

<b>MEETING:</b>	Audit Committee
<b>DATE:</b>	Wednesday, 20 January 2016
<b>TIME:</b>	4.00 pm
<b>VENUE:</b>	Reception Room, Barnsley Town Hall

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

### 35. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

Ms K Armitage declared a non pecuniary interest in any item relating to the Barnsley Hospital NHS Foundation Trust in view of her appointment as a Governor to the Trust.

### 36. MINUTES

The minutes of the meeting held on the 18<sup>th</sup> September, 2015 were taken as read and signed by the Chair as a correct record.

### 37. ACTIONS ARISING FROM THE PREVIOUS MEETINGS

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

It was noted that as a result of the cancellation of the December meeting there were now a considerable number of items programmed for the meeting to be held on the 23<sup>rd</sup> March, 2016. In view of this, the Head of Internal Audit commented that some of these items may have to be re-scheduled so that the March meeting was more manageable so that issues raised could be discussed in a timely manner.

**RESOLVED** that the report be noted.

### 38. INTERNAL AUDIT QUARTERLY REPORT 2015/16 - QUARTER ENDED 31ST DECEMBER, 2015

The Head of Internal Audit submitted a report providing a comprehensive overview of the key activities and findings of Internal Audit based on the Division's work to the end of December, 2015. He also submitted, for information purposes only, a copy of his report on the work of the Division to the end of 30<sup>th</sup> September, 2015 which was to have been submitted to the meeting scheduled for 4<sup>th</sup> November, 2015. Members were reminded that this meeting had been cancelled to enable a workshop to be held on the future arrangements for and work of the Audit Committee.

The report covered:

- The issues arising from the completed Internal Audit work in the quarter incorporating, where appropriate, management's response to the recommendations made
- Matters that had required investigation
- An opinion on the ongoing overall assurance Internal Audit were 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 2015/16
- Details of Internal Audit's performance for the quarter utilising performance indicators

Reports issued and internal audit work completed during the quarter had raised three fundamental recommendations relating to the adequacy of contract management arrangements, the effectiveness of safeguarding training relating to Taxi Drivers and a legal issue regarding the Authority's ability to meet statutory timescales for the completion of Deprivation of Liberties assessments.

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

Of the 41 recommendations followed up, 34% had been implemented by the target date and a further 51% by the revised target date. Six recommendations (15%) remained not implemented and had been given revised implementation dates.

In relation to the Audit Plan, more days than the profile had been delivered within the third quarter.

Overall, Divisional performance remained satisfactory with only the chargeable time performance indicator being slightly less than target due to a higher number of leave and training days.

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

- There was a discussion of the reasons for the failure to meet the original implementation date for complying with audit recommendations. It was stressed, however, that whilst 34% were completed by the original date, 86% were completed by the revised date. Managers were sometimes over optimistic in agreeing when the recommendations could be addressed and it was also acknowledged that due to the financial constraints on the authority, there was increased pressure on managers which could have a contributing effect on the failure to meet the original date. The Head of Internal Audit stressed that services were challenged to set realistic target dates, however, if issues were so significant they would be brought to the attention of the Senior Management Team. In response to questioning, he stated that he would assess the current position and, if required, highlight areas of concern or where he felt little or no progress was being made
- Referring to the number of audit days allocated it was noted that 36 days had been allocated to the Council above the profile and that there was a shortfall of 187 days primarily accountable to more than budgeted days being spent on training and council wide activities. This would be regularised during the remainder of the year as priorities were

determined and consideration was given to the audit work that could be deferred.

- Arising out of the above, the Head of Internal Audit made the following comments:
  - He didn't feel that there would be any financial loss through the shortfall of audit days or for the delay in implementing recommendations. A track was kept of all target and re arranged target dates
  - He gave a brief outline of the way in which the audit plan was compiled and the assumptions made in relation to the number or days allocated. He also made reference to the training arrangements in place
  - In relation to the number of days allocated, it was anticipated that this would balance out during the remainder of the audit year
- In response to questioning, the Head of Internal Audit gave a brief resume of the findings of the three fundamental recommendations referred to above and to the work that was required to address the issues raised. Particular reference was made to the current position with regard to:
  - The adequacy of the contract arrangements of Home to School Transport and a report commissioned in response to the Casey report
  - The safeguarding training and related issues associated with Taxi Drivers and Licensing
  - The issues relating to the completion of Deprivation of Liberties assessments and possible legislative changes which, if implemented, could ease the current issues faced by the Authority
- In relation to the internal audit function and performance and within the context of the current financial restrictions and the implementation of the Council's Job Evaluation scheme, particular reference was made to the current position with regard to the recruitment arrangements to fill two existing vacancies. Reference was also made to the excellent retention position of the Service. The Service Director Finance also commented that his service was experiencing similar recruitment issues. Arising out of this discussion, Members of the Committee stressed the importance of ensuring that remuneration remained competitive to ensure that the right calibre of staff was recruited. The
- The Head of Internal Audit gave an update of the current position with regard to the recommendations made to ensure that the procurement card process was improved and that excessive bank charges were avoided

## **RESOLVED**

- (i) that the issues arising from the completed Internal audit work for the third quarter along with the responses received from management be noted;

- (ii) that the report on the work of the Division for the second quarter to the end of September, 2015 be noted;
- (iii) 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 December, 2015 of the 2015/16 audit year be noted;
- (iv) that the progress against the Internal Audit Plan for 2015/16 for the period to the end of December 2015 be noted;
- (v) that the performance of the Internal Audit Division for the third quarter be noted.

### **39. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT - PROGRESS REPORT**

Further to Minute 7 of the meeting held on the 10<sup>th</sup> June, 2015, the Head of Internal Audit submitted a report providing an update on the progress made in addressing the issues arising from the annual review of the effectiveness of the Internal Audit Function.

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

The actions which remained outstanding predominantly related to the External Assessment process which had recently been completed.

Reference was made to the assessment undertaken by the head of Internal Audit from Bradford Metropolitan District Council who was to present his report to the March meeting. The Head of Internal Audit also stated that as Internal Audit had a number of external clients, with the agreement of the Committee, it was proposed to invite representatives from those client Audit Committees to that meeting.

#### **RESOLVED:**

- (i) That the progress made in implementing the actions contained within the updated Action Plan as detailed within Appendix 1 of the report now submitted by approved; and

- (ii) That representatives from the Internal Audit client Audit Committees be invited to the March meeting of this Committee to the presentation to be made by the Head of Internal Audit (Bradford MDC) on the outcome of his internal assessment of this Council's Audit Service

#### **40. REVIEW OF COUNCIL TAX SINGLE PERSONS DISCOUNT**

The Head of Internal Audit submitted a report providing an update on the Council Tax Single Person's Discount review which was being undertaken in conjunction with Databank which formed part of the Council's successful counter fraud fund bid to the DCLG.

The report provided details of the background to the review and the way in which it had been undertaken.

In outlining the results of the review in detail, the report indicated, amongst other things, that:

- 18.4% of those registered on the Single Person Discount Database warranted further follow up being assessed as moderate to high risk
- 60% of those targeted had responded as at 4<sup>th</sup> January, 2016
- Of the returned forms:
  - 3,646 responses were currently being processed
  - 216 had been referred for amendment/follow up and were waiting to be processed by the Council
  - 229 single person discounts had been removed following a declaration of change of household circumstances
  - 106 had been completed without any effect on the discount
- The cancellations to date had resulted in an additional £113,000 Council Tax income being raised
- The Council Tax Anti Fraud Team was starting to challenge responses identified as being 'suspicious' and to date 22 taxpayers had subsequently confirmed that their declared date of change was incorrect. This had resulted in an additional increase of £5,519 Council Tax income being raised

It was reported that as the review was not yet complete, additional outcomes would continue over the next few months and a further update would be provided within the Anti Fraud Team update scheduled to be submitted to the March meeting.

In the ensuing discussion reference was made to the following:

- It was noted that the review had worked well and, surprisingly, no complaints had been received to the initial letter of enquiry
- The responses to date enhanced the quality of information held by the council as many respondents had provided email addresses and/or telephone numbers
- Appropriate action would be taken where instances of genuine fraud were detected and arising out of this reference was made to the liabilities of when

two people were living as a couple and had two separate properties. Arising out of this discussion the Director of Legal and Governance indicated that his service had sufficient capacity to take legal action if required

- Reference was made to those persons who had not responded and to the follow up action to be taken
- The Service Director Finance commented on the positive effect of enforcement and to the fact that the potential threat of prosecution often had the desired effect in ensuring that appropriate payments were made

**RESOLVED** that the very positive outcomes from the work being undertaken by the Council to reduce the value of incorrectly claimed Single Person Discount be noted.

#### **41. REVIEW OF THE AUDIT COMMITTEE WORKSHOP AND DRAFT ACTION PLAN**

The Executive Director Finance, Assets and Information Services and the Executive Director Legal and Governance submitted a joint report on the outcomes of the Workshop held on the 4<sup>th</sup> November, 2015 to review the future arrangements for the operation of the Audit Committee. Appended to the report was a Draft Action Plan which was submitted for approval.

The Key areas discussed at the Workshop had been incorporated into the proposed Action/Development Plan and were outlined in detail within the report. The Committee was asked to consider further these key areas and to agree the proposed activities. It was reported that timescales were being drawn up and would be incorporated into the Plan for implementation and this would be reported to the next meeting of the Committee.

In addition to the key areas and emerging actions, as now outlined, it would also be necessary to consider how best to support the Committee within the limited officer resources. This aspect would also be kept under review and any issues brought to the Committee's attention.

In the ensuing discussion reference was made to the following:

- The self assessment, using the CIPFA questionnaire would be circulated to all members in WORD format so that this could be completed online. It was noted that some Members had already completed and submitted their response. The rationale for using this CIPFA guidance was outlined
- Ms L Wild representing the External Auditor commented that she had an Audit Committee Self Assessment questionnaire and audit survey which would enable the Committee to benchmark against other Audit Committees. She would make this available for Members
- It was noted that this was an 'emerging' document and that timescales for action would be incorporated
- Members of the Committee were asked to let the Head of Internal Audit have any comments on the action plan as a matter of urgency

## **RESOLVED:**

- (i) That the report and draft Action Plan be approved and a further report be submitted to the next meeting detailing proposed timescales for action
- (ii) That Members of the Committee complete the self assessment questionnaire and submit comments on the Action Plan to the Head of Internal Audit as a matter of urgency.

## **42. STRATEGIC RISK REGISTER - FULL REVIEW OCTOBER, 2015**

The Director of Finance, Assets and Information Services submitted a note presenting a report submitted to Cabinet on the 13<sup>th</sup> January, 2016 on a full review of the Strategic Risk Register undertaken in October 2015.

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 February 2015, a further review had been undertaken in October, 2015 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 following areas which had been explored during update meetings with Risk Owners including:
  - Child Sexual Exploitation – particularly in the light of recent issues within South Yorkshire
  - The Customer Services Organisation programme – which had now moved into delivering phase two of the programme
  - The developing City Region devolution deal affecting leadership, skills, employment business support, transport and housing
- The key risks across the six 'concern' rating classifications
- The changes to the risks logged since the last review
  - The inclusion and upgrading of risk 3034 'Failure to deliver the Medium Term Financial Strategy' in view of the uncertainties surrounding the Comprehensive Spending Review and Autumn Statement

- The inclusion of a new risk 3699 'Failure to ensure the Council's commercial/trading arm is effective in its operation, and is a well governed organisation
- The inclusion of risk 3514 'Failure to be able to deliver the ambitions and outcomes associated with the Customer Services Organisation Programme' within the Risk Profile
- The significant/red risks and new and emerging risks and the risk mitigating actions
- Other significant changes 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:

- The 'risk owners' and to the actions/tasks they were charged with to manage those risks.
- In response to specific questioning, the Director of Legal and Governance referred particularly to risk 3699 – Failure to ensure the Council's commercial/trading arm. Arising out of this discussion reference was also made to the 'devolved' procurement arrangements of Area Councils and the grants issued by Ward Alliances and the ways in which potential risks were managed
- There was a discussion of concerns at the increasing amount of time committed by both the Senior Leadership Team and by Senior Members to the developing city region devolution deal. The Director of Legal and Governance briefly outlined his and the Director of Finance, Assets and Information Services respective roles in this process and commented that this was not currently an issue in terms of workload and time commitment. It was accepted that this was an emerging area of importance but it was equally important the Cabinet continued to monitor time commitments to ensure that there was no detriment to the Council
- Risk 3024 – lack of educational attainment was noted as was the role of the Barnsley Alliance Board and the revised approach to assessing performance in schools

- There was a discussion of the increasing role and involvement of volunteers, to the potential risks involved and to the ways in which such risks could be mitigated
- A report by the Director of Finance, Assets and Information Services providing an update on risk 3030 – Failure to be prepared for an emergency response or business continuity threat and on the decision to bring the IT service back ‘in house’ (particularly in relation to business continuity) would be presented to the next meeting.
- There was a discussion of the ways in which Business Plans and Health and Safety Resilience was tested and the Risk and Governance officer commented that details of this could be included in the next update report to be submitted in September, 2016. Arising out of this discussion, the Service Director Finance informed the Committee that all Business Units had Business Continuity Plans.

**RESOLVED:**

- (i) 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; and
- (ii) That the next update report provide details of the ‘test regime’ for Business Continuity Plans and Health and Safety Resilience

**43. ANNUAL GOVERNANCE STATEMENT 2015/16 - ACTION PLAN UPDATE**

The Risk and Governance Manager introduced the item noting that the current position for all actions within the plan had been updated, with revised timescales where appropriate.

With regards to developing a framework to assist the governance of partnerships, contracts and relationships with external organisations the meeting heard how adopting a proportionate approach, with a ‘Statement of Good Practice’ had recently been discussed by the Senior Management Team. It was noted that this would now be discussed by Barnsley Leadership Team.

Members heard how the completion rate for P&DRs was 74.6% against a target of 85%, with performance against this now considered as part of the quarterly performance management reporting cycle.

An update was provided with regards to improving the Council’s business continuity planning arrangements. It was noted that the corporate business continuity plan had been completed and had been considered by the Senior Management Team.

Members heard how the recording of officer delegated decisions had been reviewed, with revised guidance considered by the Senior Management Team and subsequently circulated to Barnsley Leadership Team.

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

#### **44. RISK MANAGEMENT UPDATE REPORT 2015/16**

The Risk and Governance Manager presented a report on behalf of the Director of Finance, Assets and Information Services.

Members were reminded of the review of the Risk Management Framework in April, 2015 and subsequent update of the Strategic Risk Register in, October 2015. It was noted that the Council's Operational Risk Register have also been reviewed and was now aligned to future council arrangements.

The Committee heard how the Annual Governance Review process had been reviewed early in 2015/16, and the Annual Governance Statement was approved by Council in September, 2015.

Members were updated on Risk Management performance for quarter 3 and it was noted that a benchmarking exercise had been recently undertaken. This suggested that the outputs and overall maturity of the Council's Risk Management arrangements were broadly in line with similar authorities.

The Committee considered the Risk Management workplan and discussed the Objective to 'Support and encourage Risk Management activity throughout the Council and its partners'. The difference between organisations that were considered partners and those which the Council had only a contractual arrangement with were noted.

**RESOLVED** that the Risk Management Update Report be received.

#### **45. EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2014/15**

Ms L Wild 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, 2015.

**RESOLVED** that the Annual Audit Letter 2014/15 be received and its content noted.

#### **46. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE**

Mr L Wild, representing the Council's External Auditor (KPMG) submitted the progress report and technical update. Attention was drawn to the new local audit framework, further details of which would be provided later on the agenda.

Members noted that since the document had been produced, the spending review had been announced and that officers were still processing the detail to fully understand the implications for the authority. It was noted that the outcome of this would be a revised Medium Term Financial Strategy, expected to be completed early in 2016.

**RESOLVED** that the External Audit Progress Report and Technical Update be received and noted.

**47. EXTERNAL AUDIT - APPOINTING YOUR EXTERNAL AUDITOR**

Mrs L Wild introduced the item by first declaring an interest in the item due to her employment at KPMG. The Committee was reminded that audit contracts for local government bodies may now only be extended by one year for the audit of the 2017/18 financial year.

Members noted that the Authority will be required to appoint its own external auditor for 2018/19 onwards. The paper provided areas the authority may wish to consider and a number of options for procurement.

The Committee discussed the requirement to establish an Audit Panel, noting that further guidance was expected to be published on the subject, and that this would be discussed at a future meeting of the Committee.

**RESOLVED**

(i) that the report on Appointing your External Auditor be noted;

(ii) that the Committee discusses the establishment of an Audit Panel at a future meeting.

**48. AUDIT COMMITTEE WORK PLAN 2015/16 AND 2016/17**

Members considered the workplan circulated. It was noted that many of the items were due to be discussed at the March meeting of the Committee, it was therefore suggested that officers consider the scheduling of items, deferring any non essential items to the April meeting where possible.

**RESOLVED** that officers reconsider the scheduling of items within the work programme in order that any non essential items due to be considered at the March meeting be deferred to the April meeting.

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Chair