

MEETING:	Audit Committee
DATE:	Wednesday, 20 March 2019
TIME:	4.00 pm
VENUE:	Reception Room, Barnsley Town Hall

MINUTES

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

57. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

Mrs D Brown declared a non-pecuniary interest in Minute 59 'The Council's Medium Term Financial Strategy – 2019/20 Budget Recommendations' in view of her membership of the Independent Remuneration Panel which determines the Members Scheme of Allowances.

58. MINUTES

The minutes of the meeting held on the 23rd January, 2019 were taken as read and signed by the Chair as a correct record.

59. THE COUNCIL'S MEDIUM TERM FINANCIAL STRATEGY - 2019/20 BUDGET RECOMMENDATIONS

The Committee received, for information and reference, a copy of the Council's Medium Term Financial Strategy – 2019/20 Budget Recommendations which were approved by the Council on the 28th February, 2019 and which gave details of the setting of the Council Tax.

The report also contained the Section 25 report of the Service Director Finance (Section 151 Officer) on the robustness of the estimates included in the budget and on the adequacy of the reserves that the budget would provide. He reported that the robustness of the estimates and adequacy of the reserves which the budget provided were satisfactory, however, this was contingent upon the requirements contained within Paragraphs 3.17 – 3.20 of his report. He also reported that the assumptions made in preparing the budget would change and, therefore, further action may be needed to ensure that the plan not only delivered a balanced position in 2019/20 but would remain on track to deliver a balanced position over the full planning period.

In the ensuing discussion the following matters were raised:

- Information was provided about the intention to submit a purple flag application for the Town Centre and what this would entail
- It was noted that the Council had set aside a contingency to deal with the general uncertainty facing local government as a result of Brexit and other major funding changes that were looming. It was felt that this was particularly important in the light of the major regeneration schemes/projects to which the Council was committed

- Reference was made to the implications for the Council tax which showed an increased forecast over the five year period ending 2022. Arising from the above discussion particular reference was made to
 - the move towards the retention of business rates and to the increasing expenditure on social care and children's services
 - The volatile position with regard to income and the 'unknowns' around the economy and the position with regard to and the matters taken in relation to bad debt
 - The implications of welfare reforms and the likelihood that increasing numbers would be unable to pay their Council Tax. It was noted that such issues had been identified within the Section 25 report
- There was a discussion of the Town Centre Strategy and particularly in relation to strategy in place to deal with empty properties
- It was pleasing to note that compared to many local authorities, Barnsley was 'well placed' to face future financial uncertainties. This was largely as a result of the Council taking early difficult decision of budget reductions. It was noted, however, that the failure to deliver the ongoing savings identified could have a significant impact on the Council post 2022

RESOLVED that the report together with the Section 25 report of the Service Director Finance (Section 151 Officer) be noted.

60. CORPORATE FINANCIAL PERFORMANCE - QUARTER ENDING 31ST DECEMBER, 2018

The Executive Director Core Services and Service Director Finance (Section 151 Officer) submitted a joint report that had been approved by Cabinet on the 6th March 2019 on the financial performance of the Authority during the third quarter ended 31st December, 2018 and assessing the implications against the Council's Medium Term Financial Strategy.

The report indicated that for Council Services there was a projected operational underspend of £2.418m in 2018/19 and in relation to Corporate Budgets there was an operational underspend of £2.530m. Although quarter 3 was reporting a positive position, the Council still had some significant savings to deliver over the next three years within a financial climate that remained uncertain and challenging.

In the ensuing discussion reference was made to the following:

- It was noted that there had been a significant improvement compared to quarter 2 although certain issues remained which needed to be addressed including, amongst other things, the Special Educational Needs Budget. It was noted, however, that this matter was being addressed and an oversight board had been established led by the Executive Director People monitor progress
- Arising out of the above, there was a detailed discussion about SEN expenditure/funding which, it was noted, was also a national issue. In addition, it was reported that this area had also been inspected as part of the Peer Review and it was hoped that positive recommendations would be forthcoming

- There was a further discussion of bad debts and how this was calculated. Further information would be provided
- In response to specific questioning, information was provided on the high levels of staff turnover particularly in some service areas and of the action taken to address the issues identified. It was noted, however, that the authority was satisfied that it had the correct staffing levels in place to meet service requirements
- Reference was made to the funding arrangements for both The Glassworks and Digital Media Centre. It was particularly noted that in relation to The Glassworks, commercial lettings would driver the overall financial envelope
- Arising out of the above, there was a discussion of the way in which finance was obtained via the City Region, of the appraisal mechanisms in place and on the monitoring arrangements which had to be established to ensure compliance with funding requirements

RESOLVED that the report be received and the Corporate Financial Performance position for the quarter ending 31st December, 2018 be noted.

61. CAPITAL PROGRAMME PERFORMANCE - QUARTER ENDING 31ST DECEMBER, 2018

The Executive Director Core Services and Service Director Finance (Section 151 Officer) submitted a joint report that was approved by Cabinet on the 6th March, 2019 on the financial performance of the Council's Capital Programme to the quarter ended 31st December, 2018 and assessing the implications against the Council's Medium Term Financial Strategy.

It was noted that the position of the Programme for the 2018/19 financial year was currently projected to be an overall lower than anticipated expenditure of £6.939m and that the position over the five year period ending 2022/23 was currently projected to be an overall lower than anticipated expenditure of £0.566m.

RESOLVED that the report be received and the current position with regard to Capital Programme Performance for the quarter ending 31st December, 2018 be noted.

62. TREASURY MANAGEMENT ACTIVITIES REVIEW - QUARTER ENDED 31ST DECEMBER, 2018

The Executive Director Core Services and Service Director Finance (Section 151 Officer) submitted a joint report that was approved by Cabinet on the 6th march, 2019 reviewing the Council's Treasury Management Activities carried out during the quarter ended 31st December, 2018 in accordance within statutory guidance.

The report gave details of the following:

- The agreed Treasury Management Strategy for 2018/19
- The Economic Summary
- The Council's Borrowing activity
- The Council's investment activity
- The Prudential and Treasury Indicators for 2018/19

In the ensuing discussion reference was made to the following:

- Reference was made to the current position with regard to borrowing and to the advice proffered by the Service Director Finance and Executive Director Core Services in relation to borrowing restrictions particularly given the uncertainty post 2022. It was noted, however, that there were no issues in relation to the servicing of borrowing
- There was a discussion of the councils overall spending and particularly in relation to discretionary elements. As previously reported, it was noted that the expenditure on social care and children's services limited expenditure placed restrictions on expenditure in other areas
- Concern was expressed at what was perceived as the lack of understanding by local residents of the issues facing the Council in terms of expenditure and of why finance was not readily available for issues/schemes that the public deemed as important. It was noted, however, that this was kept under review and was addressed in a timely manner by the Councils Communications Service

RESOLVED that the report be received and the current position with regard to Council's Treasury Management Activities for the quarter ending 31st December, 2018 be noted.

63. REVISION OF CONTRACT PROCEDURAL RULES 2019

The Committee received a joint report of the Executive Director Core Services and Service Director (Section 151 Officer) outlining proposed changes to the existing Contract Procedural Rules (which were last reviewed in 2015) to reflect the changes in the Public Contract Regulations 2015. The Rules, if accepted, would be referred to Council on the 4th April, 2019 for approval.

The revised Contract Procedural Rules, which were appended to the report had been amended to increase compliance and enable a more commercial emphasis to procurement.

It was suggested that in future, the Rules would be reviewed annually. They had been developed in accordance with the wider commercial strategy; they supported innovation and ensured that risks were appropriately managed.

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

- Information was provided about the background to the revision of the Procedural Rules and to the legislation and regulations that had to be taken into account.
- Reference was made to the potential impact of Brexit on future procurement and in response the Executive Director Core Services outlined the way in which arrangements would be put in place following the UK's exit
- It was pleasing to note that the new Rules were written in plain English
- There was a discussion of procurement arrangements and also to the use of IT systems and particularly in relation to YORTender. It was noted that it was

planned to roll out commercial training and to use the revision of the Rules as a basis for training and especially for those who were regular procurers

RECOMMENDED TO COUNCIL that the revisions to the Contract Procedural Rules as detailed within Section 3 of the report now submitted be approved and adopted.

64. INTERNAL AUDIT CHARTER 2018-2020 - REVIEW

The Head of Internal Audit and Corporate Anti-Fraud submitted a report highlighting the minor changes in the Internal Audit Charter 2018-20 which served as a reminder of the key aspects of the Internal Audit Function and as required by the Public Sector Internal Audit Standards.

The Charter complemented by regular reports and an annual report were intended to give the Committee assurances regarding how the Internal Audit function was resourced, managed, organised and delivered its responsibilities.

RESOLVED that the Internal Audit Charter, as reviewed and amended be approved as it adequately represents and describes the function and will consequently provide assurances to the Committee regarding the effectiveness of that Internal Audit Function.

65. EXTERNAL AUDIT - PROGRESS REPORT AND SECTOR UPDATE

The Council's External Auditor (Grant Thornton) submitted a report giving details about their work as at 8th March, 2019, outlining the audit deliverables for 2018/19, together with a Sector Update summarising emerging national issues and developments. The report also gave a summary of the results of auditors work in 2017./18 in relation to Public Sector Audit Appointments.

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

Particular reference was made to the following:

- The ongoing work in relation to Value for Money – which was to conclude in July
- The arrangements being made to meet all Members of the Senior Management Team
- Thanks were extended to all those who had attended the Local Audit Committee Chairs and Members meeting held in their Leeds Office on the 26th February, 2019
- Reference was made to the following matters as detailed within the Sector Update and there was a discussion particularly as to how issues arising would be examined and addressed. It was suggested that these may form the basis for discussion at the Workshop/Training session to be held in the Autumn. It was also suggested that the Chair discuss this matter further with the Head of Internal Audit and Corporate Anti-Fraud:
 - National audit Office – the Health and Social Care Interface
 - Care Homes for the Elderly – Where are they now?

- There was a discussion of the ways audit issues (and particularly with regard to project management) would be picked up relation to The Glassworks. It was suggested that such issues and accounts closure could be picked up at the June/July meeting. It was also noted that the Overview and Scrutiny Committee was to receive a report on various matters in May and this may lead into a report to the following Audit Committee.

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

66. HEALTH AND SAFETY REPORT 2018/19 - INTERIM PERFORMANCE APRIL TO SEPTEMBER, 2019

The Committee received a report, presented by Mr S Dobby (Head of Corporate Health, Safety and Emergency Resilience) providing an update on priorities identified in the Health and Safety Report 2017/18 together with interim health and safety statistics for 2018/19.

It was noted that full year data would be available in the 2018/19 health and Safety Report which would be considered by the Senior Management Team and Cabinet in Summer 2019.

Mr Dobby reported that the priorities from last year would continue to be taken forward and that plans were in place to address issues arising. The number of incidents had increased slightly and whilst there had also been one or 2 notable incidents none of these was deemed to be significant in terms of being a major issue. The nature of Health and Safety meant that the number of incidents could fluctuate but there were no underlying trends there had been a general upward trend in the number of days lost.

RESOLVED that the report be received and that Mr Dobby be thanked for attending the meeting and for answering Members questions.

67. AUDIT COMMITTEE WORK PLAN 2018/19 AND 2019/20

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 reminded Members that Ms D Terris (Chief Executive) was retiring shortly and, following an appointment process, Mrs S Norman, current Chief Executive at Dudley Metropolitan Borough Council was to be recommended for appointment as Chief Executive at the Council meeting to be held on the 4th April, 2019. It was the intention that the new Chief Executive be invited to a future meeting of this Committee.

RESOLVED that the core work plan for the remainder of the 2018/19 municipal year and for 2019/0 meetings of the Audit Committee be approved and reviewed on a regular basis.

68. EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED that the public and press be excluded from this meeting during the discussion of the following items because of the likely disclosure of exempt information as defined by Paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

69. INDICATIVE INTERNAL AUDIT PLAN 2019/20

The Head of Internal Audit and Corporate Anti-Fraud submitted a report presenting the indicative Internal Audit Plan for the financial (audit) year 2019/20, describing the rationale and process for setting the plan, the risk assessment process used and how Internal Audit resources were calculated and deployed.

He reported that additional work was required to further distil the key priorities and key areas of focus as this would ensure that the limited Internal Audit resources were appropriately targeted to key areas of risk and, therefore, gave most added value. In addition, it was also reported that a minor restructure of the Service would be undertaken to better align the staffing profile with the client base. The new structure would be fully implemented for 1st July, 2109. He therefore proposed to submit a further report on the Internal Audit Plan to the meeting in April.

Members attention was drawn to key aspects of the Indicative Plan as outlined within Paragraph 5 of the report now submitted. In addition, discussions had taken place with the Service Director Finance (Section 151 Officer) and in recognition that the risk profile for the Council had changed, an additional 20% of time was proposed to be allocated to the Council in 2019/20.

RESOLVED:-

- (i) That the draft indicative Internal Audit Plan 2019/20 be approved in principle acknowledging the need for the head of Internal Audit to finalise the planned service restructure;
- (ii) That an updated Internal Audit Plan 2019/20 be submitted for approval at the next meeting to be held on the 17th April, 2019.

70. CORPORATE ANTI-FRAUD TEAM PLAN 2019/20

The Head of Internal Audit and Corporate Anti-Fraud submitted a report presenting, for approval, the Corporate Anti-Fraud Team Plan for 2019/20 and supporting Anti-Fraud Strategy.

Members attention was drawn to the key areas of activity which had an increasing emphasis, as in previous years, on avoiding fraud taking place. In compiling the Counter Fraud Plan he had held discussions with the Service Director Finance (Section 151 Officer) to ensure that appropriate arrangements were in place and that scarce resources were targeted to key areas. In addition, there would be analysis of intelligence received from other Councils and from the Police to ensure that all possible anti-fraud initiatives were being addressed and issues identified. It was hoped that the activities detailed within the Plan would ensure that additional income

could be generated for the Council. It was also proposed that the Corporate Fraud Awareness Week, which had been such a success last year, would be repeated.

The Head of Internal Audit and Corporate Anti-Fraud also reported that the Corporate Anti-Fraud Strategy had been refreshed taking account of the Government's Fighting Fraud and Corruption Locally Strategy. It was noted that the key aim of the Strategy was to ensure that public funds were protected against fraud and loss by utilising the following objectives:

- Acknowledge/Deter
- Prevent/Detect
- Investigate/Pursue

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

- The staffing structure and arrangements
- The risks associated with social care and care homes in the misrepresentation of people's assets
- The importance of integrated systems for reporting including the 'tell us once' approach
- The National Fraud Initiative
- It was noted that 100 days had been set aside in the plan for proactive work. The level of proactive anti-fraud work would be dependent upon the volume of reactive work and, as a result, not all areas would be reviewed. Any areas not reviewed but still felt to be relevant would be carried forward to the following years plan

RESOLVED:-

- (i) That the Corporate Anti-Fraud Team Plan 2019/20 and supporting strategy be agreed, acknowledging the need for the head of Internal Audit and Corporate Anti-Fraud to exercise his professional judgement during the year to apply the plan flexibly, allowing for planned proactive/detective days to be diverted to reactive investigation work as required; and
- (ii) That the Committee receive regular monitoring report to demonstrate progress against the plan including information where the plan has materially varied from that originally agreed.

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Chair