

<b>MEETING:</b>	Audit Committee
<b>DATE:</b>	Wednesday, 22 January 2020
<b>TIME:</b>	4.00 pm
<b>VENUE:</b>	Reception Room, Barnsley Town Hall

## MINUTES

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

### 41. MRS L BOOTH - AUDIT MANAGER

Members of the Committee noted that this would be the last meeting that Mrs L Booth (Audit Manager) would attend before leaving the Authority to take up the position of Head of Internal Audit at Leeds City Council.

Members and Officers asked to place on record their thanks and appreciation of her hard work, dedication and service to the Authority and they gave her their best wishes for the future.

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

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

### 43. MINUTES

The minutes of the meeting held on the 4<sup>th</sup> December, 2019 were taken as read and signed by the Chair as a correct record.

### 44. INTERNAL AUDIT PROGRESS REPORT 2019/20

The Head of Internal Audit, Anti-Fraud and Assurance submitted a report providing a summary of the Internal Audit activity completed and the key issues arising from it for the period 1<sup>st</sup> November to 31<sup>st</sup> December, 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 December, 2019 analysed by the number of plan assignments producing a report and audit days delivered by Directorate/Service. It was reported that 71% of total chargeable days had been achieved against the plan which was in line with what was expected at this time of the audit year
- There was a variance of five assignments completed against those planned. Four were in draft report stage and one was being finalised. Meetings had been scheduled with officers to discuss the outcomes and finalise all the reports
- A number of audits had been deferred, added to or deleted from the audit plan as agreed in conjunction with management. The reasons for these actions were outlined. Specific reference was made to an additional audit to provide

specialist audit support for the Interim Executive Board of Dearne Goldthorpe Primary School

- Two 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.
- No audit reports had been issued during the period that had a limited or no assurance opinion
- 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 management actions by directorate/maintained schools due for completion was provided
- Details of Internal Audit performance against Performance Indicators
- Based on the audits reported during the period an overall adequate assurance was considered to be appropriate

The key area of focus for Members discussion centred on the audit of the Glassworks Phase II Governance arrangements. The Head of Internal Audit, Anti-Fraud and Assurance and Audit Manager explained the rationale as to why an assurance opinion for this audit was not applicable. They went on to outline the background to and the action taken in relation to the three 'high priority' recommendations as follows:

- The approval of the Project Execution Plan
- The review and formalisation of overarching risk management arrangements
- General meeting governance

All recommendations identified had been actioned and would continue to be monitored by audit staff

Mr G Mills (External Auditor) commented that the Glassworks Project continued to be an area of focus in relation to Value for Money. In relation to their assessment of Phase I, which had been undertaken last year, they were satisfied with the arrangements in place. The matters raised within this report would be examined and any outstanding issues, if any, would be included within their report submitted to the July meeting.

#### **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 December, 2019 be noted;
- (iii) that the progress against the Internal Audit Plan for 2019/20 for the period to the end of December, 2019 be noted; and

- (iv) that the performance of the Internal Audit Division for the third quarter be noted.

#### **45. CORPORATE WHISTLEBLOWING POLICY - ANNUAL REPORT**

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

The report, in outlining the background to the development of the policy, reminded the Committee that the policy had undergone a number of reviews and revisions to ensure that it remained fit for purpose and continued to meet best practice and guidance. The latest revision/refresh had been undertaken at the previous meeting held on the 4<sup>th</sup> December, 2019 when its name had been changed to the Confidential Reporting (Whistleblowing) Policy. In addition, a number of other policies, strategies and procedures had also been reviewed at that time and these were to be published more widely. Such publicity would dovetail into the preparations for the Anti-Fraud week scheduled for May. Further details of this would be made available in due course.

The specific whistleblowing arrangements were, of course, only one means of raising concerns and, therefore, the degree and extent of the use of the policy was not considered significant. What was important was to ensure that there were a number of clear and understood routes for raising concerns and that there were suitable resources and arrangements in place to ensure that appropriate investigations were undertaken.

During the last 12 months there had been 4 referrals, 3 received via email and one through direct contact to one of the Corporate Whistleblowing Officers. None of these had been raised anonymously which suggested that there was confidence that the Whistleblowing arrangements were implemented correctly and that confidentiality was, where appropriate, maintained. He also reported that since writing the report a further anonymous referral had been received. This was currently being investigated

Of the 4 cases referred, 2 had been investigated and were now closed and 2 remained the subject of live investigations. In relation to the closed cases, no significant concerns had been identified and the issues raised generally related to operational matters. A satisfactory outcome had been achieved with appropriate actions arising from the concerns raised. In addition, the staff raising those concerns were satisfied that appropriate action had been taken.

It was noted that whilst this figure was low, it was nevertheless difficult to speculate what would be an appropriate figure.

In the ensuing discussion the following matters were highlighted:

- The difficulties associated with benchmarking Whistleblowing referrals with other authorities was noted
- There was a discussion of the reasons for the low number of referrals and the reasons for this. It was felt that one of the reasons could be because staff had confidence in raising issues or concerns via alternative routes such as through

their line managers. It was felt that this demonstrated that the normal management arrangements were working correctly.

- The fact that staff raising concerns via this policy did not do so anonymously was really encouraging and demonstrated the robustness of and confidence in the arrangements
- It was noted that in view of the forthcoming retirement of the Executive Director Core Services decisions would have to be taken as to who would take on responsibility of being the designated officer for whistleblowing complaints

**RESOLVED:**

- (i) that the report, and the assurances that it provides be noted; and
- (ii) that the Committee confirms its commitment to continue to support the Council's overall counter fraud culture and the work of the Corporate Anti-Fraud Team.

**46. EXTERNAL AUDIT PLAN 2019/20**

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

It was noted that the Council was required to prepare group financial statements that consolidated the financial information for Bernesali Homes and Penistone Grammar Trust

In relation to significant risks, the External Auditor would communicate any significant findings in relation to Management override of controls, Valuation of Land and Buildings and Valuation of the Pension Fund Liability (as well as other significant matters arising from the audit) in their Audit Findings Report in July 2020.

The planning materiality had been determined to be £8.443m for the Group and £8.425m for the Council's single entity statements which equated to 1.5% of the gross expenditure on the cost of services in the previous year. They would also continue to report uncorrected omissions and misstatements other than those that were 'clearly trivial' – the 'clearly trivial' threshold had been set at £422,000. Reference was also made to the way in which the materiality levels had been set.

Significant Value for Money risks had been identified and this was a key area of focus given the significant financial pressures facing the authority as well as the Glassworks development which was one of the largest projects undertaken by the Council.

The Interim visit would take place in February and March 2020 with the final accounts being presented in June and July. Initial meetings had already taken place with the Service Director Finance and with staff from the Finance Team. The key deliverables were outlined in the Audit Plan and the Audit Findings report and the fee had been set at £125,568 (and increase from £113,718 in the previous year) but was subject to the Council meeting their requirements. The increase in fees reflected the additional work which was required during 2019/20. Details of the additional work to be undertaken were provided within the report.

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

- Reference was made to the valuation of land and buildings which had been assessed as a significant risk and particular reference was made to the Glassworks project. It was noted that once a phase/project was brought into operation it was assessed at actual value rather than 'at cost'. The rationale for such valuations was explained by representatives of the External Auditor and by the Head of Finance. It was noted that the work completed on the Metropolitan Centre, the Market, the Lightbox/Library and various public realm works would be brought into the accounts and valued appropriately once operational
- It was noted that in a new development for 2019/20, the External Auditor was to appoint its own valuer who would assess the instructions to the Authority's Valuer, the Authority's Valuer's report and the assumptions that underpinned valuations. The reasons for this appointment were outlined
- There was a brief discussion of the potential implications of the new Code of Audit Practice which was anticipated shortly and arising out of this particular reference was made to the possible impact this could have on future audit arrangements, procedures and processes as well as the audit timetable given the current difficulties faced by all External Auditors in meeting the statutory deadlines for Local Authority audits.

**RESOLVED** that the External Audit Plan 2019/20 be noted and, insofar as this Committee is concerned, the action to be taken be supported.

#### **47. AUDIT COMMITTEE WORK PLAN 2019/20 AND 2020/21**

The Committee received a report providing the indicative work plan for the remainder of the 2019/20 Municipal Year and for 2020/21.

The Head of Internal Audit, Anti-Fraud and Assurance reported that following the appointment of the Corporate Governance and Assurance Manager and as a result of discussions at the recent Workshop meeting held in October and the Training/Awareness Session held earlier today, this report would be revised, produced in an alternative format and submitted to the next meeting for approval

**RESOLVED** that the core work plan for 2019/20 and 2020/21 meetings of the Audit Committee be approved and reviewed on a regular basis.

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Chair