



The following information was provided to Members in response to questions received at the previous Audit & Governance Committee held on 19th March:

Page 4, Minute 10, Resolution ii)

- That Members requested the Director of Support Services to provide an update in relation to the four outstanding Internal Audit recommendations.

The following information was provided by A&G Committee Members on 26th March 2018:

OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS: AN UPDATE

Of the four audit recommendations outstanding, three of them are classified by internal audit as 'Merits Attention'. This classification is the lowest level of recommendation and is therefore recognised to be neither significant nor important in the context of the internal control / governance arrangements that are under review. In some cases, the implementation of such recommendations may be considered to be 'ideal' rather than a necessity and given reduced, finite resources may be appropriately de-prioritised by management as part of its considered approach towards risk appetite. Equally, over time such recommendations may no longer be relevant primarily as a result of a change in approach, systems etc.

Financial Systems: Budget Management and setting

There are three outstanding recommendations - one is considered 'Significant', the other two 'Merit Attention'.

These recommendations were made in relation to the audit work for the financial year 2015/16. Since that time, the budget setting process has been wholly reviewed by management and a significantly different budget outcome has recently approved by Members alongside a completely refreshed Medium Term Financial Plan (including a new Reserves Strategy).

In terms of how well the financial budget is being managed throughout the year, there is clear and striking evidence that it is routinely being prudently and carefully managed and this diligent approach has enabled the Service to continually deliver a modest in year underspend that is now being positively reinvested in priority projects.

The main thrust of the audit recommendations is broadly about the implementation of devolved financial management of budgets – this to certain extent already takes place although more needs to be done and is planned to be done as part of the reimplementation of Integra.

Until now, the Integra system, that is the bedrock for managing the Service's finances, is not adequately configured to enable effective devolved financial management to happen in a proper and controlled way without suitable interventions from financial services and Procurement. It is, therefore, not simply a matter of implementing the recommendations made, otherwise enhanced delegated financial management will not work effectively.

An holistic and thoughtful approach is therefore being adopted which has included a detailed review of Integra (implemented some 10 years ago) with internal audit involvement – this review has highlighted the need for a full reimplementation (including the introduction of new functionality and enhancements to current deployed system modules) of Integra alongside the redesign of business processes - this will have implications for accountancy control , financial and budget setting and management, Purchase to Pay, Web basket, stores management and systems integration, authorisation and reporting.

The review was finalised in December. Commercial negotiations were then completed in January 2018 which put in place a new, better value contract with the software provider as well as a reimplementation project starting in March and ending in August due to year end and external audit commitments. In addition, before the project could commence the Service has taken the opportunity to migrate the Oracle Integra Server to a SQL Server so as to enhance cyber protection (issue identified as part of cyber security review) and enable the Service's ICT team to be more actively engaged in the future management and development of Integra. This was only done in February 2018.

Once the reimplementation is complete, the necessary systems architecture, internal controls, business processes and management information reporting will hopefully be in place to facilitate the move towards further delegated financial management. This will be done within a governance and control framework that represents: good professional practice; and is user friendly and accessible to enable effective engagement with budget holders and budget managers who feel suitably empowered / responsible to manage and control their budgets which are both relevant to their role and responsibilities. The 2018/19 Internal Audit Plan makes provision to work alongside the Service as part of the re-implementation project team.

Assuming the systems based changes are implemented by September, then the Service will be working with budget holders and budget managers over the following quarters of the financial year to help start embedding practices and determine whether further modifications and support (for some) will be needed.

Financial Systems: Sales Ledger

Income from customer and client receipts is c£1m a year. Two thirds of this amount is largely from secondments of staff to other national or local FRSs and is done on a cost recovery basis rather than charging a fee. Therefore only approx £350-400k of income is derived from a fee being charged which equates to less than 1% of the annual revenue budget. Of this income, most is collected and recovered and therefore the Service has only limited need for recovery services that are provided through Barnsley MBC.

Given the strong focus on understanding and realigning expenditure budgets as part of setting the 2018/19 revenue budget and medium term financial plan, the Director of Support Services stated intention has always been to defer reviewing fee levels until such time as setting the 2019/20 Revenue Budget. However, in the meantime, assurances were sought from the previous Head of Finance that the Service was charging for things it was legally entitled to do so, and this was provided.

Fees and charges will therefore be reviewed as part of the 2019/20 budget setting process that is due to end February 2019.

I trust the note provides Members with sufficient information to show that the Service does take audit recommendations seriously and is actively working towards them being implemented. This is, however, being done in the context of a systems-led improvement project that will both modernise the way the business interacts with financial services, but also how finance does its business so as to make it more efficient and focused on more strategic and tactical matters rather than transactional.

Page 5, Minute 11 – Internal Audit Plan 2018-19

Resolution iv) – That Members be provided with revised versions of Appendix A and Appendix B of the Internal Audit Plan 2018-19.

Members were provided with these by e-mail on 20th March 2018.

Page 5, Minute 11

Cllr Ransome had queried when the Assignment on SSUK would commence.

Internal Audit Response:

- A meeting is to be arranged in the next couple of weeks to discuss the scope and Internal Audit's interaction with an independent accountant that will be brought in.

Page 7, Minute 13 – KPMG Progress Report and Technical Update

Resolution i)

Noted that KPMG (External Auditors) would provide an update at the May meeting regarding any penalties in place for Authorities who missed the deadline date for the faster close down of their accounts.

KPMG provided the following response:

There wouldn't be any financial penalties, just potentially a "black mark" against their name and being mentioned as missing the deadline in the report that CIPFA prepares saying who were the early closers and who missed the deadline. From an audit perspective, depending on the circumstances for missing the deadline we would need to consider it as part of our VFM conclusion.