

MEETING:	Audit Committee
DATE:	Wednesday, 18 April 2018
TIME:	4.00 pm
VENUE:	Reception Room, Barnsley Town Hall

MINUTES

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

68. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

69. MINUTES

The minutes of the meeting held on the 21st March, 2018 were taken as read and signed by the Chair as a correct record.

70. INTERNAL AUDIT QUARTERLY REPORT 2017/18 - QUARTER ENDED 31ST MARCH, 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 fourth quarter ending 31st March, 2018 of the 2017/18 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 one fundamental management action.

The internal control assurance opinion overall remained adequate based on the results of the work undertaken during the quarter.

Of the 42 management actions followed up, 26% had been implemented by the original target date, 5% had been completed after the target date, 19% had not yet been completed by had revised dates agreed and 50% were waiting a response from management

In relation to the Audit Plan, actual days delivered were in excess (10%) of the profile as planned at this stage of the year and quarterly performance of the function was satisfactory with all Performance Indicators meeting or exceeding target levels.

The Annual Report would be presented to the June meeting of the Committee and this would summarise all Internal Audit activity and performance for the year for consideration alongside the draft Annual Governance Statement.

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

- There was a discussion of and concern expressed at the increase in the delay in follow up reports in response to recommendations and in response the Audit Manager made reference to the reasons for this
 - It was noted that the majority of these related to Local Authority Maintained Schools where the delay had been because of the Easter break. Some responses related to Museums Establishment visits where the delay had been as a result of staffing changes and the remaining were awaiting a revised target date.
 - It was noted that whilst the number of limited assurance opinions exceeded the adequate/substantial opinions, they had largely been given for control weaknesses in areas with a narrow scope, limited transactions and financial value
 - It was reported that Internal Audit continued to have very good co-operation from management including SMT who closely monitored the implications from the delay in implementing management actions.
 - In view of the concerns expressed by Members at the worsening position, the Head of Internal Audit and Corporate Anti-Fraud commented that there was a difference between a recommendation in relation to a control weakness and one relating to a suggested improvement and he stated that the priority attached to each would vary. He felt, therefore, that there was a need for a further analysis detailing the context and risk associated with the delay of recommendations.
- Arising out of the above, reference was made to the ways in which audits had changed and which now encouraged discussion and challenge of issues with all parties. In response to specific questioning, reference was made to the action taken in the event that there was disagreement/objection to the audit recommendations. It was noted, however, that this seldom occurred
- Whilst the review of the Housing Benefit System Access had identified a significant number of people with incorrect user permissions, no fraud had been identified and there was little potential for fraud largely because of the other systems in place to prevent inappropriate access. It was noted that a joint project group had been created to address issues identified
- Reference was made to the HR Baseline Personnel Security Standards review which had identified inconsistencies in relation to the collection of references in relation to agency/temporary staff. Appropriate action had been taken to address the issues identified

- In relation to the review of the Register of Interests, it was noted that whilst there were no particular concerns in relation to declarations by Elected Members, there was a lack of clarity regarding the procedure for employees to declare personal interests and any gifts and hospitality. Appropriate action was being taken and additional emphasis was being made in communications with staff to remind them of their responsibilities in this regard
- Reference was made to the action taken in response to the Procurement Themed Review which had identified issues in relation to the compliance with regulatory and procedural requirements when procuring goods or services. Arising out of this, there was a discussion of the role of Governing Bodies and to the request made for all Governing Bodies to undertake a self-assessment so that there was an assurance that they were aware of their legal responsibilities. It was noted that in some instances additional training had been requested. It was also noted that a procurement toolkit was to be made available which would enable schools to undertake the necessary checks and balances. This resource was to be advertised to all schools.

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 March 2018 be noted;
- (iii) that the progress against the Internal Audit Plan for 2017/18 for the period to the end of March, 2018 be noted; and
- (iv) that the performance of the Internal Audit Division for the fourth quarter be noted.

71. STRATEGIC RISK REGISTER - FULL REVIEW MARCH, 2018

The Executive Director Core Services submitted a report presenting a draft report to be submitted to Cabinet on the 16th May, 2018 on a review of the Strategic Risk Register undertaken in March, 2018.

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 October 2016, a further review of the approach to reviewing and updating the Strategic Risk Register had been undertaken as part of the review of the register itself in October 2017 the outcomes of which were detailed within the report. Mr Hunt outlined in some detail:

- The implementation of a 'Gateway' process to ensure the Strategic risk Register contained strategic risks rather than operational issues.
- The future possible developments including the adoption of visualisation and graphical methods to demonstrate direction of travel
- The greater involvement of the Senior Management Team and Barnsley Leadership Team to give an officer perspective of the risks and to give greater challenge

He then went on to outline the way in which the current register had been reviewed and he commented on the main components of the review and the items included. The report outlined:

- The key risks across the six 'concern' rating classifications
- The total number of risks logged since the last review which remained stable
 - It was noted that Risk 4103 (Waste PFI – Insurance Risk) had been removed following its de-escalation; Risk 3027 (Failure to manage organisational change – risk of Destabilisation of the Organisation) had been replaced with Risk 4154 (Failure to achieve the full benefit of our change work to date and to ensure it is sustainable in the future); Risk 4170 (Failure to ensure the Glassworks Programme delivers etc.) had now been included as a new risk
 - Risk 3029 (Failure to safeguard information) had its risk concern rating increased, from '4' and was now logged as '3' to reflect the possible exposure to areas of non-compliance relating to the General Data Protection Regulations due to come into force in May 2018
 - Details of the average risk score for the Register, from the 'zero-based' review undertaken in 2013 were detailed. There was a slight variance in the average concern rating which was directly attributable to the removal of risk 4103 and the addition of risk 4154 and 4170 allied to changes to risk 3029 as detailed above
- 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 such as those 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 risks was being managed appropriately and Appendices to the report provided details of:

- The background to the Strategic Risk Register
- The consideration of the current expression of the Risk
- The consideration of links between Corporate Priorities, Outcomes and Risks
- The consideration of the level of 'Concern' for each Risk
- The consideration regarding existing Risk Mitigation Actions as well as consideration of any new Risk Mitigation Actions
- The consideration of Future Council Activity
- The 'direction of travel' trends
- The risks that had been completed
- A copy of the full Strategic Risk Register

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

- Risk 4170 (Glassworks Project etc.) - there was a detailed discussion in relation to this risk and to the wording thereof within the register. It was noted that whilst there were robust arrangements and contingency funds in place, this did not take away the risks associated with a scheme of this magnitude. It was noted that whilst costs had increased these were measured and monitored. It was stressed that there was a much more detailed operational Risk Register for this project, the Strategic Risk Register dealt more with the governance and control of the programme. It was noted that meetings were held as required to monitor this risk and further meetings were also planned between Internal Audit and the Service Director Finance. It was also suggested that, if appropriate, a further report be submitted later in the year detailing the progress of the project and any concerns arising
- Risk 3543 (Failure to ensure the adequate supply of land for housing and commercial growth).
 - In response to questioning, the Executive Director Core Services gave an update on the current position with regard to the progress of the Local Plan.
 - Appropriate amendments were to be made to the Plan with the expectation that it would be formally approved by spring 2019 at the latest.
 - In terms of assurance, the Executive Director Core Services commented that the Authority was following all the appropriate procedures required of it and that the Plan would be amended and approved as appropriate as and when all the required protocols and procedures had been completed
 - Arising out of this discussion it was suggested that the Head of Planning Policy and Building Control be invited to a future meeting to address the Committee on the current position with regard to this risk, the mitigations in place and the position with regard to the final approval of the Local Plan. In response to further questioning the Head of Internal Audit and Corporate Anti-Fraud commented that Internal Audit had never undertaken an audit of this particular issue as it did not feather high enough on the risk profile to warrant a review

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 progress of the actions taken and their impact on the Strategic Risk Register; and
- (ii) That the report be referred to Cabinet on the 16th May, 2018 for consideration.

72. HEALTH, SAFETY AND EMERGENCY RESILIENCE BRIEFING

The Committee received the mid-year Health, Safety and Emergency Resilience briefing detailing the data for the 9 months as at 1st January, 2018.

The briefing, which was presented by Mr S Dobby (Head of Corporate Health, Safety and Emergency Resilience) outlined:

- The introduction from 5th February, 2018 of the Ionising Radiation Regulations 2018. This applied to secondary schools and the use of radioactive substances in science
- The provisional overview of accidents and incidents in relation to the Reporting of injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) reported by category and by Department/School
- The quarter 3 performance statistics against corporate health and safety indicators with comparisons to the previous quarter, to actuals for 2016/17 and to the targets for 2017/18
- The statistical data for the fourth quarter would be available from Monday 23rd April, 2018 and a full year report would be provided later in the year

In the ensuing discussion, the following matters were raised:

- It was noted that only Penistone Grammar school used radioactive substances in science lessons which were largely attributable to the 6th form
- It was suggested that it would be useful to have comparators for previous years in relation to the RIDDOR statistics
- There had been 515 days lost due to RIDDOR reportable accidents compared to 323 in the previous year. This was largely because there had been 'complications' following accidents rather than an increase in the number of accidents
- the Head of Service outlined the action taken following the report of an accident. There were no particular 'hot spots' although it was noted that schools had the largest number of reportable accidents
- it was pleasing to note that all corporate health and safety indicators were at 100% with the exception of Performance Indicator HS3 (Percentage of accidents where a risk assessment was recorded as being completed for the activity prior to the accident) – this was, however, an improvement from quarter 2 but regrettably fell just short of the target for the year

RESOLVED

- (i) that Mr Dobby (Head of Corporate Health, Safety and Emergency Resilience) be thanked for attending the meeting and for answering Members questions the report be received; and
- (ii) that the report be received.

73. GENERAL DATA PROTECTION REGULATION PROGRAMME - UPDATE

The Data Protection officer submitted a report providing an update of the progress made being towards meeting the requirements of the General Data Protection Regulations 2018 (GDPR) which came into force on the 25th May, 2018.

The report provided information on the background to the General Data Protection Regulations, the implications for the Council and the considerable work that had been undertaken by the Information Governance Team over the last 18 months in preparation particularly in relation to 7 broad work streams, process mapping and involvement of each individual Business Unit.

Reference was also made to:

- The implications in relation to the rights of individuals
- accountability and governance
- meetings held with communications to agree the approach and timelines required for publication of GDPR related information
- the development and amendment of Council policies
- training and awareness sessions organised
- the decision that the Data Protection Officer provide a service for Parish Councils in the Borough and for the South Yorkshire Pensions Authority. In addition, schools had been asked if they wished to consider purchasing the service from the Council
- it was proposed that an update report be submitted two or three times a year and that Internal Audit undertake regular audits as this would give the Committee greater assurance around compliance.

An updated Programme Plan was appended to the report.

It was reported that the GDPR required the Authority to appoint a person to fulfil the role of the Data Protection officer and this was to be undertaken by the Head of Internal Audit and Corporate Anti-Fraud. A further Appendix to the report provided details of the role and responsibilities of this post. Arrangements were also being made to ensure that appropriate support was available including formalising reporting to this Committee, to the Information management Board, SMT and Cabinet.

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

- work was progressing to ensure that all contracts entered into by the Council were GDPR compliant
- the significant work undertaken in relation to GDPR meant that the authority had reviewed how it handled and stored data
- it was anticipated that in the future there were likely to be challenges (in a similar manner to PPI) about the ways in which personal data was handled and the concern was that this would generate a significant amount of work
- there was a discussion of the ways in which the Authority could assure itself that all partners were complying with these regulations and of the role of the Data Controller in this
- it was not thought that work emanating from Parish Councils would be particularly onerous due to the type of information held by them
- reference was made to the qualifications required to be a DPO and to the fact that the Head of Internal Audit and Corporate Anti-Fraud had completed and passed those qualification requirements
- there was a discussion of the fines that could be levied in the event of a breach. The External Auditor commented on the implications for the Council in terms of contracts and also in relation to a third party breaching the requirements of GDPR. It was accepted, however, that the Authority had taken all necessary action to mitigate against the risks involved.

RESOLVED:

- (i) that the report be received and that the progress made to date to prepare for the GDPR coming into force be noted;
- (ii) that the assurance regarding the actions in place to address key areas in advance of the implementation date of 25th May, 2018 be noted; and
- (iii) that further reports be submitted to future meetings providing information and assurances regarding the Authority's compliance with the GDPR.

74. INFORMATION COMMISSIONERS AUDIT

The IT Service Director submitted a report providing an update of the Information Commissioners Office (ICO) Audit.

As previously reported, the ICO had made significant recognition of the strong leadership and good practice that the Council had embedded. In particular they had cited the excellent online training provision, comprehensive case management system for processing Freedom of Information Act requests and Shortwood had been identified as having a very well established processes for managing paper records. A number of issues had, however, been highlighted for further improvement and a number of recommendations were made for the Council to act upon which were of a medium or low priority.

In relation to the progress of the ICO Action Plan, there were 8 urgent priority, 21 high priority, 57 medium priority and 24 low priority recommendations. The

implementation timetable agreed by the ICO was for all recommendations to be completed by 2020 which was because some were highly complex in nature and the report outlined the progress made to 31st March, 2018.

Whilst it had been anticipated that 48 recommendations would have been completed between December 2017 and March 2018, 33 remained incomplete and 11 were ongoing. The reasons for this were outlined and related to staffing changes and the complexity of the issues involved which meant that the original timescales had been unrealistic. Revised implementation dates had been agreed.

The ICO was due to request the updated action plan around September 2018 and the follow up audit would be a desk based review using the updated action plan and other supporting evidence. The next internal review would be presented to the Information Governance Board on the 8th May, 2018.

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

- In response to specific questioning reference was made to the document retention policy which detailed the timescales for which information could be kept.
- Reference was made to the overall audit opinion for the Council and the reasonable level of assurance in relation to Data Protection Compliance and to Records Management, Training and Awareness and Freedom of Information Act queries. Members of the Committee were reminded that the ICO had largely been complementary of the Councils arrangements and compliance with legislation
- There was a discussion of the potential conflict between the retention/disposal of personal information and the retention of archives for future use

RESOLVED:

- (i) that Ms S Hydon (Head of IT Service Management) be thanked for attending the meeting and for answering Members questions; and
- (ii) that the report be received and the progress made in addressing the issues arising from the ICO audit be noted.

75. INFORMATION GOVERNANCE PERFORMANCE - QUARTER 4 2017/18

The Service Director IT submitted a report providing details of the Council's position in relation to the number of information security breaches and cyber incidents that had been reported and investigated during Quarter 4 of the 2017/18 financial year. The report also gave details within an appendix of the ways in which incidents could be reported.

In summary:

- in relation to Information Security Incidents

- there had been 32 incidents of which 3 involved a third party. After investigation 3 were found to be unsubstantiated and 9 were undergoing further investigation
 - in 2017/18 there had been 157 incidents (including weaknesses) which compared to 119 in the previous year. Of those, 3 had been reported to the Information Commissioners Office (ICO) compared to 4 in 2016/17
 - the report, in categorising incidents by Service and by type, indicated that the most frequently occurring were those disclosed in error – emails sent to the wrong recipient/incorrect recipients copied in/wrong postal addresses etc. Information was also provided about the principles of the Data Protection Act that had been breached together with the potential implications thereof
 - one incident that had been reported to the ICO was still under investigation and details of any recommendations/penalties were awaited. A further report would be submitted in due course
 - A summary of the lessons learned and action taken was provided and it was noted that the Information Governance Board and Service Directors were continuing to support the Information Governance Team with investigations and resolution of incidents
- in relation to Cyber incidents the report gave details of the number of ‘attempts’ and ‘attacks’ by quarter listed by category. It also gave comparisons with quarter 4 from the previous year
 - a 586 incidents had been reported which was a decrease from the previous quarter. Of those
 - 217 had been reviewed and advice given
 - 307 were real phishing emails with the sender being blocked
 - There had been no successful attacks within the quarter which was pleasing to note
 - 62 others had been referred to the security team for advice and had been resolved
 - There had been an increase in the number of phishing emails being received throughout the Council year on year but a drop in quarter 4 compared to quarter 3 which appeared to be a failure to log calls with the Information Security Team. During a recent incident only a few instances of a specific phishing email had been logged but when investigated further, approximately 200 mailboxes had received the email. It was pleasing to note, however, that no-one had clicked on the link within the email so the ‘attack’ had been unsuccessful
 - A new approach to logging phishing and spam email was being investigated which would both hopefully increase the number of reported instances whilst at the same time populating a database within the mail filtering system so that further ‘attacks’ could be stopped
 - A new contract for Cyber Security Defences had been awarded and the various ‘tools’ to prevent cyber-attack would be rolled out in the coming months. In addition, an exercise had been undertaken to ensure that

passwords used to access the Council network were of a satisfactory security level. This was currently ongoing

It was pleasing to report that the Service had a Degree Apprentice who had been invited to the national Employee Student Awards to be held on the 10th May, 2018 which was a fantastic achievement both for the student and for the Council.

In response to questioning the Head of IT Service Management outlined the action her team took in response to the receipt of a suspicious email. The Council also had arrangements in place to inform its Cyber Security Defence provider of the receipt of suspicious emails and in turn, this information was then passed on to other organisations.

RESOLVED:

- (i) that the report be received and Ms S Hydon, IT Service Director be thanked for attending the meeting and for answering Members questions;
- (ii) that Executive Directors and Service Directors be requested to note the potential impact of Information Security and cyber incidents on the Council and the potential for ICO fines and that when such incidents occur, they work together with all Business Units, within the prescribed timescales, and with the Information Governance Team to find a resolution to the issues identified; and
- (iii) that when information security and cyber incidents occur, Executive Directors and Service Directors ensure full and timely reporting and investigation so that lessons are learned and solutions implemented in line with the policy timescales.

76. AUDIT COMMITTEE WORK PLAN 2017/8 AND 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 2017/18 municipal year and for 2018/19.

RESOLVED that the core work plan for be approved and reviewed on a regular basis.

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Chair