiny and audit arrangements which it was suggested should be more aligned to the scrutiny and audit arrangements in Barnsley. In response, the Director of Legal and Governance explained the legal background to the establishment of the City Region arrangements. It was noted that the Leader of the Council had stated that the scrutiny arrangements required to be developed, however, the initial effort had been focused on delivering the 'Deal'
- In relation to Risk 3047 (Failure to protect the population from preventable health threats) it was noted that this had changed from 'amber 3' to 'amber 4' – the report would be amended to reflect this. The reasons for this were touched upon as were the plans to address the risk

RESOLVED that the report on the outcome of the recent review of the Strategic Risk Register in relation to the management, challenge and development of the Register be noted and the Committee continue to receive periodic updates as to the process of the actions taken and their impact on the Strategic Risk Register.

36. ANNUAL GOVERNANCE STATEMENT ACTIONS PLAN 2016/17

The chief Executive, Director of Finance, assets and IT and Director of Legal and Governance submitted a joint report providing an updated action plan relating to the issues identified following the Annual Governance Review.

The report, which was presented by the Risk and Governance Manager included an Action Plan and was originally considered with the Annual Governance Statement by this Committee at its meeting held on the 20th July, 2016.

The Risk and Governance Manager commented on the current position for all actions within the plan which had been updated, with revised timescales where appropriate. In addition, one action point had been closed relating to issues around officer delegations.

The Director of Legal and Governance commented that the report and action plan gave reassurance in relation to issues around business continuity and recognised the need to close the gap in certain areas. It was hoped that a further report on this would be submitted in the near future.

It was also reported that a corporate issue relating to non-compliance with Contract Procedure Rules and the overall adequacy of the Contract Management Arrangements was being closely monitored by the Senior Management Team.

RESOLVED that the update on progress in delivering actions in the Annual Governance Statement action plan be received.

37. EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2015/16

Mr M Moore introduced the item, noting the statutory requirement to produce the letter. The letter itself provided a summary of the key findings from the audit, which were discussed in some detail by the Committee at its previous meeting in September, 2016.

The letter provided information on the Value for Money Conclusion and risk areas, the Audit opinion, the financial statements audit, the Annual Governance Statement and the Whole of Government Accounts and gave details of the final fees for 2015/16.

RESOLVED that the Annual Audit Letter 2015/16 be received and its content noted.

38. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE

The Committee received the External Audit progress report and technical update 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 given and members noted progress against those issues.

The update report also provided details of:

- KPMG resources including:
 - The launch of @gov – a digital magazine which examined a new theme in each edition. The first edition focused on Transforming Government in the age of technology
 - The organisation of Chief Accountant Training Events
 - The publication of reports 'Value of Audit – Perspectives for Government', 'Reimagine – Local Government' and 'The future of cities'
- Technical Developments including the likely level of impact relating to:
 - The development of external auditor
 - Business Rates Retention
 - National Audit Office report on Capital Expenditure and Resourcing
 - The update of the PSAA Value for Money Tool
 - The update of the 2015/16 Code of Practice on Local Authority Accounting
 - Local Government Licensing Fees
 - The CIPFA publication on 'Understanding the Financial Statements/
 - The National Audit Office Publications 'Children in need of help or protection' and 'Discharging Older Patients from Hospitals'
 - National Audit Office activities in relation to Government Contracting and a speech made at the Institute for Government

The following matters were highlighted:

- It was noted that audit planning had commenced for 2016/17. A report would be submitted to the January meeting with the Audit Plan being submitted in February
- The annual Audit Letter, as previously reported, had been issued
- It was noted that all issues identified within the Resources section and the Technical Update were relevant to Barnsley but a key issue were the possible future devolution proposals. Barnsley was, however, no different from any other authority

RESOLVED that the External Audit progress report, resources and technical update be noted.

39. 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 remainder of the 2016/17 municipal year and for 2017/18.

The Director of Legal and Governance commented that he had not submitted a Regulation of Investigatory Powers Act (RIPA) Update report or a review of Ombudsman's complaints largely because there was little to report.

In relation to Ombudsman complaints, 56 cases had been referred but only 5 had been investigated fully with only minor comments being received and no internal control issues being highlighted. A copy of the report would be forwarded to all Members.

In relation to the RIPA, there had been no inspections undertaken in the last 3 years. Given the limited use of these powers, the Inspector was happy with the training for officers suggested (as reported previously). It was also noted that reports on RIPA use would, in future, be made on an exception basis dependent upon its use the areas of concern identified.

RESOLVED that the core work plan for 2016/17 and 2017/18 meetings of the Audit Committee be approved and reviewed on a regular basis.

The Chair, Councillor Richardson, closed the meeting by wishing all Members and Officers his best wishes for a Happy Christmas and a prosperous New Year.

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Chair