

<b>MEETING:</b>	Audit Committee
<b>DATE:</b>	Friday, 20 July 2018
<b>TIME:</b>	2.00 pm
<b>VENUE:</b>	Council Chamber, Barnsley Town Hall

## MINUTES

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

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

Councillor Lofts declared a non-pecuniary interest in Minute No 16 'Report to those charged with Governance (ISO 260) 2017/18' and Minute 15 'Revised Audited Statement of Accounts 2017/18' insofar as the discussion related to the South Yorkshire Pensions Authority being a representative on the Local Pensions Board.

### 15. MINUTES

The minutes of the meeting held on the 6<sup>th</sup> June and 2<sup>nd</sup> July, 2018 were taken as read and signed by the Chair as a correct record.

Further to Minute 13 of the meeting held on the 2<sup>nd</sup> July, 2018, the Service Director Finance circulated a schedule giving responses to issues raised by the Committee in relation to the Draft Statement of Accounts 2017/18.

### 16. REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2017/18

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 2017/18. Mrs C Partridge representing KPMG attended the meeting to present the report.

The report incorporated, amongst other things, the following:

- The Financial Statements, including the significant audit risks, area of audit focus and judgements
- The proposed opinion and audit differences
- 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

Appendices to the report provided the following:

- Key issues and recommendations
- The follow up of prior year recommendations – all of which had been implemented
- The audit differences
- Materiality and the reporting of audit differences
- The communications that had been made to this Committee as required

- The Declaration of independence and objectivity
- The audit fees
- The IT Audit Recommendations

In relation to the Financial Statements, the report summarised the key findings in relation to the 2017/18 external audit. Subject to all outstanding queries being resolved to their satisfaction it was anticipated that an unqualified audit opinion on the Authority's financial statements would be issued before the deadline of 31<sup>st</sup> July, 2018 following consideration by the Council on the 26<sup>th</sup> July, 2018.

Based on the initial assessment of risks to the financial statements a number of significant risks (excluding those mandated by International Standards on Auditing) had been highlighted, as detailed below, but no issues had been identified as a result of the work undertaken:

- Valuation of Property, Plant and Equipment – this would not involve any material adjustments and would not impact on the signing off the financial statements
- Pensions Liabilities
- Faster close for the production of the financial statements

A number of adjustments had been identified:

- one with a total value of £17.050m (in relation to payments to the South Yorkshire Pensions Authority) but which resulted in no impact to the reported deficit on the provision of services and no impact to the general fund and the Housing Revenue Account balance
- one unadjusted difference with a value of £5m in relation to pension asset valuation

Based on the work undertaken three recommendations had been made and these were detailed within Appendix 1. These related to SAP IT controls, the Glassworks Governance Controls and the Receipt of related party declaration forms from Councillors. These had been discussed with management and the response to those recommendations was detailed.

As at the date of the drafting of the report the following procedures still had to be completed:

- the final review of pension assumptions used by the actuary
- the final procedures relating to the allocation of pension fund assets
- the completion of WGA work
- updating work in response to a small number of outstanding queries

In relation to the Value for Money arrangements it was reported that it had been concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and it was anticipated, therefore, that an unqualified Value for Money opinion would be issued. One significant Value for Money audit risk had been identified in relation to the Delivery of Budgets as a result of reductions in central government funding and other pressures which

required the Authority to make additional savings beyond those from previous years details of which were outlined within Appendix 2.

Finally, Mrs Partridge asked to place on record her thanks to officers and members for their continuing help and co-operation throughout the audit work.

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 issues were referred to:

- there was some concern expressed at the late publication of this report which gave members little opportunity to give it the full scrutiny it deserved. Mrs Partridge acknowledged this and explained the reasons which were largely due to the change in timescale for the approval of the final accounts. For this reason she had gone through the report in some detail. The Service Director Finance stated that consideration would be given as to how this matter could be addressed in future years
- In relation to the IT controls, a number of areas had been identified for further improvement particularly in relation to SAP. These issues largely related to access requirements and permissions and the IT Service was addressing these issues as a matter of urgency. An assurance was given that no-one outside IT could access the system or change permissions. It was noted that the recommendations in relation to SAP Privileged Profiles had been completed by July 2018
- In relation to specific questioning, Mrs Partridge explained that the £5m unadjusted audit difference in relation to pension asset valuation was due to the actuary having to use estimates to provide their valuation in time for the draft accounts. There were, however, no particular concerns from an External Audit perspective about this
- External Audit had considered the level of prudence within the key judgements of the 217/18 financial statements and accounting estimates and all findings were within an acceptable range
- External Audit had considered the assumptions behind the Medium Term Financial Plan particularly in relation to the Glassworks project the full cost of which was not yet known. Work was progressing on this and Phase 2 was likely to commence in the near future. Whilst there were no specific areas of concern at the moment, given the capital investment involved, uncertainty around returns and the significance for Barnsley it was important that strong governance controls were maintained. It had been recommended, therefore, that this Committee consider whether there were any gaps in assurance in relation to this project. Arising out of the discussion the following points were highlighted
  - It was suggested that a 'summary document' detailing key risks and governance arrangements should be submitted so that Members could see the complete picture of potential issues. The Chair stated that this Committee would be kept informed of all issues arising from this project
  - The Executive Director Core Services briefly commented upon the governance and management arrangements in place and he would be happy to give a report on how this operated together with the

assurance arrangements in place. The Council would be asked to consider the arrangements for Phase 2 of the project in the near future and within that context, a report could be presented to this Committee in September

- The Service Director Finance reported that pension liabilities for NPS and Norse were not considered material enough to be included within the group accounts, however, information on this could be provided

**RESOLVED:-**

- (i) That the External Auditor's Report 2017/18 be received and referred for consideration by the Council to be held on the 26<sup>th</sup> July, 2018;
- (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 Service Director Finance and his Team in this process.

**RECOMMENDED TO FULL COUNCIL ON THE 26<sup>th</sup> JULY, 2018:-**

- (i) That the External Auditor's Annual Governance Report 2017/18 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 2017/18 financial statements be noted and accordingly, the final accounts 2017/18 be approved.

**17. REVISED AUDITED STATEMENT OF ACCOUNTS 2017/18**

Further to Minute 13 of the meeting held on the 2<sup>nd</sup> July, 2018, the Service Director Finance submitted the revised audited Statement of Accounts for 2017/18

**RESOLVED** that submission for approval for the revised audited Statement of Accounts 2017/18 to the Council on the 26<sup>th</sup> July, 2018 be noted.

**18. ANNUAL GOVERNANCE REPORT 2017/18**

Further to minute 4 of the meeting held on the 6<sup>th</sup> June, 2018 the Committee considered a joint report of the Chief Executive and Executive Director Core Services on the final Annual Governance Statement for 2017/18, requesting the Committee to refer it to Council for consideration and adoption as part of the process for approving the 2017/18 Statement of Accounts. A copy of the Statement was appended to the report.

The Risk and Governance Manager reported that the Annual Governance Statement had been amended to reflect comments expressed by Members at the meeting in June.

**RECOMMENDED TO FULL COUNCIL ON THE 26<sup>th</sup> JULY, 2018** that the final Annual Governance Statement 2017/18 be approved and adopted.

**19. INTERNAL AUDIT QUARTERLY REPORT 2018/19 - QUARTER ENDED 30TH JUNE, 2018**

The Head of Internal Audit and Corporate Anti-Fraud submitted a report providing a comprehensive overview of the key activities and findings of Internal Audit based on the Service's work covering the whole of the First quarter ending 30<sup>th</sup> June, 2018 of the 2018/19 audit year.

The report covered:

- The issues arising from completed Internal Audit work in 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 up to the end of the fourth quarter of 2017/18
- Details of Internal Audit's performance for the quarter which remained satisfactory

Internal Audit work undertaken during the period had identified no fundamental management action.

The internal control assurance opinion overall remained adequate based on the results of the work undertaken during the quarter. All work detailed within the Audit Plan for 2017/18 had been completed and all areas had received adequate or substantial assurances.

Of the 47 management actions followed up, 28% had been implemented by the original target date, 4% had been completed after the target date, 17% had not yet been completed by had revised dates agreed, 17% had not reached their target date and 34% were waiting a response from management

In relation to the Audit Plan, actual days delivered was 448 days which was in line with the profile of work planned. It was pleasing to note that all work detailed within the Audit Plan for 2017/18 had been completed and all areas had received adequate or substantial assurances.

Quarterly performance of the function was satisfactory with all Performance Indicators meeting or exceeding target levels.

There were 9 significant management actions that were overdue as at 30<sup>th</sup> June, 2018 and the Executive Director Core Services submitted a further report which detailed the progress made against those recommendations since that date together with the reasons for the delay.

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

- In response to specific questioning the Audit Manager referred to and explained the reasons for the reciprocal audit arrangements in place with Doncaster MBC and particularly as this related to the HCA Grant Funding audit. It was noted that this was a cost neutral arrangement
- In relation to the Workforce Development Fund Audit it was noted that the circulated report detailed the progress made to the Significant Management actions that had been overdue. Some issues had related to the delay in feeding back to Audit the action taken in response to recommendations
- Further information would be provided on the implementation of a programme of formal audits of Adult social Care cases, the numbers involved and the reasons for such audits

## **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 June 2018 be noted;
- (iii) that the progress against the Internal Audit Plan for 2018/19 for the period to the end of June, 2018 be noted; and
- (iv) that the performance of the Internal Audit Division for the first quarter be noted.

## **20. ANNUAL REPORT ON TREASURY MANAGEMENT AND LEASING ACTIVITIES 2017/18**

The Executive Director Core Services and Service Director Finance submitted a joint report prepared in accordance with the CIPFA Treasury Management Code and CIPFA prudential Code reviewing the Treasury Management and Leasing activities carried out by the Council during 2017/19.

In broad terms the report covered the following:

- The agreed Treasury Management Strategy 2017/18;
- The Economic summary;
- The Council's borrowing and leasing activity including the Gross Debt and Capital Financing Requirement, the movement on Gross Debt and Future Outlook
- The Councils investment activity including the Movement on Investments and Future Outlook; and
- Prudential and Treasury Indicators for 2017/18

Appendices to the report provided:

- Actual Prudential and Treasury Indicators for 2017/18;
- New Long Term Borrowing during 2017/18;
- The Investment Portfolio as at 31<sup>st</sup> March, 2018; and
- The Economic Commentary from Link Asset Services

Arising out of the discussion, and particularly in relation to the Maturity Structure of Fixed Rate Borrowing referred to within Appendix 1, reference was made to the use of LOBO's and upon the potential implications for councils of such arrangements. It was noted that the Council LOBO's were shown within the 'less than 12 months' category.

## **RESOLVED**

- (i) That the Treasury Management and Leasing Activities carried out during 2017/18 be noted; and
- (ii) That the Prudential and Treasury Indicators set out in Appendix 1 of the report be noted.

## **21. BUSINESS IMPROVEMENT AND COMMUNICATIONS PROGRESS REPORT**

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

The report provided a summary of the five broad functions of the Business Unit which was responsible for driving and delivering business improvement and communications in order to ensure that the organisation was customer focussed, modern, efficient and commercially minded Future Council. It then went on to outline, in detail, the work of the Unit in relation to:

- Performance and Development Reviews;
- Performance Management;
- Equality and Inclusion;
- Corporate Programmes, Projects, Feedback and Improvement; and
- Other issues affecting Elected Members particularly in relation delivering the Overview and Scrutiny function

Appendices to the report provided a summary of the Performance and Development Reviews completed as at 31<sup>st</sup> March, 2018 by Directorate and Service together with a copy of the Council's Annual Customer Feedback Report.

The following officers attended the meeting to report on their respective areas of service and to answer Members questions:

- Ms K Welbourne – Organisation and Workforce Improvement Manager
- Mr M Rangecroft – Head of Business Improvement and Inell
- Mr J Horsley – Equality and Inclusion Manager
- Mrs K Liddall – Head of Programmes, Projects, Feedback and Improvement

In the ensuing discussion, the following matters were raised:

- In relation to Performance and Development Reviews
  - It was noted that PDR's were no longer 'programmed' for a particular time in the year but was now left to individual services as to when they would be undertaken to best meet the needs of that service. This could explain why the number of reviews completed by the end of quarter 4 was 51.6%. In addition, some services had been waiting the introduction of the new approach before undertaking reviews. This was, however, higher than the same quarter last year and it was hoped that the changes to the process would enable a greater compliance rate in the future
  - It was felt that the new PDR process was robust and 'fit for purpose' – it was important to note that the role of managers to ensure that PDR's were undertaken
  - The reasons for undertaking PDR's and the benefits for both the employee and for the Council was referred to. It was noted that there was no additional cost to the service in undertaking them
  - In response to specific questioning, reference was made to the range of 'tools' available to Managers to deal with employee performance
- In relation to Equality and Inclusion
  - It was noted that the Equality and Inclusion Team assessed the robustness of Cabinet reports by analysing a sample of reports throughout the year across each directorate and an explanation of how this was undertaken was provided. This was, in part, to ensure that the Council met its legal obligations. If there was a potential risk of challenge that the Council was not complying with the necessary legislation appropriate action would be taken. No complaints had been received since the introduction of the Equality Act 2010
  - Questions were raised in relation to access to buildings (particularly out of hours) and in relation to parking at the Town Hall. The Equality and Inclusion Manager was aware of issues being raised and stated that such matters would be used to inform the quality impact assessment. This would draw in evidence submitted by residents and would to inform any reports submitted to Cabinet
- In relation to Corporate Programmes, Projects, Feedback and Improvement
  - The way in which complaints were received, collated and dealt with was explained. It was noted that not all complaints were received directly with the Service and, therefore, the Service was raising the profile of how it could facilitate and deal with complaints as well as compliments
  - Whilst it was pleasing to note that the number of complaints had reduced year on year questions was asked as to if this could be because of the difficulties people had in getting through to the Council via telephone. It was pointed out that there was no deliberate policy to dissuade people from using the telephone, the council was, nevertheless, trying to make residents use online systems as this was the most cost effective approach.
  - The Executive Director Core Services commented that the number of complaints to the Local Government Ombudsman was also reducing year on year. Details of the number of complaints to the Ombudsman together with the findings would be provided for Members



- It was noted that irrespective of whether or not a customer was satisfied with the outcome of a complaint, at track of the entire 'customer journey' was kept
- It was noted that complaints received via the telephone direct to Councillors might not necessarily be tracked. The Executive Director Core Services commented that he assumed that if the matter was a genuine complaint then that would be passed on to the Team, however, further thought would be given as to how such issues could be facilitated and recorded.
- It would also be interesting to track, in the future, if complaints were genuine complaints or merely a request for a service

## **RESOLVED**

- (i) That the report be received; and
- (ii) That officers be thanked for attending the meeting and for answering Members questions.

## **22. INFORMATION COMMISSIONERS AUDIT - RECORDS MANAGEMENT - UPDATE**

Further to Minute 74 of the meeting held on the 18<sup>th</sup> April, 2018, Mrs S Hydon the Head of IT (Service Management) and Mr S Jagger (ICT Technical Specialist) made a presentation addressing issues arising from the ICO audit report in relation to Records Management.

The presentation gave details of the following:

- The promotion of a paperless office, the issues to be addressed together with the action taken and to be taken and the importance of understanding the difference between Records and Files - The Authority currently held in excess of 23m records/documents (which was growing substantially due to more being delivered electronically) with many officers not fully understanding the difference between a record and a document
- The Aims of the Project was to
  - Provide education and understanding
  - Ensure that the responsibility for a service's records sat with that service
  - Ensure that the proper tools were in place to manage records and documents the right way from now on (and ensuring that records were only kept for an appropriate time and were then deleted)
  - Consider how the authority dealt with its existing data migration
- High Level Tasks included
  - The development of the necessary tools to assist in this process
  - The establishment of Records Champions – these champions would 'sit' within Service areas and, amongst other things, would help officers understand the need for change, assist in the process by dealing with the transition of data, assist in establishing appropriate retention rules and help officers understand the differences between records and documents
  - The development of a new Barnsley Records Catalogue – being aligned to the retention of records

- Preparation of network content which in turn would lead to a reduction of the amount of data currently stored
- The establishment of training courses for Champions and all staff
- The development of transition tools to move from the existing network into a records management system (and subsequent deletion of that network information)
- Ensure appropriate Governance arrangements are in place particularly in preparation for future ICO audits

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

- The way in which the Authority used electronic ‘back up’ of documents – it was noted that ‘back ups’ are overwritten after time, depending on the system being copied
- There was a discussion on the work of the Records Champions and particular reference was made to the amount of time that each Champion would be required to allocate to the project
- The Head of IT (Service Management) referred to the amount of work to be undertaken. The next 18 months was likely to be intensive but the long term benefits would be significant. She was confident that there would be sufficient resources to undertake the necessary work
- The development of the necessary ‘tools’ was in hand and were to be tested initially with the HR Service in the next few days

**RESOLVED**

- (i) that the presentation be noted and officers be thanked for attending the meeting and answering Members questions; and
- (ii) that the action being taken to address issues raised following the Information Commissioners Audit in relation to Records Management be noted and supported.

**23. AUDIT COMMITTEE WORK PLAN 2018/19**

The Committee received a report providing the indicative work plan for the Committee for its proposed scheduled meetings for the remainder of the 2018/19 municipal year and for 2019/20.

The Chair referred to the Workshop Meeting to be held on the 31<sup>st</sup> October, 2018. He asked Members to contact him to let him know of any items they wished to discuss.

**RESOLVED** that the core work plan for 2018/19 and 2019/20 meetings of the Audit Committee be approved and reviewed on a regular basis.

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Chair