

MEETING:	Audit Committee
DATE:	Wednesday, 6 June 2018
TIME:	4.00 pm
VENUE:	Reception Room, Barnsley Town Hall

MINUTES

Present Councillors Richardson (Chair) and Barnard 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 2018/19.

3. MINUTES

The minutes of the meeting held on the 18th April, 2018 were taken as read and signed by the Chair as a correct record.

The Chair requested that his thanks be placed on record to Councillor Clements, the former Chair of the Committee, for the work he had undertaken to promote the activities of the Committee during his time in office.

Arising from Minute 71, it was confirmed that Risk 4170 (failure to ensure the Glass Works programme delivers etc) would indeed be subject to a further report to the Committee later in the year detailing the progress on the project and any concerns arising.

Arising from Minute 74, Members commented on the long timescale for responses to the Information Commissioner's Office consensual audit, with some recommendations not requiring implementation until 2020. Whilst it was understood that this was indeed the timescale in respect of some recommendations, this would be subject to confirmation at the next Audit Committee meeting.

Arising from Minute 75, it was confirmed that progress had been made in the new approach for logging phishing and spam email, with staff encouraged to report this by way of a "report as spam" button available on incoming emails.

4. DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18

The meeting received a joint report of the Chief Executive and Executive Director Core Services submitting the draft Annual Governance Statement for 2017/18, outlining the following:-

- the purpose of the Governance Framework;
- the Governance and Internal Control Framework;
- the process of annually reviewing the effectiveness of the Governance and Internal Control Framework; and
- identifying development and improvement opportunities arising from the Annual Governance Review, to be addressed in 2018/19 contained in the action plan at Appendix 1.

Further work was being undertaken to develop the Annual Governance Statement and the action plan for consideration at the Committee's next meeting on 20th July, 2018. This included the incorporation at Section 11.4 of issues arising from the Annual Audit Report, as well as specific actions in relation to contract management procedures and data protection, together with recommendations arising from the Information Commissioner's Office Consensual Audit. Work continued with Service Directors on the review of the Annual Governance Statement, with approximately 50% of responses received in advance of the deadline of 15th June, 2018.

In the ensuing discussion, the following matters were highlighted:-

- Members commented on the extent to which the Council could respond to Brexit, given the general uncertainty as to the final position. However, it was noted that there was already clarity in some areas and that the Council would respond incrementally to the opportunities and challenges presented by Brexit as this developed.
- The meeting noted the focus in Section 5.2.5 on the Sheffield City Region as the basis for Devolution, rather than the wider proposals for Yorkshire. It was noted that the current offer was indeed in relation to the City Region and the need to respond to the recently elected Mayor's agenda, and perhaps this section could be clarified in this respect. However, a further dimension was the extent to which Barnsley Council provided support services for the Combined Authority and whether a stocktake was needed given the views of the Mayor.
- Members commented that Section 12 did not identify any fundamental issues in relation to governance, risk and internal control arrangements, a similar position to that identified over a number of previous years. Members asked about the process for identifying significant governance issues and the threshold at which these issues might be identified as such. The meeting noted that this section was intended to highlight any issues of significance beyond those identified in the action plan, and this would be updated to reflect any issues arising from the review of the Annual Governance Statement and the Audit Annual Report, including the Information Commissioner's Office Consensual Audit. This detail was not available when the report now submitted was drafted, but would be provided in the updated report submitted to the July meeting.

RESOLVED that the draft Annual Governance Statement 2017/18 be noted.

5. DRAFT STATEMENT OF ACCOUNTS 2017/18

The Service Director Finance submitted a report on the draft Statement of Accounts 2017/18. Members commented on the late circulation of the document, noting the extent to which this arose from this year's advanced timescales, and discussed the need for more time for Members to consider issues raised in detail.

Notwithstanding the request to defer consideration of the report, the following matters were highlighted:-

- The Service Director Finance confirmed that the new timescales for production of the Statement of Accounts presented a challenge this year, but he considered that he had adequate resources to meet this challenge in the future. The meeting noted similar pressures on the external auditors, but it was confirmed that KPMG did not anticipate any issues in relation to Barnsley's processes, given the effectiveness of the Council's arrangements for dealing with this matter.
- Reference was made to the significant loss of £5m within the Housing Revenue Account and the Service Director Finance indicated that he would investigate this issue. The meeting noted that the management of the Housing Revenue Account had now returned to direct Council control, which would provide for more effective monitoring and understanding of the position.
- Members commented on the £33.76m earmarked in reserves for the Glass Works scheme and queried if this was the totality of the expenditure on that project. The meeting noted that the scheme would be funded from a range of other sources, in addition to the amount in reserves, for example prudential borrowing, and that a further report on the overall package would be submitted to a future meeting of the Committee.

RESOLVED that further consideration of the draft Statement of Accounts for 2017/18 be deferred to a special meeting of the Committee to be arranged in coming weeks, but that Members be invited to comment on the document in the interim period.

6. ANNUAL FRAUD REPORT 2017/18

The Head of Internal Audit and Corporate Anti-Fraud submitted his annual report providing an account of counter-fraud related activity undertaken by Internal Audit's corporate team for the period 1st April, 2017 to 31st March, 2018 and providing information and assurance to the Committee regarding key aspects of the Authority's risk management, internal control and governance framework.

The meeting noted key priorities for 2018/19 as set out in Section 6 of the report, with 558 days allocated for reactive and pro-active fraud work during the year. The emphasis on improving fraud awareness across the Council during the year was

highlighted, in particular by way of a proposed fraud awareness week aimed at building better relationships across the Council. It was proposed to submit further plans for anti-fraud work to the Committee in due course.

In the ensuing discussion, the following matters were highlighted:-

- The meeting noted that the level of duplicate payments highlighted represented the clearing of an historical backlog from before October 2016, when a system for identifying duplicate payments was introduced. It was noted that recent changes to the payments system would stop a duplicate payment being made in the first place, rather than being identified later when repayment would be required.
- In relation to tenancy fraud, it was noted that cases where no evidence of fraud were found were generally held on file, and could be re-opened later in the light of further information. Whilst Berneslai Homes did undertake landlord checks to confirm the identity of residents, its effectiveness was reduced by the requirement to give notice in writing of any visit. The possibility of providing tenants with photo identification was being investigated, and arrangements for data matching tenants also under consideration. Housing Management Officers would also follow-up any allegations received from neighbouring residents. It was intended that Berneslai Homes would be involved in the proposed fraud awareness week to include tenancy fraud, with consideration of proposals such as key amnesties.
- The meeting noted that the amounts of fraud and error identified at the end of March 2018 of £240,196 were primarily errors or mistakes for example small amounts of undeclared income resulting in lower entitlements. Where the overpayment arose from a systems issue, for example out of date data, the issues have been addressed and the systems updated.
- It was noted that all Right to Buy applications were subject to detailed identity checks, carried out by the Council's Strategic Housing team and included anti-fraud checks on those resident in the property.

RESOLVED:-

- (i) that the Annual Anti-Fraud Report be received as part of the framework of assurance to support the Annual Governance Statement; and
- (ii) that the embedding of a culture of zero tolerance and high levels of awareness regarding fraud and corruption be supported.

7. INTERIM INTERNAL AUDIT ANNUAL REPORT 2017/18

The Head of Internal Audit and Corporate Anti-Fraud submitted his interim annual report on the adequacy and effectiveness of the Authority's framework of governance, risk management and control arrangements based on the work of Internal Audit during 2017/18, which had been prepared in accordance with the Public Sector Internal Audit Standards.

The meeting noted that the report gave an indicative opinion of adequate (positive) assurance, which was not expected to change unless significant control issues were indicated as a result of the Annual Governance Statement process. A particular area of focus related to the implementation of audit recommendations, where two thirds still required implementation. This issue had been raised with the Senior Management Team in order to refocus officer attention on this issue, with the establishment of a monthly reporting regime for monitoring progress and other arrangements to ensure that this was more thoroughly embedded across the Council. Against this background, it was important to acknowledge that only three fundamental recommendations had been identified by audit reports during 2017/18.

In the ensuing discussion, the following matters were highlighted:-

- The meeting noted that the SAP system had not been audited during 2017/18, despite limited assurance opinions being given in 2015/16 and 2016/17. It was confirmed that, whilst no specific review has taken place with regard to SAP, there is continuous liaison between Internal Audit and officers to seek to ensure that appropriate controls are maintained and are operating effectively.
- The meeting noted the general absence of fundamental recommendations in audit reports during 2017/18 and the efforts to resolve the three fundamental recommendations. It was acknowledged that this report was the interim position, and that it was anticipated that the fundamental recommendations within the Place Directorate identified in the appendix would be resolved by the time the final report was published.
- Members commented on the expectation that Future Council would result in officers having greater focus on their range of responsibilities, but noted that two thirds of audit recommendations had nevertheless not been implemented to timescales. This seemed to be run counter the impression from the draft Annual Governance Statement that no significant control issues had been identified. The meeting noted, however, the absence of fundamental recommendations suggested that control issues were generally being properly addressed, and acknowledged the increased focus on delivery and outcomes as a result of Future Council.

RESOLVED:-

- (i) that the assurance opinion provided by the Head of Internal Audit and Corporate Anti-Fraud on the adequacy and effectiveness of the Authority's framework of governance, risk management and control be noted; and
- (ii) that the key issues arising from the work of Internal Audit in the context of the Annual Governance Statement be noted.

8. INTERNAL AUDIT CHARTER 2018 - 2020

The Head of Internal Audit and Corporate Anti-Fraud submitted a report on the Internal Audit Charter for 2018 - 2020, required to be produced in accordance with the revised Public Sector Internal Audit Standards, which, supplemented by regular reports and an annual report, gave assurance as to how the Internal Audit function was resourced, managed, organised and delivered. The meeting noted the extent to which the Internal Audit function retained its independence and that the Head of Internal Audit and Corporate Anti-Fraud had direct access to the Chief Executive, and the resulting prominence of these issues on Senior Management Team's agenda.

RESOLVED that the Internal Audit Charter for 2018 - 2020 be received and the Committee place on record its satisfaction that it adequately represents and describes the function, and will consequently provide assurance to the Committee regarding its effectiveness.

9. GOVERNANCE AND MEMBER SUPPORT BUSINESS UNIT PROGRESS REPORT

The Service Director Governance and Member Support submitted a report providing an overview of the functions of the Governance and Member Support Business Unit and related elements of the Annual Governance Statement process, in line with the Audit Committee work programme.

RESOLVED that the report be received.

10. EXTERNAL AUDIT TECHNICAL UPDATE AND PROGRESS REPORT

Ms C. Partridge (KPMG) presented the external audit technical update, incorporating the external audit progress report, giving a summary of progress against certain deliverables, including reports and opinions. The meeting noted that the external auditor did not anticipate any issues or problems in advance of the audit of the final accounts for 2017/18, work on which was due to commence during week ending 15th June, 2018.

RESOLVED that the external audit progress report, resources and technical update be noted.

11. AUDIT COMMITTEE WORK PLAN 2018/19

The Committee received the indicative Audit Committee work plan for 2018/19. The Chair commented that he was due to meet with the Executive Director Core Services, the Service Director Finance and the Head of Internal Audit and Corporate Anti-Fraud to consider items for discussion at the forthcoming Audit Committee workshop and Committee members were invited to forward to him issues for consideration.

RESOLVED that the core work plan for 2018/19 meetings of the Audit Committee be approved and reviewed on a regular basis.

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Chair