

<b>MEETING:</b>	Audit Committee
<b>DATE:</b>	Wednesday, 17 April 2019
<b>TIME:</b>	4.00 pm
<b>VENUE:</b>	Reception Room, Barnsley Town Hall

## MINUTES

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

### 71. COUNCILLOR CLEMENTS

The Chair and Members of the Committee noted that this would be the last meeting to be attended by Councillor Clements before retiring as a Councillor at the forthcoming municipal elections.

The asked to place of record their thanks and appreciation for his hard work and dedication to the Council and particularly to this Committee and also of his stewardship whilst Chair.

Councillor Clements responded by stating that this would be his last official function as a Councillor. He had been a Member of the Authority for four years and he thanked the Chair and Members of the Committee for those kind thoughts.

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

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

### 73. MINUTES

The minutes of the meeting held on the 20<sup>th</sup> March, 2019 were taken as read and signed by the Chair as a correct record.

### 74. EXTERNAL AUDIT - AUDIT FEE LETTER

The Council's External Auditor (Grant Thornton) submitted their Audit Fee Letter detailing the planned audit fees (including the way these had been calculated) for the work to be undertaken during 2019/20. It was noted that this fee was £104,718 and that there was no increase from the fees charged in 2018/19.

The report also outlined the scope of the audit, the billing schedule and audit timetable together with information about the arrangements for undertaking additional work for which separate fees would be agreed.

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

- Thilina De Zoysa (Grant Thornton) briefly explained the arrangements for the external audit of the Housing Benefits Certification which fell outside the PSAA contract. It was noted that such assurance engagements would be subject to

separate engagements between the Council and Grant Thornton. The Service Director Finance confirmed that this was undertaken via a tendering process

- There was a discussion of the recent change in management arrangements at Grant Thornton, however, it was not anticipated that this would have any impact on the service provided to clients. Arising out of this discussion, Thininal De Zoyza explained the assurance arrangements in place which would ensure quality and consistent provision in audits undertaken.

**RESOLVED** that the audit fee letter be received.

## **75. CYBER SECURITY**

Ms S Hydon (Head of ICT Service Management) and Mr S Marshall (ICT Technical Security Lead) made a presentation updating the Committee on Cyber Security with specific reference to the recent success of the service in achieving Cyber Essentials Plus Certification.

The presentation gave details of the following:

- The Cyber Essentials Background – it was a cyber security standard operated by the national Cyber Security Centre (NCSC) which had been launched in 2014 and developed in collaboration with industry partners being a key requirement for suppliers to Central Government
- Cyber Essentials addressed the following via five mandatory controls:
  - Secure configuration – but choosing the best defences available
  - Boundary Firewalls and internet gateways
  - Access control and administrative privilege management
  - Patch management – keeping devices and software up to date
  - Malware Controls – to protect against virus and malicious software
- Cyber Essentials Certification had two levels – Cyber essentials and Cyber Essentials Plus. Plus provided a more thorough test of the Council's systems and work stations. This had been undertaken during February, 2019 and a copy of the Certificate dated February 7<sup>th</sup> 2019 which demonstrated that the Authority had been successfully assessed against the Cyber Essentials Scheme Test Specification was provided. This indicated that the level of certification was 'Essentials Plus' and that the recommended re-assessment date was February 6<sup>th</sup> 2020
- The key benefits of Essential Plus were:
  - It supported the NHS DSP toolkit submission – this was an online security protection toolkit that allowed organisations to measure performance against national security standards and all organisations with access to NHS data had to use this to provide assurance in relation to data security and handling
  - It provided assurance to customers and partners
  - It offered an opportunity to audit the Authority's internal security – whilst no one could guarantee to prevent a cyber-attack being successful, such audits showed the mitigations in place to minimise potential attacks that exploited potential weaknesses in current software and devices
  - It reduced cyber insurance premiums

In the ensuing discussion, the following matters were highlighted:

- There was a discussion of the DDoS attack of the Authority's systems on Monday 15<sup>th</sup> April, 2019. It was noted that there had been no impact on the IT infrastructure but the website had been 'taken down' as a precaution. Following appropriate action, the website had been reinstated within three hours
- Arising out of the above, there was a discussion of the difficulties of preventing DDoS attacks and of ways in which they could be mitigated against. It was noted that whilst appropriate controls were being introduced, this should not affect end users
- The Head of Internal Audit and Corporate Anti-Fraud in his capacity as Data Protection Officer commented that the certification contributed towards his assurance that the Council's had sufficient and robust systems and procedures in place to protect its IT systems and infrastructure
- There was a discussion of the robustness of the certification process and of how, and by whom, the whole process was accredited. Arising out of this, Ms Hydon indicated that the process was overseen by the NTA Monitor the Council's testing partner and independent company used for cyber testing/auditing and by CREST an international accreditation and certification body and she briefly touched upon organisations with whom they worked
- The certification process would be undertaken again next year but would be 'updated' to address new and emerging threats
- In response to detailed questioning and within the context of the need to protect residents personal information, the Committee was informed of those bodies and agencies who could request to view data held by the Authority. It was noted that such data releases would not normally be allowed unless it was in the public interest or in the interests of national security. An assurance was given, however, that all requests would be dealt with in accordance with the previously approved procedures and protocols and decisions about the release of data would not be taken lightly.

**RESOLVED** that Ms Hydon and Mr Marshall be thanked for a most informative presentation.

## **76. STRATEGIC RISK REGISTER - FULL REVIEW - MARCH 2019**

The Executive Director Core Services submitted a covering report presenting a report to be submitted to Cabinet on the 15<sup>th</sup> May, 2019 on the latest review of the Strategic Risk Register.

The report, which was presented by Mr A Hunt, Risk and Governance Manager, formed part of the Committees 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 comments thereon.

The Register contained these high level risks that were considered significant potential obstacles to the achievement of the Authority's Corporate Objectives. It was important that the Register remain up to date and be reviewed regularly in order to accurately reflect the most significant risks to the achievement of objectives and facilitate timely and effective mitigations to those risks.

Following a review of the Strategic Risk Register in October 2018, a further review had been undertaken in March 2019 the outcomes of which were detailed within the report.

Mr Hunt then went on to outline the way in which the current register had been reviewed and he commented on the main components of the review and the items included.

The report outlined the following:

- Risk 3026 'Failure to achieve a reduction in health inequalities within the Borough' remained red as it was still relevant to the Council's objectives and a further analysis indicated that this risk was not currently improving
- Risk 3033 'Failure to adapt the authority into a sustainable organisation – Failure to maintain current services' had been removed and replaced by Risk 4154 'Failure to ensure that the Future Council model is sustainable and provides the best services and outcomes possible to our customers'
- Risk 4271 'Failure to ensure the Digital First Programme objectives are met....' Was a newly added risk
- Risk 3543 'Failure to ensure the adequate supply of land for housing and commercial property growth' had improved from an amber '4' to a green '5' following the approval of the Local Development Framework
- Risk 3022 'Inability to direct corporate strategy' had been reassessed from a green '5' to an amber 4' to reflect proposed changes to the Scrutiny Committee Structures and allow time for these to 'bed in'
- The above changes attributed to a slight improvement in the average concern rating from October 2018
- Other material changes including a direction of travel indicator was provided as an appendix to the report
- A further appendix provided the Risk Profile for the Register within a 'highlight' report. This had been developed with the assistance of an external communications and market company. This presented the key information in a simple, visual easy to understand format
- The report and Register which was appended to the submitted report provided assurances that all significant risks were being managed appropriately

The recent Corporate Peer Review highlighted as one of its key findings that the Register needed some refinement to enable the Senior Management Team to focus its attention on the current key risks. In the light of this, a further review was to be undertaken and the outcome of this would be reported into Cabinet in the near future.

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

- The Risk Profile summary was generally welcomed. It was felt that this would assist in engaging employees at all levels and would assist in adopting a risk management culture across the whole organisation. In addition, it was envisaged that this would be published on the Council's intranet so that stakeholders and other interested parties could better understand risk management arrangements and increase the overall transparency of strategic risk. The wording in the document would be amended to reflect the most up to

date position prior to distribution and an updated version would be provided for members of the Committee

- Arising out of the above, reference was made to the use of consultants to prepare the Risk Profile Document and the costs involved which were considered to be reasonable
- In response to specific questioning an explanation was provided as to why it had been decided that Risk 4154 'Failure of the Future Council Change Programme' should be logged as amber '4' given the importance of this issue as well as the financial restrictions facing the authority which could have a significant impact on the ability of the Council to address issues identified. It was noted that the 'risk holders' were the Chief Executive and the Executive Director Core Services. Whilst there were significant challenges, there was a high level of awareness of the risk and it was felt that the savings previously achieved demonstrated that such risks were well managed. The score merely reflected how the risk was being managed
- Reference was made to Risk 3022 'Inability to direct corporate strategy' particularly as this related to plans to further develop of the Scrutiny Function. If approved, these arrangements would give a better level of coverage of strategic matters and provide improved member satisfaction. It was proposed that the risk rating be amended given that no problems were anticipated. The new arrangements would become effective following the Annual Council on the 17<sup>th</sup> May, 2019
- Information was provided in relation to the timescale for the servicing of debts in relation to Risk 4170 'Failure to ensure the Glassworks Programme delivers the appropriate levels of retail....' It was noted that information detailed within the Register would be amended to reflect the current position. Members also noted the current challenging retail environment and the work that was ongoing to ensure that the appropriate levels of retail, market and leisure space were achieved. A further update on the Glassworks project would be submitted following consideration by the Scrutiny Committee
- There was a discussion of Risk 3026 'Failure to achieve a reduction in health inequalities within the Borough' and it was noted that this issue had also been picked up following the Corporate Peer Review. It was suggested that further analysis was required particularly in relation to age profiling and life outcomes. The Executive Director Core services reported that discussions had taken place and were progressing with the Director of Public Health to identify issues underpinning this risk so that the Council could ensure that it was taking appropriate action to address and influence health outcomes. It was suggested that if this remained at its current level, the Director of Public Health could be called to address this Committee on the action proposed to address issues identified

## **RESOLVED**

- (i) that the report on the outcome of the recent review of the Strategic risk Register in relation to the management, challenge and development of the Register be noted and the Committee continue to receive periodic updates as to the progress of the actions taken and their impact on the Strategic Risk Register; and
- (ii) That the report be referred to Cabinet on the 15<sup>th</sup> May, 2019 for consideration.

## 77. INTERNAL AUDIT PROGRESS REPORT 2018/19

The Head of Internal Audit and Corporate Anti-Fraud submitted a report providing a summary of the Internal Audit activity completed and key issues arising from it for the period 1<sup>st</sup> January to 31<sup>st</sup> March, 2019 and providing information regarding the performance of the Internal Audit function during that period.

The report, which was presented by Mrs L Booth, Audit Manager, outlined:

- The progress of the internal audit plan up to the end of March analysed by the number of plan assignments producing a report and audit days delivered by the Directorate/Service.
- There was a variance of six assignments completed against those planned but five were in draft report stage and meetings were scheduled with officers to discuss outcomes. Since writing the report one response had been received and a revised date had been agreed in respect of another
- There had been one addition to the plan over the period which related to the Glassworks Phase II Governance Review
- Four audits had been finalised since the last meeting and copies of all final reports were available upon request. A summary of assurances and the number and categorisation of recommendations included in the report was outlined and an Appendix to the report included the definitions of the grading for the assurance opinion together with the recommendations
- A summary of the key issues included in audit reports finalised during the period providing a Limited or No Assurance was provided
- Details were provided of the outcome of other Internal Audit activities concluded not producing a specific assurance opinion
- Information was provided on the following up of Internal Audit Report management actions together with a summary of work in progress
- Information on the status of internal audit management actions by directorate/maintained schools due for completion was provided. It was pleasing to note that officers were actively engaging with the service and this was demonstrated by improving statistics. Reference was also made to the delay in receiving appropriate and timely responses in relation to maintained schools and discussions were ongoing to address this matter
- Details of Internal Audit performance against Performance Indicators indicated that performance was exceeding target
- Based on the audits reported during the period an overall adequate assurance was considered to be appropriate and this had remained the same in the three previous quarters

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

- There was a discussion of the issues identified following the audit commissioned in relation to exclusion activities undertaken on behalf of the Authority by Springwell Learning Community and particularly as this related to decisions about the outsourcing of provision, the quality of that provision and whether or not contractual responsibilities were being fulfilled. Work was ongoing to address issues identified. The Executive Director Core Services stated that he would ask the Executive Director (People) to provide an update

report detailing whether or not the issues identified as well as the management arrangements was impacting on the service provision

- Arising out of the above, reference was made to the fact that Springwell was an Academy within the Springwell Academy Trust and reference was also made to the financial value of the contract the Local Authority had with that Academy
- It was noted that the follow up visit to four sites within the Place Directorate in relation to cash collection arrangements had not revealed any significant issues. It was anticipated that as the Authority moved increasingly to a cashless system the problems associated with cash collection would reduce
- The Head of Internal Audit and Corporate Anti-Fraud commended that whilst the formal feedback report from the Corporate Peer Review had not been received, the early draft had recognised that the Authority had astute and sound financial management as well as a long track record of excellent financial management. The Service Director Finance had also been praised for the way in which the service was managed. In addition, Governance , including the support for the Audit Committee arrangements, had been recognised as being good and overall, the Council had been seen as well performing. Once received, the full report would be circulated to all Members of the Council and to Independent Members on the Audit Committee

#### **RESOLVED:**

- (i) that the issues arising from the completed internal audit work for the period along with the responses received from management be noted;
- (ii) that the assurance opinion on the adequacy and effectiveness of the Authority's Internal Control Framework based on the work of Internal Audit in the period to the end of March, 2019 be noted;
- (iii) that the progress against the Internal Audit Plan for 2018/19 for the period to the end of March, 2019 be noted; and
- (iv) that the performance of the Internal Audit Division for the fourth quarter be noted.

#### **78. 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 2019/20 municipal year.

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

#### **79. EXCLUSION OF THE PUBLIC AND PRESS**

**RESOLVED** that the public and press be excluded from this meeting during the discussion of the following item 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).

## 80. INTERNAL AUDIT PLAN 2019/20

Further to Minute 69 of the meeting held on the 20<sup>th</sup> March, 2019, the Head of Internal Audit and Corporate Anti-Fraud submitted a report on the finalised indicative Internal Audit Plan for 2019/20.

The report outlined the background to the preparation of the Plan and its key aspects , the type of work to be undertaken and the allocation of available resources together with the chargeable dates with comparisons to previous years.

Following approval, the Plan would be subject to ongoing review in order to address new and emerging risks. The progress of the Plan would also be regularly monitored as part of the Internal Audit's Performance Management arrangements and any amendments in terms of unplanned, deleted or deferred work would be reported to this Committee.

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

- Recent staffing changes and the impact this would have on the implementation of various elements of the Plan
- The allocation of, and rationale for, additional resources/days allocated for audit work for the Council
- The current situation with regard to the broader client base/external organisations
- The arrangements for the audit of the Glassworks Phase II Governance Review
- Reference was also made to the support given by Ms J Race (Principal Auditor) for her work in support of the Fire Authority

### **RESOLVED:-**

- (i) That the finalised indicative Internal Audit Work Plan 2019/20 be approved 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 according to priority, risk and resources available; and
- (ii) That the Committee receive quarterly monitoring reports from the Head of Internal Audit and Corporate Anti-Fraud to demonstrate progress against the Plan including information where the Plan has materially varied from the original Plan.

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Chair