

# Public Document Pack



<b>MEETING:</b>	Audit Committee
<b>DATE:</b>	Wednesday, 23 January 2019
<b>TIME:</b>	4.00 pm
<b>VENUE:</b>	Reception Room, Barnsley Town Hall

## AGENDA

### Procedural/Administrative Items

1. Declarations of Pecuniary and Non-Pecuniary Interest
2. Minutes (*Pages 3 - 10*)

To receive the minutes of the meeting held on the 5<sup>th</sup> December, 2018.

### Presentations

3. Development Day for Local Authority Audit Committees (*Pages 11 - 24*)

Mr P Johnson (Independent Member) will make a presentation on his attendance, together with the Head of Internal Audit and Corporate Anti-Fraud, at a CIPFA Workshop/Development Day for Local Authority Audit Committees in London in November 2018 and will highlight the key points covered at that session.

4. Cyber Security Update (*Pages 25 - 36*)

Ms S Hydon (Head of ICT Service Management) and Mr S Marshall (ICT Technical Security Lead) will make a presentation updating the Committee on Cyber Security issues.

### Items for discussion/decision

5. Internal Audit Progress Report - 2018/19 (*Pages 37 - 50*)

The Head of Internal Audit and Corporate Anti-Fraud will submit a report providing a summary of the Internal Audit Activity completed and key issues arising from it for the period 1<sup>st</sup> November, to 31<sup>st</sup> December, 2018.

6. Corporate Anti-Fraud Team Progress Report (*Pages 51 - 60*)

The Head of Internal Audit and Corporate Anti-Fraud will submit a report providing an account of the work of the Corporate Anti-Fraud Team for the period 1<sup>st</sup> April to 31<sup>st</sup> December, 2018.

7. Corporate Whistleblowing Policy - Annual Report (*Pages 61 - 64*)

The Executive Director Core Services will submit his annual report reviewing the activities and current issues regarding the Council's Corporate Whistleblowing Policy and supporting procedures.

## Items for Information

8. External Audit Plan 2018/19 (*Pages 65 - 80*)

The Committee will receive a report from the External Auditor providing an overview of the planned scope and timing of the statutory audit of the Council.

9. External Audit - Certification of Claims and Returns - Annual Report 2017/18 (*Pages 81 - 84*)

The Committee will receive the annual report of the External Auditor summarising the work undertaken on the Council's 2017/18 grant claims and returns and outlining the fees for undertaking this work.

10. Audit Committee Work Plan 2018/19 (*Pages 85 - 88*)

The Committee will receive the indicative Audit Committee Work Plan for 2018/19.

To: Chair and Members of Audit Committee:-

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

Diana Terris, Chief Executive  
All Executive Directors  
Andrew Frosdick, Executive Director Core Services  
Rob Winter, Head of Internal Audit  
Neil Copley, Service Director Finance (Section 151 Officer)  
Ian Rooth, Head of Financial Services  
Adrian Hunt, Risk Management Manager  
Michael Potter, Service Director Business Improvement and Communications  
Louise Booth, Audit Manager

Council Governance Unit – 3 copies

Please contact William Ward on email [governance@barnsley.gov.uk](mailto:governance@barnsley.gov.uk)

Tuesday, 15 January 2019

<b>MEETING:</b>	Audit Committee
<b>DATE:</b>	Wednesday, 5 December 2018
<b>TIME:</b>	4.00 pm
<b>VENUE:</b>	Reception Room, Barnsley Town Hall

## MINUTES

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

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

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

### 38. MINUTES

The minutes of the meeting held on the 19<sup>th</sup> September, 2018 were taken as read and signed by the Chair as a correct record.

### 39. STRATEGIC RISK REGISTER - FULL REVIEW - OCTOBER, 2018

The Executive Director Core Services submitted a report prefacing a report that was programmed to be considered by Cabinet on the 9<sup>th</sup> January, 2019 on the latest review of the Strategic Risk Register.

The report, which was presented by Mr A Hunt, Strategic Risk, Insurance 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 March 2018, a further review had been undertaken in October, 2018 the outcomes of which were detailed within the report. Mr Hunt outlined 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 introduction and background to the Strategic Risk Register
- The distribution of the risks across the six concern rating classifications
- The changes since the last review including
  - The significant red risks
  - New and deleted risks – the number of risks logged had decreased by one

- Re assessed risks – a significant number of risks had been reassessed, resulting in changes to risk concern ratings
- Other material changes. Details of the risk concern ratings, including a direction of travel indicator to provide details of the ‘trend’ of the risk profile was included as Appendix 1 to the report
- The SRR was attached to the report as Appendix 2 and sought to provide assurances that significant risks were being managed appropriately

The developing Managers toolkit and Accountability Framework would provide a robust control in terms of the engagement of senior members of staff with the Strategic Risk Management approach and would also have a beneficial impact on the engagement with risk management across the Council. In addition, it was reported that consideration was being given to the way in which future reports would be presented and it was hoped that they would include infographics and pictograms to demonstrate visually the changes made to the Risk Register.

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

- In relation to risks 4249 (Failure to ensure that the Council is able to fully understand the implications of BREXIT, and is able to ensure that opportunities that may arise are fully understood and exploited), it was noted that this was a new addition to the risk register and would also include opportunities as well as potential risks. It was also noted that a detailed report on this matter was to be submitted to SMT in the near future
- The rationale for removing risk 3024 (Lack of Educational Attainment) and replacement with risk 4248 (Lack of adequate qualifications at L3 and above to progress through to further and Higher Education) was explained
- There was a discussion of risk 4170 in relation to The Glassworks and to the operational risk registers that would underpin this strategic risk. Members asked if they could have sight of these operational risk registers
- One Independent Member in particular questioned why risk 3025 (Failure to safeguard vulnerable service users) given a risk assessment of 3/4 given their personal experience and also in view of the fact that demand for services (particularly the elderly) was increasing. Reference was made in this respect to provider capacity in relation to social care. Questions were asked, therefore, as to whether or not there was confidence that this risk could be appropriately managed. Mr Hunt stated that these issues would have to be taken up with the risk holder. The Executive Director Core Services stated that he did not think there were any particular concerns as he felt that risks were sufficiently mitigated against and within this context made he made reference to the provider market and resilience and to the arrangements in place to undertake assessments to meet individual needs. Arising out of this discussion reference was made to the increasing financial pressures, the changes in demographics and the impact this could have on long term financial plans. The Service Director Finance commented, however, that he felt these issues had been addressed moving forward as part of the medium term financial plans
- In response to detailed questioning a reassurance was given that all risk owners were fully committed to risk and undertook appropriate reviews of their risk registers on a regular basis. Mr Hunt explained his work with the Senior

Management Team in this regard and outlined the way in which support was now provided to managers so that they were able to take responsibility for their own individual risk registers. In response to further questioning he outlined the ways in which feedback was obtained of managers views on how they felt they were dealing with risk management. The core offer of his services was about enabling others to undertake risk management assessments rather than doing them on their behalf. There was engagement from all Service Directors and regular meetings were held with them to give them assistance and ensure appropriate compliance

**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 referred to Cabinet for consideration and approval; and
- (ii) the Committee continue to receive periodic updates as to the process of the actions taken and their impact on the Strategic Risk Register.

**40. ANNUAL GOVERNANCE STATEMENT 2017/18 - ACTION PLAN**

The Chief Executive and Executive Director Core Services submitted a joint report presenting the updated Action Plan relating to issues identified following the annual Governance Review for 2017/18. The Action Plan, which was appended to the report, had been approved by the Committee at its meeting on the 20<sup>th</sup> July, 2018. A second Appendix provided details of the Partnership Governance Arrangements Annual Governance Action Plan

The Action Plan was used to track the progress of the actions necessary to deal with the issues raised through the AGS process and generally progress had been positive against all actions identified. It would be further reviewed in April and May 2019 as part of the 2018/19 AGR process.

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

- It was noted that a review of the Contract Procedure Rules had been completed and a recommendations paper was to be submitted to SMT next week. The Executive Director Core Services stated that this had been a longstanding exercise that had taken longer than anticipated
- Questions were asked as to why approximately 40% of recommendations in relation to FoI/EiR (following the information Commissioners Office review in 201) had not yet been started. It was thought that some of these issued had not yet been programmed for action but the matter would be referred to the Head of ICT (Service Management) for response in her next report to committee. The Head of Internal Audit and Corporate Anti-Fraud would also be able to pick up such outstanding issues as part of his role as Data Protection Officer. It was also noted, however, that a report on progress had been submitted to the last meeting and that the Information Commissioners Officer had indicated that they were happy with the Authority's action on the recommendations

## **RESOLVED:-**

- (i) that the progress made against each item listed in the Annual Governance Statement Action Plan be noted; and
- (ii) that the assurances arising as a result of the governance and control arrangements in place relating to the Council's partnerships, contracts and general relationships be noted and the Annual Governance Statement Action be closed.

### **41. RISK MANAGEMENT FRAMEWORK REVIEW**

The Service Director Financial Services submitted a report on a further review of the Risk Management Framework seeking approval to provide assurance that it remains fit for purpose prior to the Framework being considered by Cabinet.

The following documents were appended to the report:

- The Risk Management Framework
- The Risk Management Policy
- The Risk Management Strategy
- The Risk Appetite/Risk Acceptance model
- The Risk Acceptance Process Map 2018

**RESOLVED** that the Committee note that the Risk Management Framework remains fit for purpose and refer it to Cabinet for consideration and approval.

### **42. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT**

The Head of Internal Audit and Corporate Anti-Fraud submitted a report informing the Committee of the framework proposed to prepare, manage and deliver the Quality Assurance and Improvement Programme (QAIP) for the Internal Audit Function as required by the Public Sector Internal Audit Standards (PSIAS) 2017.

Appendices to the report provided an extract from the SAIAS together with the Draft QAIP Action Plan.

The report, in detailing background to the need for and the specific requirements for a framework indicated that a draft QAIP Action Plan was currently being prepared. In order to ensure continuous improvement and focus on quality and conformance, consideration was also being given to the designation of a Principal Auditor within the Internal Audit Team to maintain and manage the QAIP and general quality process. This Auditor would then report to the Audit Management Team on a quarterly basis with an updated PSIAS self-assessment and QAIP action plan.

In addition to the specific requirements of the PSIAS, there were a number of other continuous improvement related activities underway and these were detailed within the report which would also be reported upon within the overall QAIP process.

In the ensuing discussion, the following matters were highlighted:

- The Head of Internal Audit and Corporate Anti-Fraud reported that in order to address the PSIAS requirements a review had been undertaken of the format and content of audit reports together with the quarterly progress reports as this would improve the clarity of key messages and assessment on implications for management to specify actions to be implemented. In addition, the Annual Report format and content would be reviewed
- Reference was also made to External Review of Internal Audit and to how this could be undertaken in future given the perceived limitations of the previous peer review. This would have potential cost implication but was generally welcomed by Members of the Committee as it was felt that this would give additional assurance as to the performance of the Service
- It was suggested that an analysis should be undertaken so that there was a comparison of performance with similar sized authorities
- The timescales detailed within the Action Plan at Appendix 2 had been agreed by the appropriate officers

## **RESOLVED**

- (i) that the proposed QAIP Framework setting out how the Service will meet the requirements set out in the PSIAS be approved; and
- (ii) that the Committee receive an annual update on the delivery of the Quality Assurance and Improvement Programme.

### **43. INTERNAL AUDIT PROGRESS REPORT 2018/19**

The Head of Internal Audit and Corporate Anti-Fraud submitted a report summarising the Internal Audit activity completed and key issues arising for the period 1<sup>st</sup> July to 31<sup>st</sup> October, 2018 together with information regarding the performance of the Internal Audit function for that period.

The report, which was in a new style referred to in the previous item, outlined:

- The 2018/19 Internal Audit Plan Progress detailing the audit days delivered, and assignments expected to be completed and actually completed
- The changes to the 2018/19 Internal Audit Plan together with the reasons for the change
- The final Internal Audit reports issued – it was noted that
  - 6 reports had been finalised since the last Committee meeting. All reports were available for Audit Committee Members on request and, in addition, an appendix to the report provided definitions of the gratings for the assurance opinion together with the recommendations made
  - One report on Communities Disabled Facilities Grants was listed with limited assurance opinion and the reasons for this were touched upon as was the action being taken to address issues identified
- The Internal Audit reports producing a limited or no assurance opinion together with a summary of the key issues identified
- Details and outcome of other Internal Audit activities concluded in the period which did not result in a specific assurance opinion
- Other Internal Audit work undertaken

- Work in progress
- Follow up of Internal Audit Report management actions – it was noted that Internal Audit was working closely with management to closely monitor the implementation for management actions and establish any reasons behind delays. A table showing the status of internal audit management actions by Directorate due for completion during the period was provided
- The Internal Audit performance indicators and performance feedback for 2018/19 – which indicated that performance remained satisfactory with the majority of final audit reports meeting or exceeding target levels. Whilst the percentage of final audit reports being issued within 10 days was currently not meeting the target, this was due to officer availability over the summer holiday period. It was anticipated that this would pick up through the remainder of the year
- The Head of Internal Audit's Internal Control Assurance Opinion which remained adequate

In the ensuing discussion the following matters were highlighted:

- There was a discussion of the key issues identified from the Communities Disabled Facilities Grant audit and to the remedial action taken.
- Reference was made to, and there was a detailed discussion of, the audit of the governance arrangements for The Glassworks project together with the role of this Committee in monitoring those arrangements particularly as the project moved into phase 2.
  - It was noted that currently the governance arrangements were judged to be fit for purpose. Arrangements were in hand to ensure appropriate oversight by both Internal and External Audit Internal Audit. Given the potential risks, not to mention the costs, involved it was suggested that this Committee receive information on both the informal and formal advice given on this scheme.
  - Arising out of this discussion reference was made to the training/awareness session held immediately prior to this meeting when a report had been presented which had also been considered by the Authority's Overview and Scrutiny Committee which also indicated that the governance arrangements were fit for purpose.
  - It was also reported that the External Auditor's report to the next meeting would include reference to Value for Money and would include the arrangements for The Glassworks. The External Auditor had, as part of the opinion, to ensure that appropriate arrangements were in place and to this end regular meetings were held with both the Executive Director Core Services and with the Head of Internal Audit and Corporate-Anti Fraud
  - The Executive Director Core Services stated that the report submitted to the training/awareness session had detailed the project methodology. In addition he commented that the Senior Management Team was tasked with reporting to Cabinet on an ongoing basis. Reports would be available and could be submitted to this Committee to ensure transparency of the process
- It was noted that in relation to the Analysis of Management Actions followed up, all five outstanding responses in relation to the Core Directorate had now been completed and closed



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

#### **44. TREASURY MANAGEMENT ACTIVITIES AND LEASING REVIEW - QUARTER ENDED 30TH SEPTEMBER, 2018**

The Executive Director Core Services and the Service Director Finance (Section 151 Officer) submitted a joint report for information and reference which had been considered by the Cabinet on the 28<sup>th</sup> November, 2018 and by the Council on the 29<sup>th</sup> November, 2018 reviewing the Council's Treasury Management and Leasing Activities during the second quarter of 2018/19 in accordance with the CIPFA Treasury Management Code and the CIPFA prudential Code.

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

- It was noted that a training/awareness session had been held on this topic following a request by members of the Committee
- The Executive Director Core Services drew Members attention specifically to the changes in counter party limits that had been approved by the Council on the 29<sup>th</sup> November, 2018
- In response to questioning, the Acting Head of Financial Services (Corporate) and Deputy Section 151 Officer informed the Committee of the Council's approach to the future Investment Strategy and particularly in relation to the drawing down of funds and investment in order to maximise income
- Reference was made to the arrangements in place in relation to borrowing from the Municipal Bonds Agency. It was noted that whilst this gave to Authority a potential option for the future this had, to date, not been taken up in view of the low interest levels which meant that alternative borrowing options were more favourable
- In relation to the Future Outlook, reference was made to the current projections and phasing for borrowing over the next three years which would comprise a combination of both planned capital investment (to be funded from borrowing), maturing loans and use of reserves

**RESOLVED** that the report be received.

#### 45. EXTERNAL AUDIT - PROGRESS REPORT AND SECTOR UPDATE

The Council's External Auditor (Grant Thornton) submitted a report giving details about their work as at 20<sup>th</sup> November, 2018 and outlining the audit deliverables for 2018/19 together with a Sector Update summarising emerging national issues and developments.

The report was introduced by Mr G Mills (Grant Thornton Engagement Lead) and was accompanied by Mr T DeZoysa).

Particular mention was made of the Local Authority Audit Committee Chairs and members event to be held in their Leeds Office on Tuesday 26<sup>th</sup> February, 2019 to which all Members were welcome.

**RESOLVED** that the external audit progress report and Sector Update be noted.

#### 46. 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 Executive Director Core Services reported that the Committee may want to programme in a training/awareness session possibly for the June meeting as this may be most appropriate to give oversight to the ongoing Glassworks project.

The Head of Internal Audit and Corporate stated that he and Mr P Johnson had attended and spoken at a recent CIPFA event at which reference had been made to the use of Independent Members on Local Authority Audit Committees. It was noted that most Authorities did not use Independent Members and attendees had mostly been astounded at Barnsley's forward thinking approach. It was suggested that at the January meeting a presentation be made on the 15 items covered at this CIPFA event.

#### **RESOLVED:-**

- (i) that the core work plan for 2018/19 and 2019/20 meetings of the Audit Committee be approved and reviewed on a regular basis; and
- (ii) that a presentation be made at the start of the January meeting on the issues covered at the recent CIPFA event attended by the Head of Internal Audit and Corporate Anti-Fraud and Mr P Johnson.

.....  
Chair

# Development Day for Local Authority Audit Committees



# What we covered:

- **Developing the Effectiveness of the Audit Committee**
- **Briefing on Current Governance, Audit and Risk**
- **The Audit Committee and Internal Audit**
- **Assurance over Financial Resilience**



# Developing the Effectiveness of the Audit Committee in a Local Authority



# Role of the co-opted independent

- **CIPFA survey in 2016: 39% (UK wide) had a co-opted independent**
- **Mandatory for Welsh councils and combined authorities**

## **Role:**

- **Reinforce independence and objectivity of the committee**
- **Supplement knowledge and experience**
- **Provide continuity**



# CIPFA Knowledge and Skills Framework

**Building the effectiveness of audit committee members:**

- **Role and responsibilities**
- **Core skills**
- **Core knowledge**
- **Specialist knowledge**



# Developing knowledge and skills

## Individual and collective knowledge

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<b>Core Skills</b>
<ul style="list-style-type: none"><li>• <b>Strategic thinking</b></li><li>• <b>Questioning</b></li><li>• <b>Focus on improvement</b></li><li>• <b>Practical approach</b></li><li>• <b>Communication skills</b></li><li>• <b>Objectivity</b></li><li>• <b>Meeting management</b></li></ul>

<b>Core Knowledge</b>
<ul style="list-style-type: none"><li>• <b>Organisation</b></li><li>• <b>Governance</b></li><li>• <b>Internal audit</b></li><li>• <b>Financial management and reporting</b></li><li>• <b>External audit</b></li><li>• <b>Risk management</b></li><li>• <b>Counter fraud</b></li><li>• <b>Values and ethics</b></li><li>• <b>(Treasury management)</b></li></ul>

<b>Specialist Knowledge</b>
<ul style="list-style-type: none"><li>• <b>Accountancy</b></li><li>• <b>Internal audit</b></li><li>• <b>Risk management</b></li><li>• <b>Governance and legal</b></li><li>• <b>Service knowledge</b></li><li>• <b>Procurement and project management</b></li><li>• <b>IT governance and systems</b></li></ul>





# Where the committee can influence and add value

The influential audit committee supports:

- Good governance and decision making
- Effective risk management
- Improving value for money
- Achievement of goals
- Effective internal controls
- Effective audit and assurance
- Embedding ethical values and countering fraud
- Improving public reporting and accountability



# Briefing on Governance, Audit and Risk

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# Report on the results of auditors' work 2017/18

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# Current risks and resources

## Commercial investments

- CIPFA warning on borrowing in advance of need and investments in commercial properties

[www.cipfa.org/about-cipfa/press-office/latest-press-releases/statement-from-cipfa-on-borrowing-in-advance-of-need-and-investments-in-commercial-properties](http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/statement-from-cipfa-on-borrowing-in-advance-of-need-and-investments-in-commercial-properties)

- “the prime policy objective of a local authority’s treasury management investment activities is the security of funds.”
- “CIPFA considers that where the scale of commercial investments including property are not proportionate to the resources of the authority, that this is unlikely to be consistent with the requirements of the Prudential Code and the Treasury Management Code.”

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# Current risks and resources

Outsourcing and market risk, examples:

- Provider failure
- Market fragility
- Supply chain
- Capacity and capability

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Action for the audit committee:

- Are commissioning procurement and contracting risks identified and appropriate mitigations in place?

# Assurance over Financial Resilience

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# The challenge

- Continued pressure on funding
- Demand pressures: social care, homelessness
- Removal of pay cap
- Realistic 'efficiency savings'
- Income generation options
- Maintaining acceptable service levels
- Realising ambitions for the local area
- Staffing pressures, vacancies
- Public concerns



# What additional assurance might the audit committee look for?

## Potential areas for additional assurance:

- Realism of savings plans
- Implementation of savings plans
- Data quality – particularly around critical data on demand
- Use of benchmarking
- Viability of business cases and transformation plans
- Approach to value for money
- Budget management and reporting
- Controls over outsourced or commercial arrangements
- Governance – decision making





# CYBER SECURITY UPDATE

**Sara Hydon & Simon Marshall**  
**IT Services**





# LGA Cyber Security Stocktake 2018

Independent Review on behalf of the LGA



Bid submitted for Government funding based on feedback





<https://www.youtube.com/watch?v=4gR562GW7TI>



**BARNSELY**  
Metropolitan Borough Council



# Social Engineering Effects

- ☠ Elections (American)
- ☠ Smearing and Reputational damage
- ☠ Loss of personal and sensitive data
- ☠ Loss of services / productivity
- ☠ Ransom / blackmail
- ☠ Dynamic progression of threat



# Incident Reporting

The table below is a summary of the 'attempts' and 'attacks' the Council have received between 1<sup>st</sup> January 2018 – 31<sup>st</sup> December 2018:

Action	Q4	Q1	Q2	Q3	Total
Phishing advice given	217	508	649	651	2,025
Phishing action taken	307	628	535	587	2,057
Phishing attack	0	2	5	3	10
Other	62	130	48	37	277
<b>Total</b>	<b>586</b>	<b>1,268</b>	<b>1,237</b>	<b>1,278</b>	<b>4,369</b>



# Quick Reference Guide for Information Security Incident Reporting

**What is an information security incident** – “any incident which involves actual or potential failure to meet the requirements of the Data Protection Act 2018, GDPR and/or common law duty of confidentiality”

## Here are some examples of incidents that require reporting and investigation (*this list is not exhaustive*)

Lost in transit / lost stolen hardware and paperwork	Lost in the 'general' post e.g. does not arrive at its intended destination); Lost in situ between two separate premises; Lost whilst being hand delivered, Lost or stolen laptops, tablets; mobile phones; USB sticks
Unauthorised access / disclosure or disclosed in error	Failure to redact personal data from documentation; Emails or faxes sent to the incorrect individual or with the incorrect information attached; Failure to blind carbon copy ('bcc') emails; Failure to use secure email account; An employee viewing/ using records that they have no legitimate need to view; Sharing passwords; Employees sharing or revealing information to colleagues who may not be authorised to access such data
Non secure disposal – hardware and paper	Failure to gain Service Director sign off prior to secure disposal of paper records Failure to meet the contracting requirements when employing a third party processor to carry out the removal / destruction of data;
Technical security failing	Failure to protect internal file sources from accidental / unwarranted access (for example failure to secure shared file spaces); Failure to appropriately secure systems from inappropriate or unauthorised access
Cyber Incidents	Mass emails with malicious intent of attempting users to disclose generally sensitive emails. May be combined with spoof website(s). Any form of disclosure from Council staff using social media channels that discloses sensitive information (personal or corporate)

## Immediately

**Report to the IT Service Desk (774000) or [ITsupport@barnsley.gov.uk](mailto:ITsupport@barnsley.gov.uk)**

Report to your line manager and any relevant other e.g. Caldicott Guardian, Internal Audit, HR Business Partner (see section 3 pg. 6 of this Policy for further detail)

## Within the first 24 hours

All Security Incidents **MUST** also be recorded on a Personal Data Breach Notification Form which will be forwarded to you by the Information Governance Team

Reporting Officer/Line Manager to carry out an initial impact assessment and update Page 1 (Part A) of Appendix D (Personal Data breach Notification Form)

Completed form to be forwarded to [informationgovernance@barnsley.gov.uk](mailto:informationgovernance@barnsley.gov.uk) so that an immediate severity assessment can be carried out to determine the next course of action

## Following days (within 10 days)

If it is an 'event' - an Investigating Officer to carry out full investigation, identifying the risks, effects, consequences and remedial actions (Page 2 Part B) of Appendix D (Personal Data Breach Notification form). Determine whether employee action is required and if so refer to your HR Business Partner

The Investigating Officer will forward completed form to:

[informationgovernance@barnsley.gov.uk](mailto:informationgovernance@barnsley.gov.uk)

**Please see [Information Security Incident Reporting Policy and Protocol](#) for further information**





# What we've done...

- ☠ Self learning software investment
- ☠ Vulnerability scanning
- ☠ Training, awareness and testing
- ☠ Partnership working both internal and external to the Council
- ☠ Working with National Government cyber security programmes from NCSC & MHCLG



# Phishing example:

Actual Phishing E-mail received by a member of our staff

**From:** barnsley.gov.uk [mailto:importbooking@pricolcargo.com]  
**Sent:** 09 January 2019 13:18  
**To:**  
**Subject:** barnsley.gov.uk FINAL WARNING: EMAIL ACCOUNT \_\_\_\_\_@barnsley.gov.uk WILL BE DE-ACTIVATED IN 24HRS

Dear \_\_\_\_\_@barnsley.gov.uk,

You have reached your E-Mail storage bandwidth limit. Most of your incoming mails will be placed on hold.

[CLICK TO RE-VALIDATE YOUR EMAIL](#)

After re-validating your email account all your incoming emails on hold will deliver to your mailbox.

Regards.

**Email Account Server {C} 2018**

**barnsley.gov.uk**





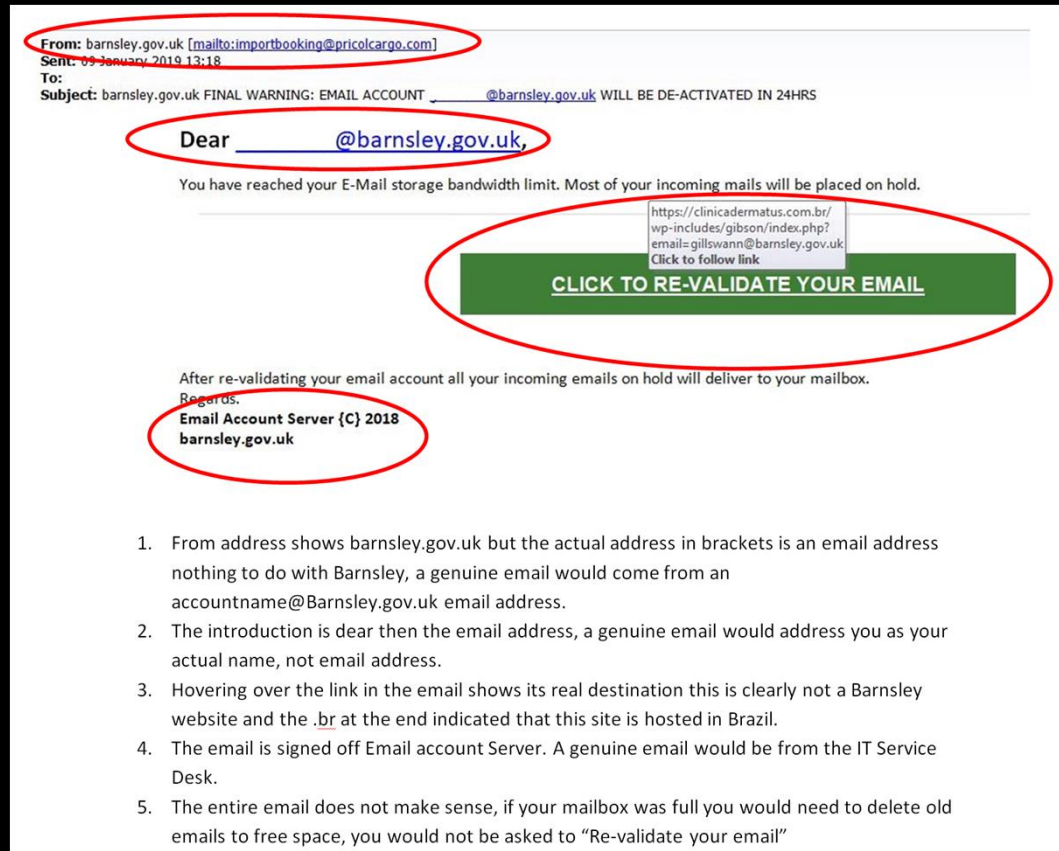
# Continued...

- ☠ Block web links to protect our staff and guest internet users
- ☠ Contact companies involved e.g. Amazon, PayPal, Banks etc.
- ☠ Get content removed from the Internet
- ☠ User education to advise how they could have spotted the e-mail
- ☠ Review our own processes and training materials, could we do more to prevent or stop this in future?



# Continued...

Training material issued to member of staff who clicked the link



The screenshot shows an email with the following details:

- From:** barnsley.gov.uk [mailto:importbooking@pricolcargo.com]
- Sent:** 09 January 2019 13:18
- To:** [redacted]
- Subject:** barnsley.gov.uk FINAL WARNING: EMAIL ACCOUNT [redacted]@barnsley.gov.uk WILL BE DE-ACTIVATED IN 24HRS

The email body contains:

Dear [redacted]@barnsley.gov.uk,

You have reached your E-Mail storage bandwidth limit. Most of your incoming mails will be placed on hold.

[redacted]  
https://cliniCADermatus.com.br/wp-includes/gibson/index.php?email=gillswann@barnsley.gov.uk  
Click to follow link

**CLICK TO RE-VALIDATE YOUR EMAIL**

After re-validating your email account all your incoming emails on hold will deliver to your mailbox.  
Regards,  
Email Account Server {C} 2018  
barnsley.gov.uk

1. From address shows barnsley.gov.uk but the actual address in brackets is an email address nothing to do with Barnsley, a genuine email would come from an accountname@Barnsley.gov.uk email address.
2. The introduction is dear then the email address, a genuine email would address you as your actual name, not email address.
3. Hovering over the link in the email shows its real destination this is clearly not a Barnsley website and the .br at the end indicated that this site is hosted in Brazil.
4. The email is signed off Email account Server. A genuine email would be from the IT Service Desk.
5. The entire email does not make sense, if your mailbox was full you would need to delete old emails to free space, you would not be asked to "Re-validate your email"





# QUESTIONS...?



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# item 5

## Report of the Head of Internal Audit and Corporate Anti-Fraud

**AUDIT COMMITTEE – 23<sup>rd</sup> JANUARY 2019**

### **INTERNAL AUDIT PROGRESS REPORT 2018/19**

#### **1. Purpose of this report**

- 1.1 The purpose of this report is to provide a summary of the Internal Audit activity completed, and the key issues arising from it, for the period from 1<sup>st</sup> November 2018 to 31<sup>st</sup> December 2018.
- 1.2 To provide information regarding the performance of the Internal Audit function during the period.

#### **2 Background information**

- 2.1 The Audit Committee has responsibility for reviewing the adequacy of the Council's corporate governance arrangements, including matters such as internal control and risk management. The reports issued by internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.
- 2.2 At the end of the financial year, Internal Audit will produce an Annual Internal Audit Report, which will provide our overall opinion on the adequacy of the Council's control environment and compliance with it during the year.

#### **3 Recommendations**

- 3.1 **It is recommended that the Audit Committee considers the assurances it needs on the effectiveness of the Authority's internal control, risk and governance arrangements through the work of Internal Audit by:-**
  - i. **considering the issues arising from completed Internal Audit work in the period along with the responses received from management;**
  - ii. **noting 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 2018;**
  - iii. **noting the progress against the Internal Audit plan for 2018/19 for the period to the end of December 2018; and**
  - iv. **considering the performance of the Internal Audit Service for the second quarter.**



#### **4 Local Area Implications**

4.1 There are no Local Area Implications arising from this report.

#### **5 Consultations**

5.1 All audit reports are discussed with the main auditee. Individual audit reports are provided to the appropriate Executive Director and/or Service Director to apprise him/her of key issues raised and remedial actions agreed.

5.2 No specific consultation has been necessary in the preparation of this quarterly report.

#### **6 Compatibility with European Convention on Human Rights**

6.2 In the conduct of audit work and investigations particularly, Internal Audit operates under the provisions of the Data Protection Act 1998, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

#### **7 Reduction of Crime and Disorder**

7.1 An inherent aspect of audit work is to prevent, detect and investigate incidents of fraud, theft and corruption. The control issues arising from audit investigations have been considered to ensure improvements in overall controls are made. Additionally, Internal Audit ensures that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.

#### **8 Risk Management Considerations**

8.1 The underlying purpose of the work of Internal Audit is to address and advise on key risks facing management and, as such, risk issues are inherent in the body of the report.

8.2 The Service's operational risk register includes the following risks which are relevant to this report:

- Ensuring the appropriate use of and management of, information to inform and direct internal audit activities;
- Able to provide a flexible, high performing and innovative service; and
- Ensuring continuously high levels of customer satisfaction.

8.3 All of these risks have been assessed and remain within the tolerance of the Service.

8.4 An essential element of the control (and on-going) management of these risks is the provision of update reports to the Audit Committee and the assurance this provides.

#### **9 Employee Implications**

9.1 There are no employee implications arising from this report.

## **10 Financial Implications**

10.1 There are no financial implications arising directly from this report. The costs of the Internal Audit function are included within the Authority's base budget.

## **11 Appendices**

Appendix 1 - Key To Internal Audit Assurance Gradings & Classification of Management Actions.

## **12 Background Papers**

12.1 Various Internal and External Audit reports, files and working papers.

**Officer Contact:** Head of Internal Audit & Corporate Anti-Fraud

**Telephone No:** 01226 773241

**Date:** 11<sup>th</sup> January 2019

# **Barnsley Metropolitan Borough Council**

## **Internal Audit Progress Report**

**Audit Committee**

**23<sup>rd</sup> January 2019**



**INTERNAL AUDIT QUARTERLY PROGRESS REPORT 2018/19**  
**1<sup>st</sup> November 2018 to 31<sup>st</sup> December 2018**

**Purpose of this report**

This report has been prepared to inform the Committee on the Internal Audit activity for the period 1<sup>st</sup> November 2018 to 31<sup>st</sup> December 2018, bringing attention to matters that are relevant to the responsibilities of the Authority's Audit Committee.

The report also provides information regarding the performance of the Internal Audit function during the period.

**2018/19 Internal Audit Plan Progress**

The following tables show the progress of the internal audit plan up to the end of December 2018, analysed by the number of plan assignments producing a report and audit days delivered by Directorate / Service.

**Position as at 31<sup>st</sup> December 2018 – Audit Days Delivered**

Directorate	Original 2018/19 plan days	Revised 2018/19 plan days	Actual days (% of revised days)
Communities	133	118	103 (87%)
People	111	111	136 (123%)
Place	40	55	60 (109%)
Public Health	25	25	10 (40%)
Core Services	397	300	247 (82%)
Council Wide	142	152	178 (117%)
Corporate	152	178	150 (84%)
HolA role as DPO	30	30	50 (167%)
Responsive	50	111	-
Barnsley MBC	1,080	1,080	934 (86%)

Corporate Anti-Fraud Team	580	558	404 (72%)
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Sub Total	1,660	1,638	1,338 (83%)
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External Clients	1,524	1,581	965 (61%)
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Total Chargeable Planned Days	3,184	3,219	2,303 (72%)
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## Position as at 31<sup>st</sup> December 2018 – Plan Assignments

Directorate	2018/19 plan assignments	Assignments expected to be completed to date	Actual assignments completed
Communities	3	1	1
People	5	4	1
Place	1	0	0
Public Health	0	0	0
Core Services	14	8	7
<b>Total</b>	<b>23</b>	<b>13</b>	<b>9</b>

Whilst there is a variance of 4 assignments completed, these are in draft report stage, see Work in Progress at page 6 and meetings are scheduled with officers to discuss the outcomes.

### Changes to the 2018/19 Internal Audit Plan

At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency.

During the period 1<sup>st</sup> November to 31<sup>st</sup> December, there have been no amendments to the plan.

### Final Internal Audit reports issued

We have finalised 1 audit reports since the last Audit Committee meeting. The following table provides a summary of assurances and the number and categorisation of recommendations included in these reports:

Directorate- Audit Assignment	Assurance Opinion	Number of recommendation raised:			Total	Agreed
		Fundamental	Significant	Merits Attention		
Inspection Readiness	Limited <sup>1</sup>	0	6	0	6	6
<b>Total</b>		<b>0</b>	<b>6</b>	<b>0</b>	<b>6</b>	<b>6</b>

Please note that final audit reports are available to Audit Committee members on request.

<sup>1</sup> We have included definitions of the gradings for the assurance opinion and the recommendations in Appendix 1 to this report.

## Internal Audit reports providing a limited or no assurance opinion

A summary of the key issues included in audit reports finalised during the period providing a Limited or No Assurance opinion is as follows:

Audit Assignment	Key Issues
Core – Inspection Readiness	This audit identified concerns, actions for which should be implemented as soon as is practically possible in order to secure the necessary improvements to the control environment.
Limited	<p>The significant recommendations raised in this report relate to:-</p> <ul style="list-style-type: none"> <li>➤ Implementing an adaptable, overarching quality strategy and framework to support Services.</li> <li>➤ Implementing a robust process to ensure the regular updating and appropriate sharing of the statutory inspections and external accreditations schedule. As part of this share best practice and learning and promote consistency as appropriate across the Authority.</li> <li>➤ Services providing assurances that there are clearly defined responsibilities and accountabilities to ensure that effective arrangements are in place.</li> <li>➤ Ensuring a self-assessment process is in operation across all Services to assess compliance with the inspection guidance standards as well as producing a summary report showing key areas that require improvement.</li> <li>➤ Developing a manager's toolkit/ dashboard to support Services and provide a structure for preparing for, and being ready for, inspections.</li> <li>➤ Ensuring that Services regularly review and update their risk registers, incorporating risks as appropriate relating to their quality framework and inspection readiness.</li> </ul>

## Details and outcome of other Internal Audit activities concluded in the period not producing a specific assurance opinion

Audit Work Completed	Details	Contribution to Assurance
Core: Charity Accounts	Completion of Charity Commission's Independent Examiner's Report return.	The work contributes to assurance in respect of financial management.
Core: Advice	Advice provided in the following area: Business Support – Operational Procedures and Cash Management Arrangements.	The work contributes to assurance in respect of financial management, safeguarding, and performance management
Communities: Troubled Families – Quarterly validation	Grant claim validation.	The work contributes to assurance in respect of financial management.

## Other Internal Audit work undertaken

Audit Activity	Description
Follow-up of Recommendations	Regular work undertaken to follow-up recommendations made.
Attendance at Steering / Working Groups	<ul style="list-style-type: none"> <li>• Information Governance Board</li> <li>• Commissioning, Procurement &amp; Contracts Working Group</li> <li>• Housing Property Repairs &amp; Improvement Board</li> <li>• Digital Leadership Team</li> <li>• Capital Programme Oversight Board</li> <li>• SharePoint Board</li> <li>• Public Health Quality &amp; Governance Group</li> </ul>
Liaison, Planning and Feedback	Meeting and corresponding with Service and Executive Directors and Heads of Service regarding progress of audit work, future planning and general client liaison.
Audit Committee Support	Time taken in the preparation of Audit Committee reports, Audit Committee Member training, general support and development.
Corporate Whistleblowing	General time taken in providing advice and the initial consideration of matters raised. Also includes the review of arrangements.
Corporate Matters	Covering time required to meet corporate requirements, i.e. corporate document management, service business continuity and health and safety.

## Work in progress

The following table provides a summary of audits in progress at the time of producing this report:

Directorate- Audit Assignment	Audit Planning	Work in Progress	Draft Report
Core – Housing Benefits		✓	
Core – Council Tax & Non-Domestic Rates		✓	
Core – Purchase To Pay		✓	
Core – Procurement Compliance Review		✓	
Core – E-Enabled Leave			✓
Communities – IT Project/ Programme Management		✓	
People - Future Directions			✓
People – Residential Commissioning of Placements / Fostering			✓
People – Schools Management of Exclusions			✓
Place - Follow Up of Unannounced Cash Visit Audit Agreed Management Actions	✓		
Place – Home to School Transport		✓	
Place - URBACT Tech Revolution Grant Certification		✓	

## Follow-up of Internal Audit report management actions

As previously reported to members, Internal Audit is working closely with management to monitor the general position with regards the implementation of management actions and to establish the reasons behind any delays. In an effort to provide more transparency to Executive Directors on the status and progress of their management actions, Internal Audit continues to issue a detailed monthly status update. This is in addition to the quarterly performance reports currently presented to SMT.

It is pleasing to note that officers are actively engaging with Internal Audit, regarding the follow up of their agreed actions. This can be demonstrated by the improved statistics for the period under review.

The following table shows the status of internal audit management actions by Directorate due for completion during the period:

## Analysis of Agreed Management Actions Followed Up in the Period 1<sup>st</sup> November to 31st December 2018

Rec. Classification	Due for completion this period	Completed in period	Not yet completed – Revised date agreed	Not yet completed / No management response	Number not yet due	Number Followed up in period
<b>Communities</b>						
Fundamental	0	0	0	0	0	0
Significant	0	0	0	0	3	3
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>3</b>
<b>Place</b>						
Fundamental	1	0	1	0	0	1
Significant	3	1	2	0	0	3
<b>TOTAL</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>4</b>
<b>People (excl Maintained Schools)</b>						
Fundamental	0	0	0	0	0	0
Significant	0	1	0	0	1	1
<b>TOTAL</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>
<b>Maintained Schools</b>						
Fundamental	1	0	0	1	0	1
Significant	10	1	4	5	0	10
<b>TOTAL</b>	<b>11</b>	<b>1</b>	<b>4</b>	<b>6</b>	<b>0</b>	<b>11</b>
<b>Core</b>						
Fundamental	1	0	1	0	0	1
Significant	11	8	5	0	15	24
<b>TOTAL</b>	<b>12</b>	<b>8</b>	<b>6</b>	<b>0</b>	<b>15</b>	<b>27</b>
<b>Public Health</b>						
Fundamental	0	0	0	0	0	0
Significant	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OVERALL TOTAL</b>	<b>27</b>	<b>11</b>	<b>13</b>	<b>6</b>	<b>19</b>	<b>46</b>
		<b>30<sup>2</sup></b>				

<sup>2</sup> Please note that this would normally equate to number due for completion this period. However, 3 management actions that were not due received revised implementation dates. This is encouraging as it demonstrates that the progress is being actively managed.

## Internal Audit performance indicators and performance feedback for 2018/19

Internal Audit's performance against a number of indicators is summarised below.

Ref.	Indicator	Frequency of Report	Target 2018/19	This Period	Year to Date
<b>1.</b>	<b><u>Customer Perspective:</u></b>				
1.1	Percentage of questionnaires received noted "good" or "very good" relating to work concluding with an audit report.	Quarterly	95%	0	100% (1 response received)
<b>2.</b>	<b><u>Business Process Perspective:</u></b>				
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report. (1 report this period)	Quarterly	80%	100%	70%
2.2	Percentage of chargeable time against total available.	Quarterly	73%	70%	73%
2.3	Average number of days lost through sickness per FTE (Cumulative 14.8 days in total)	Quarterly	6 days	1.2 days	1.3 days <sup>3</sup>
<b>3.</b>	<b><u>Continuous Improvement Perspective:</u></b>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
<b>4.</b>	<b><u>Financial Perspective:</u></b>				
4.1	Total Internal Audit costs v budget.	Quarterly	Within Budget	Yes	Yes

Quarterly and full year performance of the function is satisfactory with the majority of performance indicators (PIs) meeting or exceeding target levels. The percentage of final audit reports being issued within 10 days is currently not meeting the target. This was due to officer availability over the summer holiday period. We expect this pick up through the remainder of the year.

<sup>3</sup> Please note that the sickness figures exclude a member of staff from the Corporate Anti-Fraud Team who is currently on long term absence.

## Performance indicator definitions and supporting information

PI Ref	Indicator	Comments
1.1	Percentage of favourable auditee questionnaire responses received (noted “good” or “very good”) relating to work concluding with an audit report.	Questionnaires are left at the end on each audit job resulting in a formal report. The questionnaire asks 14 specific questions covering the effectiveness of audit planning, communication, timing and quality of the audit report. An overall assessment is sought as to the overall value of the audit. This is the answer used for this PI. All questionnaires are analysed in detail to ensure all aspects of the audit process are monitored and improved.
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report.	This is an operational PI to ensure the timely issue of final reports. This PI is influenced by the availability of senior Internal Audit staff to clear the report and any issues the Service’s quality assessment process highlights along with the availability of the auditee.
2.2	Percentage of chargeable time against total available.	A key operational measure of the ‘productivity’ of Audit staff taking into account allowances for administration, general management, training and other absences. This PI will reflect the % chargeable time of staff in post, net of vacancies.
2.3	Average number of days lost through sickness per FTE.	A corporate PI to measure the effectiveness of good absence / attendance management.
3.1	Personal development plans for staff completed within the prescribed timetable.	IA place a high level of importance on staff training and continuous development and are committed to ensure all staff have their own training plans derived from the personal development plan process.
4.1	Total Internal Audit costs v budget.	This is a simple overall measure to note whether the Service’s expenditure for the year has been kept within the budget.



## Head of Internal Audit's Internal Control Assurance Opinion

The Head of Internal Audit and Corporate Anti-Fraud must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Based on the audits reported in the period, an overall **adequate** assurance opinion is considered to be appropriate.

A summary of our quarterly opinions for the year to date is as follows:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Assurance Opinion	Adequate	Adequate	Adequate	

Consideration of our overall opinion takes the following into account:

- results from the substantive audit assignments we have completed during the period;
- outcomes from our audit work not producing an assurance opinion;
- an assessment as to the timely implementation of internal audit report management actions.

## Fraud, Investigations and the Corporate Anti-Fraud Team

The Audit Committee receives a separate report covering the detail of fraud and irregularity investigations undertaken, the preventative work and the general activities and work plan of the Corporate Anti-Fraud Team.

## Audit Contacts

Contact	Title	Contact Details
Rob Winter	Head of Internal Audit & Corporate Anti-Fraud	Tel: 01226 773241 Mobile: 07786 525319 Email: RobWinter@barnsley.gov.uk
Louise Booth	Audit Manager	Tel: 01226 773190 Mobile: 07796 305837 Email: LouiseBooth@barnsley.gov.uk

**KEY TO INTERNAL AUDIT ASSURANCE GRADINGS AND CLASSIFICATION OF MANAGEMENT ACTIONS**

**1. Classification of Management Actions**

- Fundamental** A management action requiring immediate attention – imperative to ensuring the objectives of the system under review are met.
- Significant** A management action requiring action necessary to avoid exposure to a significant risk to the achievement of the objectives of the system under review.
- Merits Attention** A management action where action is advised to enhance control or improve operational efficiency.

**2. Assurance Opinions**

	Level	Control Adequacy	Control Application
<b>POSITIVE OPINIONS</b>	<b>Substantial Assurance</b>	Robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	<b>Adequate Assurance</b>	Sufficient framework of key controls exist that are likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
<b>NEGATIVE OPINIONS</b>	<b>Limited Assurance</b>	Risk exists of objectives not being achieved due to the absence of key controls in the system.	Significant breakdown in the application of key controls.
	<b>No Assurance</b>	Significant risk exists of objectives not being achieved due to the absence of controls in the system.	Fundamental breakdown in the application of all or most controls.

# Item 6

## Report of the Head of Internal Audit and Corporate Anti-Fraud

### AUDIT COMMITTEE – 23<sup>rd</sup> JANUARY 2019

#### CORPORATE ANTI-FRAUD TEAM PROGRESS REPORT

#### 1. Purpose of the Report

1.1 This report provides the Audit Committee with an account of the work of the Corporate Anti-Fraud Team (CAFT) from 1<sup>st</sup> April 2018 to 31<sup>st</sup> December 2018.

#### 2. Recommendations

##### 2.1 It is recommended that:-

- i. **The Audit Committee notes the progress made in the development of effective arrangements and measures to minimise the risk of fraud and corruption.**
- ii. **The Audit Committee continues to receive regular progress reports on internal and external fraud investigated by the Corporate Anti-Fraud Team.**

#### 3. Background Information

3.1 The Audit Committee received details of progress in the Annual Fraud Report presented at the June meeting. This progress report highlights the work undertaken in respect of fraud management and investigations during the first nine months of 2018/2019.

3.2 Details of completed cases will be provided to the Audit Committee where appropriate.

#### 4. Council Tax Support (CTS) Investigations

4.1 The levels of CTS fraud identified nationally continue to be relatively low. CAFT have identified four fraudulent council tax support claims totalling £4,213.32 since April 2018.

4.2 A summary of the Council Tax Support workload of CAFT for the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> December 2018 is shown below.

<b>Referrals</b>	<b>61</b>
Overpayment less than £500	0
Overpayment greater than £500	4
Case closed with a SPD saving however a Council Tax support investigation	2
Referrals not pursued	49
Current investigations	6

4.3 A summary of referrals not pursued for investigation is shown in the table below.

<b>Details</b>	<b>Numbers</b>
Closed no effect to entitlement	3
Poor intelligence – not enough evidence to pursue	7
Referred to DWP for investigation	28
Referred to another Council Department	1
Referred to National Crime Agency	1
No evidence of fraud	23
<b>Total</b>	<b>49</b>

The majority of allegations of irregularity received from members of the public are referred to the DWP for consideration and investigation. CAFT have no responsibility for these investigations and does not receive any feedback on the quality of the referrals received from the public or the outcome.

4.4 CAFT has accepted six referrals for further follow-up and the outcomes of these investigations will be reported to the Audit Committee in due course.

## 5. Council Tax

5.1 CAFT has identified twenty fraudulent council tax liability claims totalling £10,437.37 since April 2018.

5.2 A summary of the Council Tax workload of CAFT for the period 1 April 2018 to 31<sup>st</sup> December 2018 is shown in the table below.

Total Referrals	155
Overpayment only	20
Referrals not pursued	131
Current investigations	4

5.3 A summary of referrals not pursued for investigation is shown in the table below.

<b>Details</b>	<b>Numbers</b>
Poor intelligence – not enough evidence to pursue	16
No discount present	4
No evidence of fraud	92
Recent Change in Circumstances - referred to BTI* as not economical to pursue	19
<b>Total</b>	<b>131</b>

\* BTI – Benefits, Taxation and Income Section within Finance

## 6 Right to Buy (RTB)

6.1 CAFT has continued to support the Right to Buy Team by applying an enhanced fraud prevention process to all new applications.

6.2 CAFT has undertaken checks against 124 RTB applications between 1<sup>st</sup> April and 31<sup>st</sup> December 2018.

- 6.3 Three of these applications have been referred to the DWP for further investigation due to the tenant being in receipt of DWP benefits.

## **7 Insurance Checks**

- 7.1 CAFT has provided preliminary anti-fraud background checks on receipt of insurance claims. 63 claims have been checked out from 1<sup>st</sup> April 2018 to 31<sup>st</sup> December 2018.
- 7.2 From the 63 checks, 8 cases have been highlighted for further investigation BMBC Insurance team, and are currently awaiting an outcome. The types of checks CAFT undertake are to assist the Insurance team in verification of residency and household compositions and to ensure there are no irregularities that may require further investigative checks. The types of anomalies may involve council discounts or benefit irregularities. In relation to personal injury cases any findings are put on the file to the insurance to pass to the underwriters for consideration.
- 7.3 An example of a pending results case involved a Road Traffic collision where the claimant suffered life changing injuries. The claimant submitted a claim form stating that the road junction had been altered; there was insufficient signage to inform road users that the road was poorly lit. He was therefore claiming that the Council had been negligent. CAFT enquiries with SY Police about this matter revealed that the claimant had been travelling at excessive speeds at the junction, and it was this that had caused the accident. SY Police indicated they are seeking CPS approval to charge the defendant for dangerous driving.
- 7.4 Another case resulted in a successful dismissal at court following a trip / pot hole personal injury claim. CAFT provided additional checks for the insurance team in relation to employment leave/sickness for the claimant. When the case went to court the judge doubted the claimant's claims and the case was dismissed.

## **8. Corporate Investigations**

- 8.1 Corporate investigations are defined as fraud cases which relate to employee fraud or other third party fraud which does not fall within a specific service area such as council tax or tenancy fraud.
- 8.2 CAFT continues to provide advice to managers undertaking management investigations.
- 8.3 In total, CAFT have provided support to management in 9 cases over the period. 4 cases are awaiting further information, 2 cases were closed and have been referred to their respective departments for examination but no fraud was present and 3 have resulted in the employee receiving a written warning.

## **9. National Fraud Initiative (NFI)**

- 9.1 The data-matches relating to 2016-2017 exercise have been assessed and investigated. Data filters, recommended and supplied by the Cabinet Office, have been used to sort the matches based on the quality of the data in the match. There is no requirement for the Authority to review 100% of the matches, as long as an effective system of sampling is used to manage the risk of identifying fraud and errors.

9.2 The total monetary value of the fraud and error identified as at the end of December 2018 amounts to £272,081.74.

9.3 A breakdown for this period is shown below:

<b>Subject</b>	<b>Monetary Value</b>	<b>Number of Cases</b>	<b>Recovery Action</b>
Private Residential Care Homes	£96,382.28	22	Amount has been recovered from future payments
Personal Budgets	£2,168.76	1	Amount has been recovered from future payments
Housing Benefit related	£19,351.07	9	Recovery of amount ongoing
Duplicate creditor payments	£152,041.98	29	Twenty seven of the duplicates have been recovered from future payments. 2 invoices were raised to the relevant creditors and these have since been paid.
Council Tax Reduction Scheme	£2,137.65	1	Overpaid CTS added back to Council Tax balance and recovered from claimant.
<b>Total Overpayments</b>	<b>£272,081.74</b>		

9.4 Both the issues relating to private residential care homes and personal budgets arose where matches highlighted that a resident/personal budget recipient had died, unknown to the Council. Recovery of the overpayments in respect of residential care has been made from future payments to the relevant care homes.

9.5 The original residential care home datamatches (200 matches) received in January 2017 identified 5 overpayments totalling £24,688.25. In view of the size of these overpayments a further data-match exercise, specifically matching residential care home residents to DWP deceased data, was carried out in July 2017. This additional exercise provided a further 65 data-matches for follow-up and 5 of these matches identified overpayments totalling £14,121.33. The same exercise was undertaken again in February and July 2018. The February exercise identified 24 data matches, of these, 6 overpayments were identified totalling £33,531.18. The July exercise identified 41 data matches from which 6 overpayments totalling £24,041.52 were detected. The overpayments related to different care homes and the delay in notification to BMBC appears to be due to the relevant care home informing their Head Office of the death who then advises the Council that payment should cease. New residential care home data match reports will be available in early 2019 as part of the mandatory 2018/19 exercise, however, it is the intention of the CAFT to undertake further checks using the re-check facility at 6 monthly intervals. As a result of this

exercise and liaison between CAFT and the Service, the payment process is being revised to minimise the risk of payments where the service user is deceased.

- 9.6 A number of duplicate creditor payments have been identified and have been recovered from ongoing payments to the creditors in question. Since October 2017 the Commercial Services Team have been utilising Duplicate Matches Software, and have found that, for many of the matches, (which have not been included in the figures above) the error was already identified and rectified prior to the data-match reports being received. The cases referred to at paragraph 8.3 were residual cases identified prior to the introduction of this software. It should be noted that these duplicate payments were not as a result of fraud.
- 9.7 Matches relating to the Council Tax and Electoral Register data, highlighting potential discrepancies in Single Person Discounts awarded on Council Tax, were released in January 2018. These reports were not interrogated as the Council Tax Team had undertaken their own Single Person Discount review with Experian prior to the reports being released; therefore it was felt to be a duplication of duties at that point. New data match reports will be released in January 2019. These will be prioritised by the CAFT.

#### Comparison of Current NFI Results to Previous Exercises

- 9.8 The NFI is a biennial data matching exercise that all UK local authorities are required to participate in. The aim of the exercise is to identify possible cases of fraud and error within public bodies, e.g. local authorities, central government, the NHS. The Council has routinely participated in this initiative from its inception in 1996/97.
- 9.9 Prior to April 2015 Internal Audit co-ordinated the Council's involvement in the exercise with the investigation of data-matches being undertaken by the relevant departments. The Corporate Anti-Fraud Team has been solely responsible for filtering and investigating data matches since the 2014/15 exercise.
- 9.10 An analysis of NFI outcomes for the four exercises covering the period 2010/11 to 2016/17 are shown below:

<b>Subject</b>	<b>2010/2011</b>	<b>2012/2013</b>	<b>2014/2015</b>	<b>2016/2017 (as at end of Dec 18)</b>
Housing Benefit	£48,038.00	£4,098.00	£1,570.91 (majority ref to DWP)	£19,351.07 (majority ref to DWP)
Payroll	Nil	£808.00	Nil	Nil
Private Care Home Residents	Nil	Nil	Nil	£96,382.28
Duplicate Creditors	£532.00	Nil	£129,748.02	£152,041.98
CT Single Person Discount	£43,584.00	Nil	Not completed due to Datatank SPD exercise	Not completed due to Datatank and Experian SPD exercises
Personal Budgets	N/A	N/A	£5,247.32	£2,168.76
Council Tax Reduction Scheme	N/A	N/A	N/A	£2,137.65
<b>Total</b>	<b>£92,154.00</b>	<b>£4,906.00</b>	<b>£136,986.25</b>	<b>£272,081.74</b>

- 9.11 The value of housing benefit fraud and error has reduced significantly due to the investigation of all alleged housing benefit and welfare benefit fraud being undertaken by the DWP's Single Fraud Investigation Service. Subsequently, whilst Corporate Anti-Fraud Team Officers carry out a preliminary check to these data-matches, all matches identified as a possible fraud are now referred to the DWP.
- 9.12 Checks to data-matches in respect of private residential care home residents to DWP deceased records did not identify any overpayments prior to the 2016/17 exercise which identified in excess of £96K (para 8.5 above).
- 9.13 Investigations in respect of duplicate creditor payments only identified minor values prior to the 2014/15 exercise which identified 29 duplicate payments totalling £129K. The current NFI exercise has also identified 29 duplicate payments which total £152,041.98. Whilst the majority of these payments have been recovered from future payments 2 invoices were issued in respect of two of the payments. These have subsequently been paid. As stated above the Commercial Services Team in Finance implemented specific software in October 2017 to identify potential duplicate payments and therefore prevent them at source.
- 9.14 A pro-active data matching exercise to identify council tax payers fraudulently claiming a single person discount (SPD) commenced in October 2015 and continued throughout 2016. This exercise has now been completed and resulted in an additional £321,947 Council Tax income being raised across the identified Council Tax accounts. The Benefits, Taxation and Income Department also carried out their own SPD review. In view of this, an investigation of the 2016 NFI data matches was not completed in order to avoid duplication (as per paragraph 8.7 above).
- 9.15 Mandatory personal budget data-matching was introduced in 2014/15 and identified minor overpayments due to the personal budget recipient not declaring changes in income.
- 9.16 The Council Tax Reduction Scheme has been in place since April 2013. This discount was included as an NFI data set in the 2016/17 exercise. One Council Tax Support overpayment was identified where the elderly claimant had failed to declare the private pensions she received for herself and her deceased husband. The customer's entitlement was re-calculated and her Council Tax balance increased accordingly. The overpayment has been paid in full. It was not considered in the public interest to pursue this case further.

## **10. Tenancy Fraud**

- 10.1 CAFT continues to provide an investigative support service to Berneslai Homes to identify potential fraudulent tenancies. This support has enabled Berneslai Homes to disallow prospective tenants that have given false information on their applications onto the housing register, and have housing stock returned to Berneslai Homes. CAFT investigations also help to prevent attempts to succeed tenancies.
- 10.2 A summary of alleged tenancy fraud referrals received for investigation during the period April to December 2018 is shown in the table below. The total amount of cases has over doubled from this time last year.



Details of tenancy fraud	Closed investigated – no fraud established	Fraud established	Pending B/home decision or awaiting further information	Total No.
Housing Application fraud	10	2	2	14
Not Occupying property	8	1	1	10
Parting with possession	2		1	3
Fraudulent attempt to succeed tenancy	3		3	6
Sub-letting	2		4	6
<b>Total</b>				<b>39</b>

10.3 In addition to the cases detailed within the table above, we have a further 3 ongoing complex cases that were opened as early as 2016, and due to legal interventions and technical issues with these cases they have yet to be concluded.

10.4 Investigations by CAFT resulted in a case awaiting court action to seek possession of a property, and another case concerning a false housing application resulted in the applicant being excluded from our housing list for lying about her circumstances.

## 11. Fraud Awareness

11.1 Between 17th and 21st September 2018 we held our first ever Fraud Awareness Week with the slogan; Fraud: Spot it, Stop it – to help prevent fraud against the council and underline our zero tolerance to it.

11.2 The week was instigated and co-ordinated by CAFT and actively involved the following teams;

- Corporate Procurement Team
- Blue Badge Team
- Berneslai Homes
- Licensing
- Trading Standards

11.3 Various activities were undertaken during the week;

- Themed “Fraud Stories” were posted on the opening page of the intranet from Monday to Friday.
- Inspections were undertaken by Berneslai Homes on a random selection of properties where there had been no repairs and no routine inspections during the last 3 years.
- Inspection of home to school transport providers at Springwell School was undertaken by the Licensing Team. Mechanics from Smithies were on hand to test vehicles’ roadworthiness and licensing staff checked licence plates and Drivers’ badges for validity. 31 vehicles and drivers were inspected resulting in 5 vehicles being suspended, 4 for inoperative lights and 1 for a tyre below the legal limit. In addition, 2 drivers received written warnings for failing to complete their daily vehicle checks.

An interview was also given on BBC Radio Sheffield about the Fraud Awareness Week.

- 11.4 A "Fraud Stall" was taken for 2 days on Barnsley Market. This was staffed by members of the CAFT Team who were accompanied at various points by staff from the Berneslai Homes, Trading Standards and Licensing teams.
- Posters highlighting Blue Badge and Tenancy Fraud as well as Trading Standards and Tobacco enforcement issues were on display.
  - Counterfeit products such as fake vodka, bags, trainers and Yankee candles were on display. These drew people to the stall, especially the Fake Beans which earned us the "Tweet of the Week" in the Barnsley Chronicle.
  - Fraud against the council, such as fraudulent Council Tax discount and exemption claims and Tenancy Fraud and was highlighted to members of the public attending the stall and business cards displaying CAFT's contact details were distributed to them.
- 11.5 Over the 2 days we had 146 members of the public take an active interest in the stall. The feedback from these people and surrounding stall holders was extremely positive. Cllr Ken Richardson and the Chief Executive visited the Stall and their photo accompanied the Tweet of the week article.
- 11.6 As a result of the Fraud Awareness week other teams have become more aware of the existence of the CAFT. The Council has seen an increase in Blue Badge abuse referrals. These are generally high quality referrals and we reviewing internal procedures to be able to pursue these further, potentially prosecuting under the Road Traffic Act where necessary and thereby deterring other members of the public from doing the same. This links in with the comments Cllr. Miller made reported in the Barnsley Chronicle in which he pledges to tackle Blue Badge Fraud.
- 11.7 We are in the process of creating a Fraud Internet Page utilising the artwork and poster designs from the Fraud Awareness Week. This will provide anyone with concerns that fraud may be being committed to navigate quickly to the relevant department for more information or to make a referral.
- 11.8 We plan to undertake another Fraud Awareness Week, potentially involving additional teams within the Council.

#### Anti-Bribery POD Training Course

- 11.9 An anti-bribery training course aimed at all staff has been drafted by CAFT. This is being fine-tuned, with the course being available prior to April 2019. This will be included in the induction process for new starters.
- 11.10 The module provides an overview of The Bribery Act 2010 and explains how it affects both employees and the Council as a whole. It also covers how to report acts of bribery should someone have suspicions that an instance may have occurred.

#### Whistleblowing POD Training Course

- 11.11 A Whistleblowing POD Training Course is currently being created to help staff understand what whistleblowing is, how to raise concerns, and how whistleblowing complaints are handled. The course should be available prior to April 2019 and will also be included in the induction process for new starters.

## **12. External Clients**

- 12.1 Whilst the primary focus for the CAFT is the Council, the team also offers a counter fraud service to Internal Audit's external clients. This external work is only undertaken where it is considered to be in the best interests of both the external client and the Council in respect of competing priorities and resources.

## **13. Financial Implications**

- 13.1 Whilst there are no direct financial implications arising from this report there are inherent financial issues concerning anti-fraud and corruption. An increase in controls may have cost implications, both in terms of additional checks, potentially slowing down service delivery, and computer system changes. Those costs have to be balanced against the risk of loss, whether because of fraud or general inefficiency. Any cost implications arising from the need to introduce additional controls and mitigations will be discussed with management. The emphasis at all times will be to improve controls without increasing costs or jeopardising efficient and compliant service delivery.

## **14. Risk Considerations**

- 14.1 Somewhat obviously, the process prompted by this work is focussed entirely on the effective assessment of fraud risk.
- 14.2 The loss of assets and resources as a result of fraud is included within the Strategic Risk Register.

**Contact Officer:** Head of Internal Audit and Corporate Anti-Fraud  
**Telephone:** 01226 773241  
**Date:** 11<sup>th</sup> January 2019

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# Item 7

## Report of the Executive Director – Core Services

**AUDIT COMMITTEE – 23<sup>rd</sup> JANUARY 2019**

### **CORPORATE WHISTLEBLOWING POLICY – ANNUAL REPORT**

#### **1. Purpose of the Report**

- 1.1 This annual report presents the Audit Committee with a review of the activities and current issues regarding the Council's Corporate Whistleblowing Policy and supporting procedures.

#### **2. Recommendation**

- 2.1 It is recommended that the Audit Committee consider the report and the assurances it provides and commits to supporting the Council's overall counter fraud culture and the work of the Corporate Anti-Fraud Team.**

#### **3. Background**

- 3.1 The Council has had a Corporate Whistleblowing Policy since 2000. It has undergone a number of reviews and revisions to ensure it remains fit for purpose and meets best practice and guidance as may have emerged and changed over the years.
- 3.2 The last revision/refresh was undertaken in 2014 and considered by the Audit Committee in March 2015.
- 3.3 Whilst often in the news, the general area of 'whistleblowing' or confidential reporting is not one that is subject to major or regular changes. Any possible changes to the Policy or supporting arrangements are considered by the Corporate Whistleblowing Officers, with support from the Corporate Anti-Fraud Team on an annual basis.
- 3.4 It is timely however to undertake a more fundamental review of the Policy alongside the wider review of other ethical framework policies like the Employee Code of Conduct and the procedures for investigations. There are also a number of areas within the Policy where the job titles of officers require updating following restructures within the Council and changes to the Council's external auditors etc.
- 3.5 The specific whistleblowing arrangements are of course just one vehicle for concerns to be raised. The degree and extent of the use of the whistleblowing procedures is therefore not considered significant. What is important of course is ensuring there are a number of clear and understood routes for raising

concerns and that there are suitable resources and arrangements in place to ensure appropriate investigations are undertaken.

- 3.6 The wider review of other related policies and procedures will ensure that there is consistency across all related documents following a process of consultation and stakeholder input. The Audit Committee will be updated as this review progresses.

#### **4. Whistleblowing Activity**

- 4.1 As referred to above the whistleblowing arrangements are part of a wider framework of how employees, particularly can raise concerns. However, specifically in relation to the use of the whistleblowing arrangements, during 2017/18 and 2018/19 thus far there have been 6 instances of contact.
- 4.2 A brief analysis of those is that 2 remain subject to live investigations. Three were investigated but insufficient evidence could be obtained and therefore these matters were closed. One was investigated and remedial action was taken. This did not involve the conduct of a specific employee. Of the 6 referrals, 2 were made anonymously, one of which was not proven, the other being one of the live cases.
- 4.3 Whilst this level of activity may be regarded as low, it is difficult to speculate what would be an appropriate figure. There are several ways to judge the volume of referrals through this process; a low number could indicate on the one hand there are only a few instances of irregularity or concern that are being identified or that the process is not trusted. A higher number could indicate a higher level of trust with the process but an indication that there are more instances of irregularity occurring.
- 4.4 As part of the review of this and the other policies, Internal Audit is planning work in the new audit year around *culture* and testing the extent to which these policies are known about within the Council and particularly if they are trusted.
- 4.5 The approval of this and the other revised policies and procedures will be supported by a launch, a focus on raising awareness and ensuring easy access to guidance and advice. This also forms part of the work of the Corporate Anti-Fraud Team for 2019/20 in a further Fraud Awareness Week and the general emphasis on fraud prevention and deterrence.

#### **5. Risk Management Considerations**

- 5.1 Having effective arrangements for whistleblowing is a key element to any organisation's attempts to minimise the risk and incidence of fraud, corruption and other wrongdoing. Whilst fraud risk cannot be reduced to nil, having good

policies and procedures supported by proactive awareness and regular reviews can contribute considerably to minimising this risk.

- 5.2 Fraud and corruption risks feature within the Strategic Risk Register (SRR) and as such are recognised as an Authority-wide threat.

## **6. Financial Implications**

- 6.1 There are no financial implications arising directly from this report. The very modest annual costs associated with publicity materials, the telephone 'hotlines' and dedicated P.O. box number are met within the Internal Audit budget.

- 6.2 There are however indeterminate but potentially significant financial implications arising from whistleblowing in terms of the issues raised and their specific consequences.

## **7. Employee Implications**

- 7.1 As with the financial implications, there are no employee implications arising directly from this report.

- 7.2 There are of course major implications for employees, elected and co-opted members and all those likely to utilise the Policy and arrangements in fulfilling their duty to report concerns. In raising a concern in the public interest through this Policy, or in the other ways identified in the Policy, employees are afforded employment protection provided by the Public Interest Disclosure Act. Those individuals who become the subject of concerns raised will be themselves subject to the normal procedures around investigations and any subsequent disciplinary procedures.

## **8. Background Papers**

Whistleblowing Policy and supporting guidance.

Contact Officers: Executive Director – Core Services and the Head of Internal Audit and Corporate Ant-Fraud as the Council's designated Corporate Whistleblowing Officers.

Telephone: 01226 773001 / 01226 773241

Date: 10<sup>th</sup> January 2019

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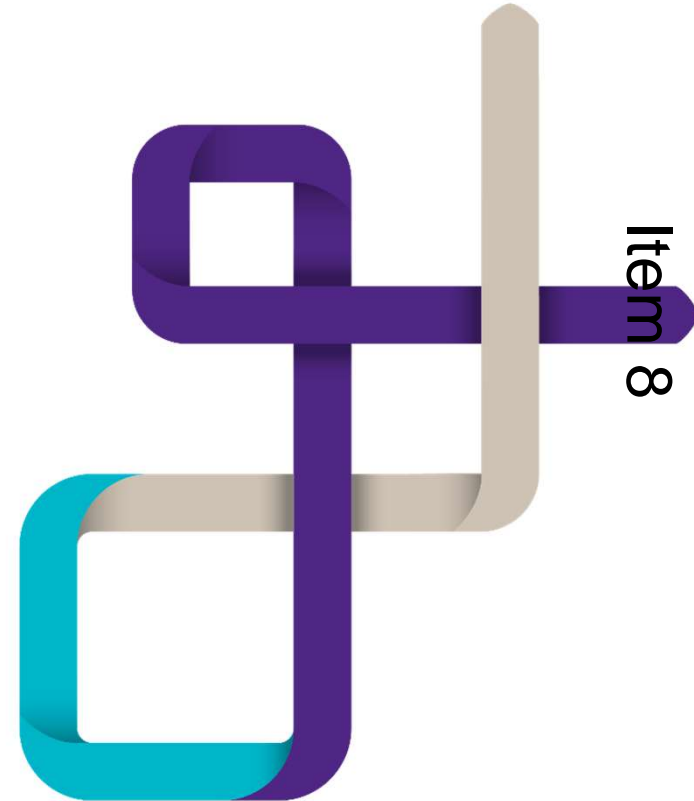


# External Audit Plan

*Year ending 31 March 2019*

arnsley Metropolitan Borough Council  
) January 2019

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Barnsley Metropolitan Borough Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Council and group's financial statements have been prepared by management with the oversight of those charged with governance - the Audit committee
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

<b>Group Accounts</b>	The Council is required to prepare group financial statements that consolidate the financial information of Berneslai Homes Limited.
<b>Significant risks</b>	<p>Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:</p> <ul style="list-style-type: none"> <li>• Management override of control</li> <li>• Valuation of the pension fund liability</li> <li>• Valuation of land and buildings</li> </ul> <p>We will communicate significant findings on these three areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.</p>
<b>Materiality</b>	We have determined planning materiality to be £10m for the group (PY: £12m) and £9.9m for the Council's single entity statements, which equates to 1.8% of gross expenditure on your cost of services in the prior year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. The clearly trivial reporting threshold has been set at £500,000 (PY: £600,000).
<b>Value for Money arrangements</b>	<p>Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:</p> <ul style="list-style-type: none"> <li>• <b>Financial standing</b> – the Council as with other local authorities, continues to operate under significant financial pressures. For 2018-19, the Council is projecting to deliver an underspend of £2.76m by the end of 2018-19 which will help to support future objectives. In order to achieve this, the Council needs to deliver savings of some £4.4m whilst managing cost pressures within Children's Services and Adult Social Care at a time of reduced funding</li> <li>• <b>Glass Works development</b> – this scheme is one of the largest projects ever undertaken by the Council. The project represents a significant financial investment across its two development phases with an estimated total construction cost of £178m. Given the significance of the development to the Council's regeneration objectives and financial commitments, the governance and risk management arrangements in relation to the development will be a key area of focus for our VFM review.</li> </ul>
<b>Audit logistics</b>	Our interim visit will take place in February and our final accounts audit visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our fee for the audit will be £104,718 (PY: £135,998), subject to the Council meeting our requirements set out on page 13.
<b>Independence</b>	We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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## 2. Key matters impacting our audit

### External factors

#### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures, reduced central government grants and increased demand from residents. The economic uncertainty is further increased by Brexit. Britain leaving the European Union with no deal may impact national and local economies.

In order to support future objectives, the Council is projecting an operational underspend of £2.76m by the end of 2018-19. The forecasted outturn underspend position includes achieving the Council's 2018-19 savings plan of £4.4m, which is currently forecasted to be delivered in full.

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The Council, as with other local authorities, continues to operate under significant financial pressures. The Medium Term Financial Strategy highlights further deficiencies of £5.8m (2019-20) and £15.3m (2020-21) in order to balance the budget in the coming years.

#### Changes to the CIPFA 2018-19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

### Internal and other factors

#### New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018-19 audit.

It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Council into our risk assessment and testing approach.

#### Glass Works development

The Glass Works scheme is one of the most significant projects undertaken by the Council in recent history.

The development has two phases with an estimated capital cost of £178.1m. In addition, there are associated revenue running costs of £11.4m over three years up to 2020-21.

Phase 1 mainly includes demolition of offices, a new library and provision of a new public town square.

Phase 2 includes a new leisure and retail construction, including a cinema complex, construction of a multi-storey car park, extension to the Metropolitan Centre and a new road to the complex.

The Council has provisionally approved, subject to contract, the total cost of the development and it is to be funded via use of reserves (which have been built up to contribute to the scheme) and additional borrowing.

### Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion
- We will consider whether your financial position leads to material uncertainty about the going concern of the group and will review related disclosures in the financial statements
- We will continue to meet with senior management and consider the Council's financial position and delivery of the savings programme.

- We will keep you informed of changes to the financial reporting requirements for 2018-19 through on-going discussions and invitations for your finance team to our technical update workshops
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the CIPFA Code.

- You will see changes in the terminology we use in our reports that will align more closely with the ISAs
- We will ensure that our resources and testing are best directed to address your risks in an effective way. A summary of our audit approach is included at Appendix A.

- As part of our Value for Money arrangements work we will consider the Council's arrangements in place in relation to Glass Works project specifically considering the governance and risk management arrangements in relation to the scheme
- We will continue to meet with senior management and Internal Audit in relation to Glass Works to obtain the latest information on the progress, cost and governance of the development. We will consider any financial reporting and Prudential Framework implications arising from the Glass Works scheme.

### 3. Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
<b>Barnsley Metropolitan Borough Council (BMBC)</b>	Yes	Full audit of the BMBC accounts as the significant component within the group.	<ul style="list-style-type: none"> <li>Please refer to the significant risks identified in section 4 of this Plan on pages 6 to 8.</li> </ul>	Full statutory audit of the single entity BMBC accounts to be performed by the Grant Thornton group audit engagement team, to be concluded by 31 July 2019.
<b>Barneslai Homes Limited (BHL)</b>	No	Audit of the specific area of the BHL net pension fund liability and related disclosures. This relates to the significant risk of material misstatement at the group financial statements level.	<ul style="list-style-type: none"> <li>Please refer to the significant risk identified in section 4 of this Plan on page 7.</li> </ul>	<p>Audit of the specific area of the BHL net pension fund liability and related disclosures.</p> <p>This will be performed by Grant Thornton group audit engagement team, to be concluded by 31 July 2019.</p>

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#### Key changes within the group:

This is our first year as external auditors to the group and Council.

We will continue to discuss the group structure and components with management. At the time of this Audit Plan, we can confirm that these are the only components within the group that form part of the group consolidation process. We have requested a paper from management assessing other entities with which the Council has an interest in, to consider whether there are any other components which would be required to form part of the group.

If there are any changes to this current group audit scoping structure, we will update you in due course.

## 4. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The revenue cycle includes fraudulent transactions</b>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA (UK) 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Barnsley MBC, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for the Council.</p>	<p>As we do not consider this to be a significant risk for the Council, we will not be undertaking any specific work in this area other than our normal audit procedures, including validating total revenues to council tax, non domestic rates and central government grants income.</p>
<b>Management over-ride of controls</b>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council continues to face financial pressures and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Valuation of the pension fund net liability</b></p>	<p>The group's pension fund net liability, as reflected in the group balance sheet as the retirement benefit obligations, represents a significant estimate in the financial statements and group accounts.</p> <p>The group's pension fund net liability is considered a significant estimate due to the size of the numbers involved (PY: £400m in the group balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The £400m net liability is derived from both the Council's single entity liability of £376m and BHL liability of £24m.</p> <p>We therefore identified valuation of the group and Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the group's pension fund net liability is not materially misstated and evaluate the design of the associated controls</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the group's pension fund valuation</li> <li>• assess the accuracy and completeness of the information provided by BMBC and BHL to the actuary to estimate the liabilities</li> <li>• test the consistency of the pension fund assets and liabilities and disclosures in the notes to the core financial statements with the actuarial reports from the actuary</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report</li> <li>• obtain assurances from the auditor of South Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

# Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Valuation of land and buildings</b></p>	<p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £885m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, the Council needs to ensure the carrying value of land and buildings in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• discuss with the valuer the basis on which the valuation was carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• test revaluations made during the year to see if they had been input correctly into the Council's asset register</li> <li>• consider how management have confirmed assets valued at 1 April 2018 have not significantly changed in value by the year end, 31 March 2019</li> <li>• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end</li> <li>• review the Council's PFI schemes to consider the appropriateness of the accounting entries</li> <li>• consider management's assessment of property values in the light of Britain leaving the European Union on 29 March 2019.</li> </ul>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA260) Report in July 2019.



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## 5. Other matters

### Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Council
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2018-19 financial statements, consider and decide upon any objections received in relation to the 2018-19 financial statements
  - issuing of a report in the public interest or written recommendations to the Council under section 24 of the Act, copied to the Secretary of State
  - applying to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act
  - issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

### Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

### Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the group's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

# 6. Materiality

## The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the cost of services of the group and Council for the previous financial year (2017-18). In the prior year a similar benchmark was used. Materiality at the planning stage of our audit is £10m (PY: £12m) for the group and £9.9m for the single entity Council accounts, which equates to 1.8% of your 2017-18 gross expenditure of cost of services.

design our procedures to detect errors in specific accounts balances or disclosures at a er level of precision. The senior officer remuneration disclosure in the financial tements has been identified as an area requiring lower level of materiality of £5,000, due he sensitive nature of the disclosure.

we will reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

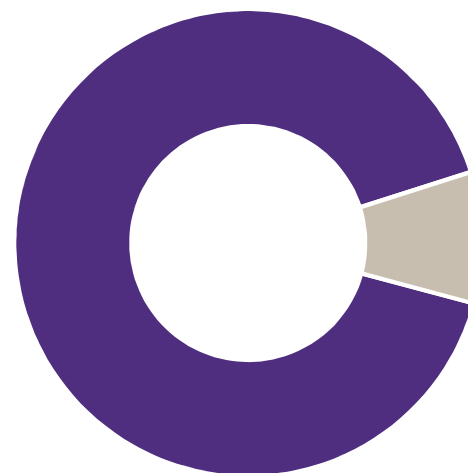
## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £500,000 (PY: £600,000).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

## Gross expenditure of cost of services

£557million group  
£561 million Authority



- Prior year gross operating costs
- Materiality

## Materiality



Group financial statements materiality £10m (PY: £12m)

Council financial statements materiality £9.9m

£500,000 Misstatements reported to the Audit Committee (PY: £600,000)

# 7. Value for Money arrangements

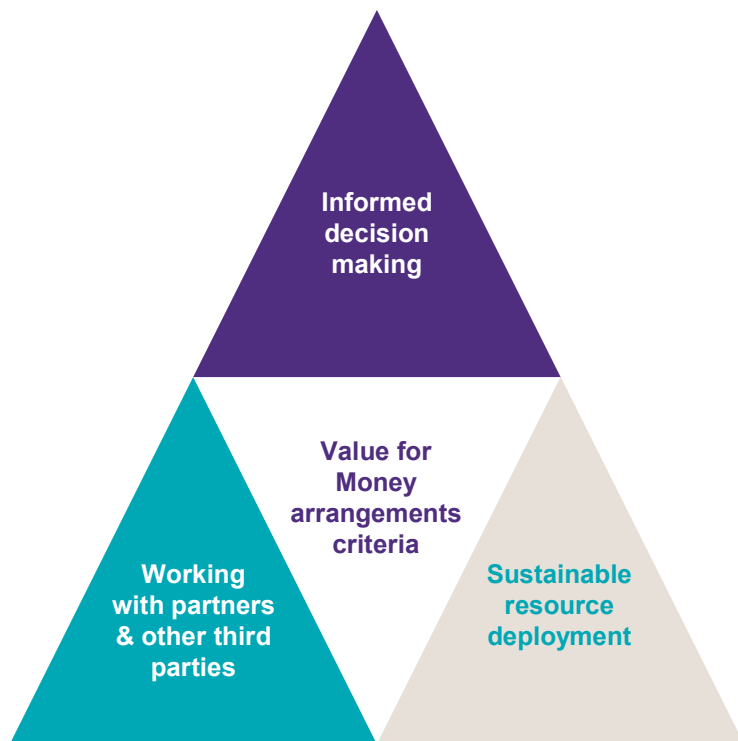
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



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## Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



### Financial standing – delivery of 2018-19 budget and savings plan and achievement of Medium Term Financial Strategy (MTFS)

The Council, in line with other local authorities, continues to operate under significant financial pressures.

For 2018-19, the Council is planning to deliver a balanced outturn position but to achieve this, needs to deliver savings of some £4.4m whilst managing cost pressures within Children’s Social Care and Safeguarding and Adult Social Care and Health at a time of reduced funding. The Council’s latest financial projections indicate it is expecting to deliver an underspend of £2.76m by 31 March 2019.

We will continue to monitor the Authority’s financial position through regular meetings with senior management and consider how the Authority manages its budget. We will continue to assess progress in the identification and delivery of the future savings required as identified in the current iteration of the MTFS (of some £5.8m 2019-20 and £15.3m 2020-21).



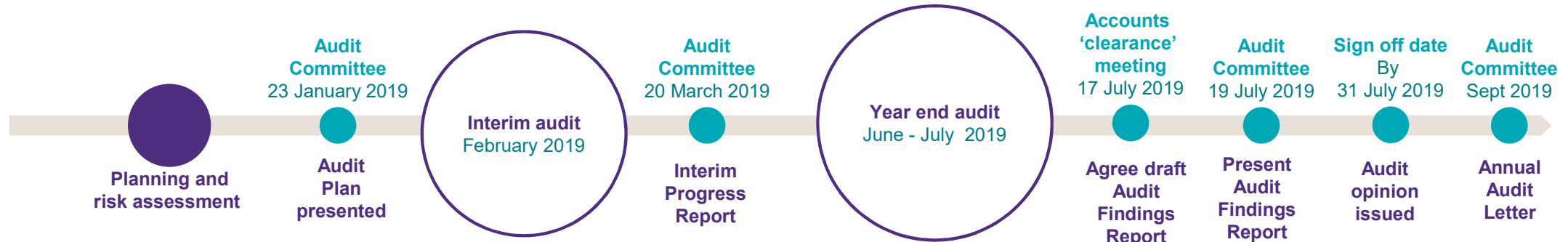
### Glass Works development

The Glass Works scheme is one of the most significant projects undertaken by the Council in recent history. The development has two phases with an estimated capital cost of £178.1m, with associated revenue running costs of £11.4m over three years up to 2020-21.

As part of our Value for Money arrangements work we will consider the Council’s arrangements in place in relation to Glass Works project specifically considering the governance and risk management arrangements in relation to the scheme

We will continue to meet with senior management and Internal Audit in relation to Glass Works to obtain the latest information on the progress, cost and governance of the development. We will consider any financial reporting and Prudential Framework implications arising from the Glass Works scheme.

# 8. Audit logistics, team & fees



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### Gareth Mills, Engagement Lead

Gareth leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring the highest professional standards are maintained and a commitment to add value to the Council.

### Thilina De Zoysa, Engagement Manager

Thilina plans, manages and leads the delivery of the audit. He is the first point of contact for your finance team for discussing any emerging issues.

### Jack Walsh, Engagement In-charge

Jack's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively, efficiently and supervises and co-ordinates the on site audit team.

### Audit fees

The planned audit fees are £104,718 (PY: £135,998) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA. In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

### Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any proposed fee variations will need to be approved by PSAA.

# 9. Early close

## Meeting the 31 July audit timeframe

The statutory date for publication of audited local government accounts last year was brought forward to 31 July 2018, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible

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seeking further efficiencies in the way we carry out our audits

working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, working together with the Council, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

## Regular liaison

We consider it important to meet on a regular basis to understand the Council's plans and developments, as well as any emerging issues which may impact on the financial statements and our audit work. To this end we have held a number of meetings with senior officers at the Council since July 2018.

As part of our liaison meetings, we have already discussed the working paper requirements with your key finance managers. We will continue to hold regular liaison meetings throughout 2019 to support the delivery of a smooth and efficient audit process.

## Client and audit responsibilities

To meet the earlier timetable, we will work together with you so that you are able to:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we will share with you
- ensure that agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

We will also ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

# 10. Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 set out supplementary guidance on ethical requirements for auditors of local public bodies. and PSAA's Terms of Appointment which

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

following other service was identified.

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Service	£	Threats	Safeguards
<b>Audit related:</b>			
Housing Benefit Certification	16,400 or 7,800	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £16,400 (on the basis that we complete the HB workbooks) or £7,800 (on the basis the Council completes the HB workbooks) in comparison to the total fee for the audit of £104,718 and in particular relative to Grant Thornton UK LLP's turnover overall.  Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

## Non-Audit related:

None

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings (ISA260) report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

We have not provided any other services to the Council in 2017-18 prior to our appointment as external auditors to the Council.

# Appendix A: Audit approach

## Use of audit, data interrogation and analytics software

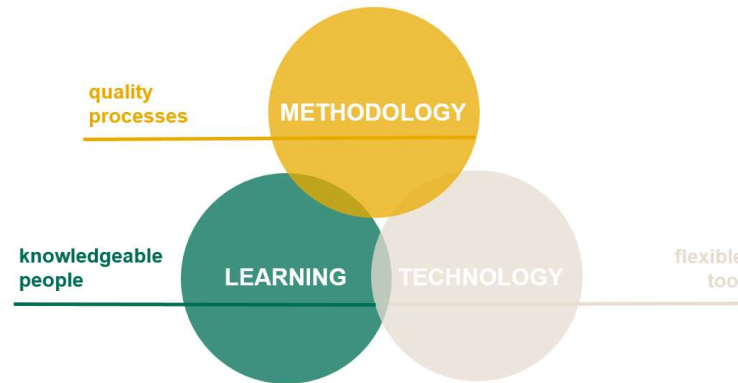
### LEAP



#### Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses

A cloud-based industry-leading audit tool developed in partnership with Microsoft



### Info



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



#### REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



#### ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



#### VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



#### INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



#### FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



#### INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons

### IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

### Appian



#### Business process management

- Clear timeline for account review:
  - disclosure dealing
  - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on



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**Private & confidential**

Neil Copley  
Service Director Finance  
Barnsley MBC  
PO Box 14  
Barnsley  
S70 2AQ

Our ref

Contact Matthew Moore

7 January 2019

Dear Neil

**Barnsley Metropolitan Borough Council - Certification of claims and returns - annual report 2017/18**

Public Sector Audit Appointments requires its external auditors to prepare an annual report on the claims and returns certified for each audited body. This letter is our annual report for the certification work we have undertaken for 2017/18.

In 2017/18 we carried out certification work on only one claim or return, the Housing Benefit Subsidy claim. The certified value of the claim was £68.13 million, and we completed our work and certified the claim on 30 November 2018.

**Matters arising**

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Our work identified the following issues:

- An error in Non-HRA Rent Rebates in which the classification of an overpayment was incorrect. A population of similar cases was identified and a further two errors were identified. These errors were corrected in the final certified claim;
- An error in Non-HRA Rent Rebates in which the Child Tax Credit was entered incorrectly. A population of similar cases was identified and no further errors were identified. This error was corrected in the final certified claim;
- An error in the Rent Allowances in which an incorrect tariff income value was included in the calculation leading to an underpayment of benefit. 40+ additional testing was carried out and a further error was identified leading to an overpayment. This issue was reported to the DWP within the claim qualification letter and an extrapolation of the error was reported.
- An error was identified in Rent Rebates in which the paternity pay value was incorrectly entered. A population of similar cases was identified and an additional error was identified. These errors were corrected in the final certified claim;
- An error was identified in Rent Rebates in which Guaranteed Credit had been awarded incorrectly and this led to an overpayment. This case had already been identified in a Housing Benefit Matching Service sample, therefore this population was tested. A further 10 errors were identified. These errors were corrected in the final certified claim.

The final claim was reduced by £11,928 from the initial claim submitted 26.4.18.

We have made no recommendations to the Authority to improve its claims completion process. There were no recommendations made last year and there are no further matters to report to you regarding our certification work.

#### **Certification work fees**

Public Sector Audit Appointments set an indicative fee for our certification work in 2017/18 of £15,236. Our actual fee was the same as the indicative fee, and this compares to the 2016/17 fee for this claim of £22,118.

Yours sincerely



Clare Partridge  
Engagement Lead



This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Clare Partridge, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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**BARNLEY MBC AUDIT COMMITTEE – INDICATIVE WORK PROGRAMME**

	Mtg. No.	6	7	8	1	2	3	4	5
Committee Work Area	Contact / Author	23.01.19	20.03.19	17.04.19	5.06.19	19.07.19 (2.00 pm)	18.09.19	30.10.19 (2.00 pm)	4.12.19
<b>Committee Arrangements</b>								<b>Workshop</b>	
Committee Work Programme	WW	X	X	X	X	X	X		X
Minutes/Actions Arising	WW	X	X	X	X	X	X		X
Review of Terms of Reference and Self-Assessment	RW/CHAIR								
Training Review and Skills Assessment	RW/CHAIR								
Review of Terms of Reference & Working Arrangements	ACF		X						
Draft Audit Committee Annual Report	RW/CHAIR								X
Audit Committee Annual Report	RW/CHAIR		X						
<b>Internal Control and Governance Environment</b>									
Local Code of Corporate Governance	AF/AH								
Annual Governance Review Process and Timescales	AF/AH								
Draft Annual Governance Statement & Action Plan	AF/AH				X				
Final Annual Governance Statement	AF/AH					X			
AGS Action Plan Update	AF/AH								X
Corporate Whistleblowing Update & Annual Report	RW	X (moved from 5/12/18)							

	Mtg. No.	6	7	8	1	2	3	4	5
Committee Work Area	Contact / Author	23.01.19	20.03.19	17.04.19	5.06.19	19.07.19 (2.00 pm)	18.09.19	30.10.19 (2.00 pm)	4.12.19
Annual Fraud Report	RW				X				
Corporate Fraud Team - Report	RW	X		X					
<b>Corporate Risk Management</b>									
Risk Management Policy & Strategy	AH			X					
Risk Management Update*	AH								
Risk Management Framework									X
Annual Report	AH						X		
Strategic Risk Register Review	AH			X					
<b>Internal Audit</b>									
Internal Audit Charter (Annual)	RW		X						
Internal Audit Plan	RW		X						
Internal Audit Quarterly Report	RW	X		X		X			X
Annual Review of the Effectiveness of Internal Audit	RW								X
Internal Audit Annual Report	RW				X				
<b>External Audit (Grant Thornton)</b>									
Annual Governance Report (ISA260 Report)	GT					X			
Audit Plan	GT	X							
Annual Fees Letter	GT						X		
Claims & Returns Annual Report	GT	X							

	Mtg. No.	6	7	8	1	2	3	4	5
Committee Work Area	Contact / Author	23.01.19	20.03.19	17.04.19	5.06.19	19.07.19 (2.00 pm)	18.09.19	30.10.19 (2.00 pm)	4.12.19
External Audit Progress report & Technical Update	GT		X	X	X	X	X		X
<b>Financial Reporting and Accounts</b>									
Budget Proposal Section 25 Report	NC		X						
Draft Statement of Accounts	NC								
Corporate Finance Summary	NC						X		X
Corporate Finance and Performance Management & Capital Programme Update	NC		X				X		X
Treasury Management Annual Report	IR					X			
Treasury Management Progress Report	IR/SW								X
Treasury Mgt. Policy & Strategy Statement	IR		X						
<b>Other Corporate Functions contributing to overall assurance</b>									
Human Resources (annual)	AB						X		
Business Improvement and Communication (annual)	MP					X			
Health & Safety Resilience (6 monthly report – March Update – September Annual)	SD		X				X		

	Mtg. No.	6	7	8	1	2	3	4	5
Committee Work Area	Contact / Author	23.01.19	20.03.19	17.04.19	5.06.19	19.07.19 (2.00 pm)	18.09.19	30.10.19 (2.00 pm)	4.12.19
Governance & Member support (annual)	IT/WW				X				
Information Governance update	DR	X		X		X	X		X
General Data Protection Regulations - Update	RW/SH				X				

\*Members of the Senior Management Team to be invited periodically to report on any issues identified within the Strategic Risk Register