

MEETING:	Audit Committee
DATE:	Wednesday, 3 June 2020
TIME:	4.00 pm
VENUE:	THIS MEETING WILL BE HELD VIRTUALLY

AGENDA

Procedural/Administrative Items

1. Declarations of Pecuniary and Non-Pecuniary Interest
2. Minutes (*Pages 5 - 10*)

To receive the minutes of the meeting held on the 22nd January, 2020.

Items for Discussion/Decision

3. Revisions to the Audit Committee Terms of Reference (*Pages 11 - 12*)

The Executive Director Core Services will submit a report highlighting the suggested amendments to the Committee's Terms of Reference following the review undertaken recently and seeking authority for these to be approved by the Chief Executive in consultation with the Cabinet Spokesperson Core Services in accordance with the Constitution in the absence of a Council meeting.

4. Information Governance, Cyber Security and Data Protection Officer Update (*Pages 13 - 18*)

The Committee will receive a presentation from Sara Hydon, Head of IT (Service Management) and Rob Winter (Data Protection Officer) providing an update on Information Governance, Cyber Security and Data Protection.

5. Covid 19 Update

The Committee will receive an update on the action taken by the Authority in relation to the Covid 19 pandemic.

6. Glassworks - Update

The Committee will receive an update on the current situation and progress being made in relation to the Glassworks project.

7. Annual Governance Statement Action Plan 2018/19 (*Pages 19 - 22*)

The Chief Executive and Executive Director Core Services will submit a joint report supporting the updated Action Plan (detailed at Appendix 1) relating to the issues identified following the Annual Governance Review for 2018/19.

8. Annual Governance Review Progress and Timescales (*Pages 23 - 24*)

The Head of Internal Audit, Anti-Fraud and Assurance will submit a report providing and update on the proposed Annual Governance Review process to be

adopted for the production of the Annual Governance Statement for 2019/20.

9. Risk Management Update (*Pages 25 - 30*)

The Head of Internal Audit, Anti-Fraud and Assurance will submit a report providing and update on the development of a new approach to risk management.

10. Annual Fraud Report 2019/20 and Counter Fraud Plan 2020/21 (*Pages 31 - 46*)

The Head of Internal Audit, Anti-Fraud and Assurance will submit a report providing an account of counter fraud related activity undertaken by the Internal Audit Corporate Anti-Fraud Team during the period 1st April 2019 to 31st March 2020 and informing the Committee of the Team's Plan for 2020/21.

11. Interim Internal Audit Annual Report 2019/20 (*Pages 47 - 64*)

The Head of Internal Audit, Anti-Fraud and Assurance will submit an interim annual report on the adequacy and effectiveness of the Authority's Internal Control Arrangements based on the work of Internal Audit for 2019/20 which has been prepared in accordance with the Public Sector Internal Audit Standards.

12. Internal Audit Charter (*Pages 65 - 78*)

The Head of Internal Audit, Anti Fraud and Assurance will submit report prefacing the Internal Audit Charter 2018-20 which has been prepared in accordance with the Public Sector Internal Audit Standards which provides a reminder of the key aspects of the Internal Audit Function and gives assurance regarding how the Internal Audit Function is resourced, managed, organised and delivers its responsibilities.

Items for Information

13. Audit Scope and additional Work 2019-20 (*Pages 79 - 86*)

The Council's External Auditor, Grant Thornton, will submit a letter presenting an updated Audit Plan for 2019/20 providing an update of the scope of audit work planned including additional work being undertaken, detailing in particular the addition of a significant audit risk in respect of Covid 19, giving details of the Value for Money and Financial Standing position as well as various Regulatory Changes and the potential impact on Fees charged.

14. Audit Committee Work Plan (*Pages 87 - 90*)

The Committee will receive the indicative Audit Committee Work Plan for the period June 2020 to March 2021.

15. Exclusion of the Public and Press

To consider if the public and press should be excluded from this meeting during consideration of the following items because of the likely disclosure of exempt information.

16. Indicative Internal Audit Plan 2020/21 (*Pages 91 - 96*)

The Head of Internal Audit, Anti-Fraud and Assurance will submit a report presenting an updated indicative Internal Audit Plan for the financial (audit) year 2020/21. (The original Plan had been intended to be submitted to the March meeting which was subsequently cancelled). The updated Plan accommodates urgent advice and assurance work in response to the impact of Covid 19.

Reason restricted:

Paragraph (7) Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

To: Chair and Members of Audit Committee:-

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

Chief Executive

All Executive Directors

Shokat Lal, Executive Director Core Services

Rob Winter, Head of Internal Audit

Neil Copley, Service Director Finance (Section 151 Officer)

Ian Rooth, Head of Financial Services

Michael Potter, Service Director Business Improvement and Communications

Council Governance Unit – 3 copies

Please contact William Ward on email governance@barnsley.gov.uk

Tuesday, 26 May 2020

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MEETING:	Audit Committee
DATE:	Wednesday, 22 January 2020
TIME:	4.00 pm
VENUE:	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 4th 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 1st November to 31st 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 4th 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

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Item 3

Report of the Executive Director Core Services

Audit Committee – 3rd June 2020

Revisions to the Audit Committee Terms of Reference

1. Purpose of the Report

- 1.1 This brief report highlights the suggested amendments to the Committee's Terms of Reference following the review undertaken recently. The amendments are not significant but will ensure that the Committee's remit is accurately reflected and meets recommended best practice. The changes also include the renaming of the committee to the Audit and Governance Committee.

2. Recommendations

- 2.1 It is recommended that the Committee agrees the amendments highlighted below and agree to actioning these changes through the delegated authority of the Chief Executive in consultation with the Cabinet Spokesperson, in accordance with the Constitution, in the absence of a Council meeting.
- 2.2 It is also recommended that part of the Committee's development session in October each year is devoted to a self-assessment review covering the terms of reference for the Committee.

3. Review of the Terms of Reference

- 3.1 It is good practice to periodically review the effectiveness of the Audit Committee including the terms of reference. Members of the Committee recently completed two questionnaires, one to consider how the Committee operates and one to look specifically at the terms of reference.
- 3.2 The results of both questionnaires were discussed by the Committee at a briefing session prior to the January meeting following which the suggested amendments to the terms of reference have been made.

Section B – Internal Control incorporating Risk Management, Financial Probity and Stewardship

- c) To **consider** such policies for consideration and approval by the Council

Section D – External Audit and other Inspectorates or Regulatory Bodies

S) To consider any payments in excess of £2,000 or provide other benefits in cases of maladministration by the Authority within the scope of Section 92 of the Local Government Act 2000.

Section E – Other

t) To consider general issues and statistics in relation to the Council's Confidential Reporting (Whistleblowing) Policy.

- 3.3 The outcome of the effectiveness review focussed largely on obtaining information and assurance regarding how the Authority governs its partnerships and collaborations, preparing an annual report to promote the work of the Committee and ensure its status and profile within the Authority were raised and encouraging senior management to attend the Committee to present items. All these areas have been taken into account in the work-plan for the Committee over the next municipal year.
- 3.5 Also recognised as part of the review process was that the name of the Committee should be changed to the Audit and Governance Committee to more accurately reflect the broader perspective and remit beyond traditional areas of financial and internal audit and therefore encompass the breadth of governance across the Authority. Again, the work-plan has been prepared to reflect that broader perspective.

Contact Officer: Head of Internal Audit, Anti-Fraud and Assurance
robwinter@barnsley.gov.uk
20th May 2020

Audit Committee

3rd June 2020

Information Governance, Cyber Security and Data Protection Officer Update

Sara Hydon – Head of IT (Service Management)

Rob Winter – Data Protection Officer

DPO Review

DPO Assurance Work

Information Governance & Cyber Security Update

DPO Review

- Good progress made generally
- Policies and guidance reviewed
- Important improvements in processes for incident management and DPIAs
- Excellent IG Team
- Re-constituted IG Board
- A few areas for focus and further work:
 - review of training offer
 - review internal procedures for handling complex SARs more effectively
 - Impact of CV19 and changed working practices

DPO Assurance Reviews

- Annual work to review certain aspects of DPA2018/GDPR compliance and awareness
- Areas to cover:
 - Broad awareness assessment through a survey
 - Cyber and IT security considerations
 - Incident management
 - Contract provisions
- Report back to Audit Committee in due course
- DPO (HoIA) contributing to a number of CV19 related Groups to ensure awareness of Data Protection

INFORMATION GOVERNANCE

- Covid-19 Implications & Opportunities
- Incidents before and during Covid-19

CYBER SECURITY

- Covid-19 Implications & Homeworking
- Redcar & Cleveland Cyber Incident
- PSN
- Cyber Essentials
- DSP Toolkit

Item 7

Joint Report of the Chief Executive and Executive Director, Core Services

Audit Committee – 3rd June 2020

ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2018/19

1. Purpose of the report

- 1.1 This brief report supports the updated action plan relating to the issues identified following the Annual Governance Review (AGR) for 2018/19. The action plan is attached as Appendix 1 to this report and was approved alongside the Annual Governance Statement (AGS) by the Audit Committee at the July 2019 meeting.

2. Recommendation

- 2.1 **It is recommended that the Audit Committee considers the progress being made against each item listed in the AGS action plan and seeks any explanations regarding any aspects of the progress detailed from the named action owner.**

3. Action Plan Update

- 3.1 An action plan is used to track the progress of the actions necessary to deal with the issues raised through the AGG process. The action plan covers 2 areas:
- monitoring the implementation of management actions identified by the Data Protection Officer (DPO) to further improve compliance with the General Data Protection Regulations and embed good general data protection practice
 - delivery of the improvement action noted within the 2019 Peer Review findings specifically to address recommendations relating to governance and risk
- 3.2 Progress in these areas is shown in the appendix.
- 3.3 The Committee will receive a report at its June meeting regarding the annual governance review process for the 2019/20 annual governance statement.

4. Background Papers

- 4.1 Previous Audit Committee reports covering the annual governance review process and the 2018/19 annual governance statement.

Contact Officer: Head of Internal Audit, Anti-Fraud and Assurance
Telephone: 07786 525319
Date: 22nd May 2020

Appendix One: Annual Governance Statement Action Plan 2018 / 19

Ref	Annual Governance Statement Action	Responsible Executive Director	Timescales	Current Position – Action Taken / Planned
1	Monitoring the implementation of management actions identified by the DPO to further improve compliance with the General Data Protection Regulations and embed good general data protection practice	Executive Director, Core Services	30/09/2019 Completed	<p>July 2019:</p> <p>The Council's compliance with the Data Protection Act (DPA) 2018 and the General Data Protection Regulations (GDPR) is being monitored through the Information Governance Board alongside other areas of information governance and management.</p> <p>The Council's Data Protection Officer (DPO) reports to the Board, providing assurances regarding work being undertaken to embed revised procedures and processes to ensure compliance.</p> <p>A programme of independent assurance reviews has been completed that provided the Information Governance Board with information and assurances regarding compliance.</p> <p>The Information Governance Board will oversee the implementation of the agreed management actions to ensure improved compliance and the embedding of good data protection practice.</p> <p>The DPOs annual report has been considered by SMT and the Audit Committee. It is important to stress that it is the responsibility of all senior managers to ensure the personal data they use in the delivery of services is maintained in compliance with the Council's policies, the DPA 2018 and GDPR.</p> <p>November 2019:</p> <p>In keeping with the Internal Audit process, the management actions arising from the individual assurance reports have been followed-up. Progress against the management actions in relation to the individual areas covered by the assurance reviews is summarised as:</p>

Ref	Annual Governance Statement Action	Responsible Executive Director	Timescales	Current Position – Action Taken / Planned
			31/07/20	<p>Data Minimisation - Completed Website Review - Completed Incident Management - Completed Unannounced Visits – Substantially complete, CCTV inventory underway Phase 1 Process Mapping Compliance - Completed SARS and CFIT - Completed Cybersecurity – Partially complete, contract arrangements, cyber resilience strategy and super-user system review outstanding</p> <p><u>May 2020:</u> The DPO is currently planning the assurance reviews for 2020 and to incorporate reviewing the implementation of the recommendations from the previous reviews. The results of the assurance reviews will be brought to the Audit Committee at subsequent meetings.</p> <p>As part of the overall monitoring process, the IG Board has been reviewed with new terms of reference and membership to ensure a more strategic focus. A DPO update is a standing item at the IG Board.</p>
2	Delivery of the improvement action noted within the 2019 Peer Review findings specifically to address recommendations relating to governance and risk.	Chief Executive		<p><u>June 2019:</u> The Peer Review Action plan is currently being revised in response to feedback from SMT.</p> <p>The report and revised action plan is scheduled for Cabinet approval on 24th July. This is slightly later than planned to receive input from the new Chief Executive. However, a number of actions are already underway to address the key recommendations and observations in the Peer Review e.g. the review of the Strategic Risk Register.</p>

Ref	Annual Governance Statement Action	Responsible Executive Director	Timescales	Current Position – Action Taken / Planned
			31/07/2020	<p><u>November 2019:</u> In relation to the review of the Strategic Risk Register, SMT have received a presentation regarding the proposed new approach which was endorsed in principle. A workshop type session is planned to ‘create’ a new version of the SRR reflecting live ‘concerns’, ‘issues’ and ‘areas of strategic focus’.</p> <p>The Audit Committee will receive a report at its January meeting regarding the changed approach and the first version of the new ‘SRR’.</p> <p>A review has also been undertaken of the various ‘boards’ and ‘steering groups’ in operation and their relationship with SMT. By way of example, the Information Governance Board (relevant to the AGS action above) will be revised with a smaller more strategic remit utilising ‘task and finish’ groups for specific pieces of work.</p> <p><u>May 2020:</u> The Committee has received an update on the progress in the review of the risk management approach. Further reports will be presented to the Committee over the next few months.</p> <p>The planned SMT workshop was unfortunately postponed due to the CV19 issue. However, SMT have renewed their commitment to the new approach and a new workshop is being planned for the next few weeks.</p>

Item 8

Report of the Head of Internal Audit, Anti-Fraud and Assurance

AUDIT COMMITTEE – 3rd June 2020

ANNUAL GOVERNANCE REVIEW – PROCESS AND TIMESCALES

1. Purpose of this report

- 1.1 The purpose of this report is to provide an update on the proposed Annual Governance Review process to be adopted for the production of the Annual Governance Statement for 2019/20.
- 1.2 To provide information regarding the timescales for the Annual Governance Review and production of the Annual Governance Statement.

2. Recommendations

- 2.1 **The Audit Committee is asked to note the proposed changes to the Annual Governance Review process for 2019/20 and the timescales for the production of the first draft of the Annual Governance Statement.**

3. Background information

- 3.1 As part of the process of producing the statutory Annual Governance Statement (AGS) there needs to be a mechanism for obtaining assurance from lead officers that good governance can be demonstrated.
- 3.2 It is proposed that the Annual Governance Review process is simplified from previous years and that we adopt an interim process for 2019/20 with a revised review process being implemented in future years which ties in with the Governance Assurance Framework to be introduced.
- 3.3 The process for the 2019/20 Annual Governance Statement will also be in 2 parts, one to reflect the 'normal' arrangements that we've had in place between April 2019 and March 2020, and a separate (but simple) process to capture the impact the Covid-19 pandemic has had/is having on our governance arrangements up to the point when the Annual Governance Statement will be formally signed which is likely to be September or October.

Interim Process for Annual Governance Review 2019/20

- 3.4 The production of information assurance packs (which were produced centrally and issued to lead officers) to support the previous production of the Annual Governance Statement is to cease.
- 3.5 Instead, a self-assessment document has been developed for completion by Service Directors, with questions linked to the Governance Domains (which form part of the new Governance Assurance Framework) which will prompt officers to consider the existence, adequacy and effectiveness of their Business Unit governance arrangements.

- 3.6 This document has been shared with Executive Directors and Service Directors for their comments and feedback, and these have been incorporated into the document.
- 3.7 For each statement within the self-assessment questionnaire Service Directors need to consider their Business Units relative compliance using a simple scoring system (1 – disagree strongly, 2- disagree slightly, 3 – agree slightly, and 4 – agree strongly) which enables corporate analysis of responses and identification of key themes and areas of strength and weakness across the organisation.
- 3.8 The self-assessment should be an honest, open and transparent review of systems, processes and arrangements operating and in place, and provides an opportunity for a retrospective look at governance arrangements in place during 2019/20 to inform the production of the Annual Governance Statement.
- 3.9 At the end of the assessment there is an opportunity to identify strengths within the service, weaknesses, areas for improvement and any areas of concern for the future.
- 3.10 Separate assurance statements will be obtained from Statutory Officers and the DPO, lead officers for Boards and Partnerships and lead officers in areas where Regulatory Inspections have been undertaken e.g. OFSTED and CQC which may have governance assurance implications.

Timescales for the Annual Governance Review 2019/20

Date	Action
By 5 June	Final Version of the self-assessment documentation to be issued to Service Directors
By 26 June	Facilitated meetings with Service Directors and/or DMT's with Head of Internal Audit, Anti-Fraud and Assurance and/or the Corporate Governance and Assurance Manager to complete the self-assessments (30/45 minutes)
By 26 June	Email assurance statements will be obtained during June from Statutory Officers, lead officers for Boards and Partnerships and inspections undertaken by Regulatory bodies during 2019/20 will be assessed for any governance assurance implications.
Early July	Prepare the first draft of the Annual Governance Statement
27 July	First draft of the Annual Governance Statement presented to the Audit Committee.

Officer Contact: Corporate Governance and Assurance Manager
Email: alisonsalt@barnsley.gov.uk
Date: 20 May 2020

Item 9

Report of the Head of Internal Audit, Anti-Fraud and Assurance

AUDIT COMMITTEE – 3rd JUNE 2020

RISK MANAGEMENT UPDATE

1. Purpose of the Report

- 1.1 This report provides an update for the Committee on the development of a new approach to risk management.

2. Recommendation

- 2.1 **It is recommended that the Committee note the update and direction of travel and receive further updates at subsequent meetings including the draft Risk Management Strategy and Policy, and the revised strategic register.**

3. Background

- 3.1 The Committee is aware that the Peer Review, undertaken last year, made observations regarding how effective our strategic risk register was as a basis for decision-making and as a useful management tool.
- 3.2 Further to the Peer Review, a consultant was engaged to provide an independent view as to the opportunities for how the strategic risk register and indeed the approach to risk management could be improved.
- 3.3 A new approach to risk management was agreed in principle by the Senior Management Team last year and work commenced on developing the methodology.

4. The New Approach to Risk Management

- 4.1 The concept for the new approach, to remind the Committee, is centred around the creation of a controls and governance assurance framework. This creates various governance domains which are used as a basis for capturing the high-level controls expected to be in place and consistently complied with. The governance domains and their context are shown in Appendix A,
- 4.2 The governance domains approach will provide a new focus on ensuring the framework of controls is in place that will maximise the chance of the Authority delivering its objectives.
- 4.3 Allied to this is the approach to risk, or rather identifying strategic, operational and project *concerns, issues and areas of focus*. This approach aims to ensure

that the 'risks' of the moment are captured and managed, i.e. the concerns management have regarding something in the future and our ability to deal with it effectively, or current issues, where something has gone wrong/failed and an effective response is required, or identifying those activities that because of their nature and organisational significance require specific oversight and focus.

- 4.4 The approach being developed is acknowledged as quite a departure from the traditional risk management approach. Instead of the negative context, the new approach aims to promote a more positive and enabling culture; 'what do we need to have in place (that is consistently and easily complied with) that ensures we do all the right things in the right way'.
- 4.5 Whilst there is clearly nothing wrong with the more traditional approach to risk management, the new approach will provide a focus on the areas that, if they fail or are avoided, can have very serious consequences. To highlight this point, in all cases where there has been a corporate failure, in whatever context or sector, the inevitable analysis of the cause identifies a series of breakdowns in the basic control framework – a series of perhaps small failures that combine to result in major problems. The new approach aims to ensure senior management have a focus on that underlying 'organisational infrastructure'.
- 4.6 It is acknowledged that the new approach will require a culture change and leadership from the top.

5. Progress Update

- 5.1 Work started in earnest in January this year following the commencement of the new Corporate Governance and Assurance Manager.
- 5.2 As a matter of priority, the initial focus has been on establishing a new high-level 'register' as a replacement for the strategic risk register.
- 5.3 To date, individual meetings have been held with each Executive Director and the Chief Executive to identify their views of concerns, issues and areas of focus. A workshop was planned with the Senior Management Team in March to discuss and agree the new areas for the 'register'. However, this workshop coincided with the pandemic escalating and was postponed. A new workshop will be arranged in the next few weeks to resume this work.
- 5.4 In the meantime, work has been continuing in developing the supporting 'system' that will facilitate the new approach.
- 5.5 The new approach is also getting trialled in a few areas to test the concept and get various views from managers. Feedback is positive and particularly in relation to the general more positive enabling style - the concept of thinking about what do we need to have in place (that is consistently and easily complied with) that ensures we do all the right things in the right way', seems to resonate

with managers to help them focus on achievement and delivery rather than avoiding failure.

- 5.6 As with all new developments requiring a change in culture and approach, it will take time to fully embed. The further work in creating the governance domains will commence in the next few weeks as well and again this will take time. At this stage and particularly in the context of the covid-19 pandemic, it's not practical to set a specific timescale. However, this is a priority and has secured SMT's commitment. The Audit Committee will receive further updates in due course.

6. Appendix A – proposed governance domains.

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Date: 21st May 2020

Proposed Governance Domains

OI Theme / Domain	Purpose
Financial Management	<p>A framework of policies and procedures that ensures the organisation can manage its financial resources in an efficient and effective way.</p> <p><i>This not about how much money the organisation has, or indeed if that may reduce or change, it is about the effectiveness of the financial management framework to deal with and respond to changes in whatever resources the organisation has.</i></p>
Workforce / HR Management	<p>A framework of policies and procedures that ensures the organisation can manage its human resources and talent in an efficient and effective way.</p> <p><i>This is about ensuring the organisation understands its human assets, their quality, their control, their development and their deployment.</i></p>
Information Systems Management	<p>A framework of policies and procedures that ensures the organisation has a suite of information systems and technology that supports and enables the organisation to deliver its objectives.</p> <p><i>This is about the quality, suitability and resilience of IT/IS such that the organisation can deliver its objectives in the most efficient and effective way.</i></p>
Information Governance / Security	<p>A framework of policies and procedures that ensures the organisation maintains its information assets in a way that secures compliance with legislation but also supports the organisation to deliver its objectives in an efficient way.</p>
Procurement, Commissioning and Contract Management	<p>A framework of policies and procedures that ensures the organisation procures, commissions and manages its contracts in a way that ensures compliance with legislation, delivers value for money and supports the organisation to meets its objectives.</p> <p><i>This is not about what is procured or commissioned but that there is due regard to good practice, value for money, governance, public accountability and equity in how the organisation secures goods and services to deliver its objectives.</i></p>
Partnership / Relationship / Collaboration Governance	<p>A framework of policies and procedures that ensures that the collaborative arrangements in place are effectively governed and managed to support the organisation to deliver its objectives.</p> <p><i>This is subtly different to contract management to reflect the wider partnership / collaborative arrangements in place with other organisations that we use or use us to deliver services and objectives.</i></p>
Performance Management / Data Quality	<p>A framework of policies and procedures that ensures the organisation can manage its performance through quality, timely and reliable data such that performance and accountability is measured and reported to drive continuous improvement.</p> <p><i>This is not about actual performance; this is about having the confidence to be able to rely on the data and systems in place that identify performance to enable management to make decisions reliably and consistently.</i></p>

OI Theme / Domain	Purpose
Asset Management (estates, non-IT equipment)	A framework of policies and procedures that ensures the organisation can manage and utilise its physical assets to best effect to support the delivery of services. <i>This not about what assets the organisation has as such but rather it knows what they are, can manage them in a way that ensures they are fit for purpose, kept useable and efficient and that they are disposed of and renewed at the optimum time.</i>
Ethical Standards / Conduct Management	A framework of policies and procedures that ensures its employees and those working with and for the organisation discharge their responsibilities with the highest ethical standards meeting all aspects of public expectation for conduct and integrity. <i>This also extends to arrangements for dealing with non-compliance and ensuring public accountability, transparency and confidence.</i>
Project / Programme Management	A framework of policies and procedures that ensures the effective and efficient management and delivery of the projects and programmes of the organisation. <i>This is about ensuring good governance, accountability and benefits realisation from change, development and transformational projects and programmes.</i>
Health and Safety	A framework of policies and procedures that ensures the organisation discharges its legislative and good practice responsibilities for the health, safety and welfare of its employees, customers and wider stakeholders.
Business Continuity / Emergency Resilience	A framework of policies and procedures that ensures the organisation understands its BC and ER arrangements, staff, partners and other organisations understand their respective roles should an incident arise and that services are restored as quickly and efficiently as possible.
Safeguarding (Children and Adults)	A framework of policies and procedures that ensures the organisation's responsibilities for the safeguarding of children and adults are discharged as effectively and efficiently as possible. <i>This extends to ensuring all partner or contractor agencies meet their responsibilities within the organisation's frameworks.</i>
Legislative Compliance	A framework of arrangements that ensures the organisation understands and meets its legislative responsibilities. <i>This is beyond those legislative frameworks within the other domain areas and relates to specific statutory roles the organisation has for service delivery or discharging public services.</i>
Equalities and Inclusion	A framework of policies and procedures that ensures the organisation has due regard for equality and inclusion in how it delivers its services, manages its staff and supports the wider community, meeting legislative and good practice standards in doing so.
Decision-Making Arrangements	A framework of policies and procedures that ensures the organisation makes sound decisions in a publicly accountable

OI Theme / Domain	Purpose
	<p>and transparent manner, meeting the requirements of legislation and internal arrangements.</p> <p><i>This is not about the actual decisions made but relates to the way they are made.</i></p>
Risk Management	<p>A framework of policies and procedures that ensures the organisation has regard to risk, that the overall framework is managed and that the delivery of services and responsibilities is supported through impactful and enabling mitigating actions.</p>

Item 10

Report of the Head of Internal Audit, Anti-Fraud and Assurance

AUDIT COMMITTEE – 3rd June 2020

ANNUAL FRAUD REPORT 2019/20 and COUNTER FRAUD PLAN 2020/21

Executive Summary

- i. The Corporate Anti-Fraud Team supports the Council in its statutory obligation under Section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.
- ii. The Team continues to provide the Council with a full, professional counter fraud and investigation service for fraud attempted or committed against the Council.
- iii. This report provides the Audit Committee with an account of counter fraud activity undertaken during 2019/20 and outlines a summary of the proposed counter fraud plan for 2020/21.

**Report of the Head of Internal Audit,
Anti-Fraud and Assurance**

AUDIT COMMITTEE – 3rd June 2020

ANNUAL FRAUD REPORT 2019/20 AND COUNTER FRAUD PLAN 2020/21

1. Purpose of the Report

- 1.1 This report provides an account of counter fraud related activity undertaken by Internal Audit's Corporate Anti-Fraud Team during the period 1 April 2019 to 31 March 2020.
- 1.2 The report also informs the Audit Committee of the Corporate Anti-Fraud Team's plan for 2020/21.

2. Recommendations

2.1 It is recommended that:

- i. **The Audit Committee considers and comments upon the Annual Fraud Report as part of its monitoring role;**
- ii. **The Corporate Anti-Fraud Team (CAFT) plan 2020/21 is agreed, acknowledging the need for the Head of Internal Audit, Anti-Fraud and Assurance to exercise his professional judgement during the year to apply the plan flexibly, allowing for planned proactive or detective days to be diverted to reactive investigation work as required;**
- iii. **The Audit Committee receive regular monitoring reports from the Head of Internal Audit, Anti-Fraud and Assurance to demonstrate progress against the plan including information where the plan has materially varied from the original plan; and**
- iv. **Continue their support in embedding a culture of zero tolerance and high levels of awareness regarding fraud and corruption.**

3. Background

- 3.1 As a major employer continually seeking to change and transform how it delivers services, and one that is engaged in a range of partnerships and activities, the Council is inherently vulnerable to acts of fraud, corruption or irregularity committed both from within and outside the Council.
- 3.2 To safeguard public funds and ensure these funds are used for their intended purpose the Council has a zero-tolerance approach supported by a strong policy statement and commitment to tackling fraud and corruption. This is backed up by various policies, procedures and codes linked to the

Anti-Fraud and Corruption Strategy to help ensure that the people of Barnsley and stakeholders have confidence that the affairs of the Council are conducted in accordance with the highest standards of probity and accountability and that Members and officers demonstrate the highest standards of personal and professional honesty and integrity.

- 3.3 It is of course an unrealistic expectation to remove and avoid all fraud or loss from an organisation, and particularly one as big and diverse as a local authority. However, with a concerted effort from elected members, senior management and all employees it is reasonable to expect that we can reduce and ultimately minimise the incidence and impact of fraud and corruption and thus ensure valuable resources can be used for front line services.
- 3.4 The Audit Committee have received update reports summarising work undertaken in respect of anti-fraud work and investigations.
- 3.5 Senior managers continue to be aware and accept that anti-fraud and corruption measures start with them. Internal Audit and the Corporate Anti-Fraud Team provide an important advisory and guiding role but cannot assume the responsibility for operational anti-fraud controls within services and systems.
- 3.6 In 2019/20 the Corporate Anti-Fraud Team had a total budgeted plan of 578 days. Preventative anti-fraud work undertaken totalled 157 days, reactive investigations totalled 395 days and a further 20 days were allocated to Internal Audit work and external clients.
- 3.7 The 2020/21 operational work programme has been developed to ensure the resources of the CAFT are utilised in an efficient, effective and accountable way. This work programme will be reviewed continually to reflect fraud trends, emerging risks and the general workload.
- 3.8 The following sections summarise the corporate pro-active counter fraud activity and reactive investigation work undertaken during the year and the key features of the 2020/21 plan. A separate section is also included explaining how the CAFT is supporting the Council's response to the COVID-19 pandemic.

4. Proactive Anti-Fraud and Corruption Activity 2019/20

Acknowledging and Preventing Fraud

- 4.1 Fraud prevention in the Council means ensuring that sound policy and procedural measures are in place in all Council departments. Internal Audit and the Corporate Anti-Fraud Team continuously review the Council's systems to identify areas of high fraud risk. Follow-up audits or themed anti-fraud audits are undertaken in all departments where recommendations have been made to improve the controls within those systems.

National Fraud Initiative (NFI)

- 4.2 The NFI is a biennial, mandatory, data matching exercise which all UK local authorities must participate in. The aim of the exercise is to identify possible cases of fraud, error and overpayments 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.
- 4.3 Work on the 2018/2019 NFI datamatches is now being reduced as the 2020/21 exercise is due to commence later this year.
- 4.4 A total of 16,238 matches have been received and 4,754 have been processed. There is no requirement for all matches to be investigated and, to assist with the prioritisation of investigation, matches were categorised high, medium or low risk. Some matches appear in more than one report e.g. a match may relate to a housing benefit claimant who also appears in a council tax support data match report. Improvements to the 2018/19 NFI website enabled these matches to be investigated at the same time to avoid duplication of work.
- 4.5 Investigation work cleared 4,395 matches as 'no issue'. Council records relating to 349 matches were amended due to error and 8 frauds (housing benefit and council tax support) have been detected. A further 99 cases remain ongoing and these mainly relate to potential joint working investigations with the DWP.
- 4.6 A breakdown of the results from the 2018/19 exercise are shown below:

Subject	Monetary Value	Number of Cases
Private Residential Care Homes	£46,854	12
Housing Benefit Overpayments	£26,594	10
Council Tax Support Overpayments	£8,476	9
Pensions Overpayments	£11,304	4
Council houses recovered	N/A	2
Blue badges cancelled*	N/A	290
Duplicate Payments	£175,670	33
Total Overpayments	£268,898	362

*A data match between blue badge parking permits and DWP deceased report identified that 290 blue badges remained in circulation. Records have been updated to cancel the permits.

All the overpayments above have been recovered or continue to be recovered.

Private Residential Care Homes

- 4.7 The private residential care homes overpayments arose where matches highlighted that a resident 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.

- 4.8 The 12 overpayments related to 11 different care homes and the delay in notification to BMBC appears to be due to delays in the relevant care home informing their Head Office of the death who then advises the Council that payment should cease and is therefore a timing issue.

Housing Benefit and Local Council Tax Support Overpayments

- 4.9 The housing benefit and local council tax support overpayments occurred due to the claimant failing to declare a change in circumstance to the Council e.g. an increase in income.

Pensions Overpayments

- 4.10 These overpayments occurred where the Council had not been informed of the death of an individual who was in receipt of a pension gratuity.

Council Houses Recovered

- 4.11 Two houses were returned to Council stock where it was identified that the tenant was not living in the property. Both tenants terminated their Council tenancies.

Duplicate Payments

- 4.12 The 33 duplicate payments had not been previously identified due to problems with the Council's duplicate payments matching solution. Twenty of these (£133,579) have been recovered in full.
- 4.13 The Council has made multiple attempts to resolve the issues with the supplier without success and a tendering exercise has subsequently been undertaken to procure a new solution. The Payments Team are currently working with the new supplier to implement the solution which is due to go-live mid-June.
- 4.14 Due to the issues with the system and concerns over potential duplicate payments it was agreed to obtain an additional, one-off, creditors payments report from the Cabinet Office (via the NFI). This report was received in March 2020 and checks have been made to identify and address any duplicate payments which may have occurred since the date of the initial 2018 NFI dataset upload. The additional NFI report identified a further 38 duplicate payments totalling £184,029. Of these 36 (£181,587) have been recovered in full.
- 4.15 Invoices have been raised in respect of the remaining 15 payments and these remain outstanding:
- Original 2018/19 exercise – 13 payments (£42,091);
 - Additional exercise – 2 payments (£2,442)

HMRC Pilot

- 4.16 The NFI Team have worked with HMRC on a pilot which matches HMRC and NFI data to identify fraud. The matches target three fraud risks (undeclared property ownership, undeclared earnings and capital, and undeclared persons in a household) across a number of NFI datasets including housing benefits, council tax reduction scheme, personal budgets and residential care homes.
- 4.17 The Council received 620 matches in August 2019 which were subsequently filtered and prioritised for investigation.
- 4.18 Investigations have identified 5 cases of fraud and a further 137 have been referred to the DWP for housing or welfare benefit investigation. Overpayments totalling £14,800 have been identified.
- 4.19 Due to the national success of this pilot exercise the Cabinet Office intend extending the pilot to the 2020/21 national exercise.

Corporate Anti-Fraud and Corruption Policies

- 4.20 A review of the Council's Anti-Fraud and Corruption Policy and supporting counter fraud policies was undertaken during 2019.
- 4.21 The following revised documents were presented to Audit Committee for comment in December 2019:
- Corporate Anti-Fraud and Corruption Policy;
 - Corporate Anti-Fraud and Corruption Strategy;
 - Corporate Anti-Bribery Policy;
 - Corporate Prosecutions Policy;
 - Corporate Fraud Response Plan;
 - Confidential Reporting Policy (previously known as the Whistleblowing Policy); and
 - Corporate Anti-Money Laundering Policy (and Guidance)
- 4.22 The Policies and Strategies were subsequently presented to and approved by Cabinet on 8th January 2020 and Full Council on 6th February 2020.

5. Reactive Fraud Work

Detecting and Investigating Fraud

- 5.1 Despite strong preventative measures, there are inevitably a minority of dishonest people who will be intent on attempting fraud finding new ways to evade preventative systems or indeed taking an opportunistic risk. When this happens, it is essential that we are able to promptly detect instances of fraud that have occurred.
- 5.2 The Council remains focused in its commitment to take all necessary action to investigate fraud and instigate appropriate sanctions.

- 5.3 All of the Corporate Anti-Fraud Team members dedicated to preventative and investigative work are professionally qualified in this area.

Corporate Investigations

- 5.4 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.
- 5.5 The CAFT have conducted their own investigations or supported management with their investigation work in response to a number of alleged internal irregularities.
- 5.6 The nature of the referrals varied and included suspicions of theft, IT misuse/abuse, abuse of working hours and abuse of position.
- 5.7 Allegations relating to IT misuse/abuse and theft did not provide any evidence of such, however management have implemented controls to reduce the opportunity for fraud. An officer received a written warning for abuse of position and two others resigned during the course of the investigation.
- 5.8 In addition, the CAFT have provided advice/guidance to Council officers, schools and members of the public regarding a number of scams identified by the National Anti-Fraud Network (NAFN) to which the Council subscribes.

Council Tax Support (CTS) Investigations

- 5.9 The levels of identified CTS fraud continue to be low nationally. CAFT have identified fraudulent council tax support claims of £7,268 during 2019/20 compared to £8,729 in 2018/19.
- 5.10 A summary of the Council Tax Support workload of CAFT for the period 1st April 2019 to 31st March 2020 is shown below.

	2019/20	2018/19
	No.	No.
Total number of referrals	79	77
Accepted for investigation	8	7
Referrals not progressed	66	65
Ongoing Investigations as at 31 st March	5	5

The majority of referrals were not progressed for full investigation as preliminary checks did not identify any evidence of fraud (39 cases). A further 14 were referred to the DWP due to welfare benefit implications. The remaining 13 referrals had no impact on council tax support entitlement.

- 5.11 The CAFT agreed a joint working protocol with the Department for Works and Pensions (DWP) in June 2019. This enables allegations of both housing benefit (DWP) and CTS (CAFT) to be investigation together. Costs relating

to Interviews Under Caution (transcribing or interpreter fees) and legal fees, including Court costs, will be paid by the DWP. Any resulting prosecutions will be led by the Crown Prosecution Services (as opposed to the Council's Legal Services).

- 5.12 Three allegations of CTS fraud have been referred to the DWP for potential joint working and all three were accepted. One of these has subsequently been completed and closed due to poor intelligence and two remain ongoing.
- 5.13 The DWP arrange quarterly meetings (South Yorkshire Fraud Partnership Group) to share information and discuss good practice. The CAFT are now active members of this group.

Council Tax

- 5.14 CAFT have identified fraudulent council tax liability claims of £6,166 with additional savings of £3,464 since April 2019 compared to £5,737 with savings of £4,525 identified in 2018/19.

NB. The value of the fraud is the total council tax discount / liability fraudulently claimed / identified with projected savings up to the end of the current financial year. The savings record the value of the overpayment had the fraud not been identified.

- 5.15 A summary of the Council Tax workload of CAFT for the period 1st April 2019 to 31st March 2020 is shown in the table below.

	2019/20	2018/19
	No.	No.
Referrals	134	209
Referrals not progressed	108	180
Overpayment only	19	27
Ongoing Investigations as at 31 st March	7	2

The majority of referrals were not progressed for full investigation as preliminary checks did not identify any evidence of fraud (87 cases). A further 4 were referred to the DWP due to welfare benefit implications. The remaining 17 referrals had no impact on the council tax liability/discount or were referred to another department.

Non-Domestic Rates

- 5.16 The CAFT received 3 allegations of non-domestic rates fraud during 2019-2020. Two were closed as there was no evidence of fraud and one remains open awaiting further information.

Insurance Claims

- 5.17 The CAFT continue to provide counter fraud checks of submitted insurance claims. These checks, including financial and residential verification, provide assurance to the Insurance Team that the claims are genuine and bona fides.

- 5.18 CAFT has undertaken checks against 81 insurance claims during the 2019-2020 financial year. A summary of these referrals is shown below.

	2019/20	2018/19
Details	No.	No.
No evidence of fraud	76	82
Dismissed at Court	0	1
Claim refused – Council not liable	1	2
Withdrawn by claimant	1	1
C/F to 2020-2021	3	2
Total	81	88

Right to Buy (RTBs)

- 5.19 The Corporate Anti-Fraud Team have continued to apply an enhanced fraud prevention process to all new RTB applications throughout 2019/2020.
- 5.20 Checks, including financial and residential verification, provide assurance that tenants are eligible to the discount and fulfil the criteria of the scheme ahead of completion of sale.
- 5.21 CAFT has undertaken checks against 151 RTB applications during the financial year 2019/2020.
- 5.22 Two of these applications have been referred to the DWP for further investigation due to the tenant being in receipt of DWP benefits and checks into a third application are still being undertaken.

	2019/20	2018/19
Details	No.	No.
No evidence of fraud	148	164
Referred to DWP	2	2
Ongoing	1	0
Total	151	166

Housing/Tenancy Fraud

- 5.23 An investigative support service continues to be provided to Berneslai Homes to help identify potential fraudulent tenancies.
- 5.24 A summary of alleged tenancy fraud referrals received for investigation during 2019/2020 is shown in the table below.

	2019/20	2018/19
Details		
Alleged application fraud – no evidence of fraud	5	13
Tenancy application fraud – application refused	1	1
Alleged non-residency – no evidence of fraud	15	13
Property recovered due to tenant's non-residency	5	3
Alleged fraudulent attempt to succeed tenancy – no evidence of fraud	8	4

	2019/20	2018/19
Prevention of false attempts to succeed tenancy	2	1
Allegation of sub-letting - no evidence of fraud	3	4
Referred back to Berneslai Homes to deal with as breach of tenancy	0	1
Referral forwarded to another department for further action	7	3
Ongoing	3	9
Total	49	52

- 5.25 The majority of the referrals were received from Berneslai Homes (28) with the remainder being received from members of the public (18), other Council departments (1). A further 2 anomalies were investigated as a result of NFI data matching.

Blue Badge Misuse/Abuse

- 5.26 The CAFT have continued to investigate the misuse and abuse of blue badges in 2019/2020.
- 5.27 Blue Badge fraud can be categorised into two groups.
- Misuse of genuine badges. This means using the badge when the named holder is not present;
 - Abuse of badges. This includes using a counterfeit badge, using a lost or stolen badge or using the badge of a deceased person.
- 5.28 All successful blue badge applicants are given the DfT leaflet **The Blue Badge scheme: rights and responsibilities in England** (updated 21 August 2017) when they are issued with the blue badge. Section 2 of the leaflet provides the following information on who can use the badge:

'The badge is for your use and benefit only. It must only be displayed if you are travelling in the vehicle as a driver or passenger, or if someone is collecting you or dropping you off and needs to park at the place where you are being collected or dropped.

Don't allow other people to use the badge to do something on your behalf, such as shopping or collecting something for you.

- *You must never give the badge to friends or family to allow them to park for free, even if they are visiting you.*
- *You should not use the badge to allow non-disabled people to take advantage of the benefits while you sit in the car.*
- *It's a criminal offence to misuse a badge. This includes people other than the badge holder taking advantage of the parking concessions provided under the scheme*

- 5.29 The CAFT received 17 allegations of blue badge fraud during the 6-month period September 2019 to March 2020. In 3, no evidence was found of fraud, however 6 prosecutions were taken with a further simple caution and a warning letter issued in a further 2. Six investigation remain in progress.

6. Key Priorities 2020/21

6.1 In compiling the Corporate Anti-Fraud Team's Strategy the Head of Internal Audit, Anti-Fraud and Assurance (HoIA) has taken into consideration the Government's Fighting Fraud and Corruption Locally 2016-2019.

6.2 The third Fighting Fraud and Corruption Locally Strategy was launched in early May 2020. The revised strategy aims to help local authorities:

- Develop and maintain a culture in which fraud and corruption are unacceptable;
- Understand the harm that fraud can do in the community;
- Understand their fraud risk;
- Prevent fraud more effectively;
- Use technology to improve their response;
- Share information and resources more effectively;
- Better detect fraud loss;
- Bring fraudsters to account more quickly and efficiently;
- Improve the recovery of losses;
- Protect those at risk

6.3 This revised strategy expands the key objectives of the 2016-17 strategy from three to five:

The original objectives are:

- Acknowledge/deter;
- Prevent/detect; and
- Investigate/pursue.

The additional objectives are:

- Govern; and
- Protect

The Corporate Anti-Fraud Team Strategy will be revised to include the additional objectives and will be presented to Audit Committee later this year

6.4 The Corporate Anti-Fraud Team has allocated 600 chargeable days for reactive and proactive fraud work in 2020/21.

6.5 In compiling the counter fraud plan the HoIA has taken into consideration a number of factors including:

- The Cabinet Office's National Fraud Initiatives;
- The extent and scope of counter fraud activity in previous years, including previous investigations;
- Emerging national and local fraud risks;
- Covid-19 post event assurance work.

6.6 The key features of the 2020/21 Corporate Anti-Fraud plan are as follows:-

Area of Activity	2020/21 Days	%	2019/20 Days	%
Acknowledge / Deter (112 / 109 days)		19		19
Review and update of counter fraud policy framework	15		15	
Provide counter fraud advice to management	42		36	
Increase corporate fraud awareness / publicity / benchmarking / transparency	35		48	
Research	20		10	
Prevent / Detect (338 / 248 days)		56		43
Covid-19 fraud assurance work	60		0	
Risk based fraud reviews / audits	105		110	
Co-ordination of the 2020/21 NFI and investigation of subsequent data matches.	70		63	
Fraud Awareness Week	20		20	
Blue Badge Processes review	20		0	
Verification of Right to Buy applications	15		15	
Verification of Insurance Claims against the Council	15		15	
Verification of Disabled Facilities Grant Applications	10		10	
Referrals to DWP / fraud hotline referrals	13		10	
Corporate Fraud Risk Self Assessments 2020/21	10		5	
Organised Crime Procurement Audit	5		25	
Corporate Procurement Anti-Fraud Review	25		25	
Direct Payments - Counter Fraud Review - Respite	20		20	
Direct Payments - Third Party Payroll Provision Counter Fraud Review	20		20	
Direct Payment Contracts Counter Fraud Review	20		20	
Investigate / Pursue (143 / 196 days)		24		34
Investigation of allegations of direct payment fraud. Applying appropriate sanctions on identified fraudulent claims	20		27	
Investigation of allegations of council tax discount, exemption and liability fraud. Applying appropriate sanctions on identified fraudulent claims	15		40	
Investigation of allegations of council tax support fraud. Applying appropriate sanctions on identified fraudulent claims	17		20	
Investigation (and prosecution where appropriate) of allegations of tenancy fraud including the recovery of properties where tenancy fraud is proven	41		53	
Investigation of allegations of blue badge abuse / misuse and applying appropriate sanctions	40		46	
Investigation of Right to Buy irregularities	10		10	
Responsive counter fraud days (7 days)	7	1	25	4
Total Planned Days	600	100	578	100

- 6.7 The level of proactive anti-fraud work will be dependent on the volume of Covid-19 fraud assurance checks and reactive work received by CAFT. As a result, not all areas may be reviewed in 2020/21. Any areas that are still relevant will be carried forward to 2021/22.

7. Covid-19

Business Support Scheme

- 7.1 As part of its response to Covid-19 the Government announced two grant funding schemes, the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund.
- 7.2 As at the 10th May 2020 the Council has made payments to 3,495 local businesses totalling £38.5M in respect of the above schemes.
- 7.3 The Cabinet Office's Covid-19 Counter Fraud Response Team has worked with private organisations and public bodies to develop a toolkit to assist local authorities with post-event assurance checks.
- 7.4 The CAFT are in the final stages of preparing datasets for submission to the Cabinet Office's NFI website for the following checks:
- Bank Account Verification; and
 - Active company check
- 7.5 Datamatching will identify any anomalies in grant applications and payments which will require further investigation.

Council Tax

- 7.6 The CAFT are supporting the Council's response to the Covid-19 pandemic by providing counter fraud advice whilst also appreciating the emergency of the crisis and getting payments and services to those in need.
- 7.7 The pandemic has seen the Council receive a significant increase in the number of applications for local council tax support. Managers with the Benefits and Taxation department have increased their resources to deal with this increase and CAFT are supporting the department by risk assessing and investigating the NFI council tax single person discount datamatches.
- 7.8 Two members of CAFT have been redeployed to Benefits and Taxation and they have already processed 265 matches. No issue was identified in 233 of these cases and 32 were found to have an incorrect discount awarded. A further 174 are currently in progress.
- 7.9 The Single Person Discounts cancelled to date have resulted in an additional £18,206 Council Tax income being raised across the identified Council Tax accounts.

- 7.10 The CAFT have also been asked to provide assurance work relating to the increase in applications for local council tax support.
- 7.11 The Council has recently subscribed to the Cabinet Office's NFI AppCheck facility which allows officers to easily check the validity of an application in real-time. AppCheck enables fraudulent or mistaken claims, including those for council tax support, to be identified before they become active. Results are immediate using a colour coded system (red, amber, green).
- 7.12 The CAFT will assist with the assurance work relating to the recent increase of local council tax support claims by verifying applications to AppCheck.

Scams

- 7.13 Nationally, the Covid-19 pandemic has seen a significant increase in scams as criminals take the opportunity to exploit people's fears e.g. purchasing of PPE which does not exist. Criminals are also using Government branding to try to trick people, including using HMRC branding to make spurious offers of financial support through unsolicited emails, phone calls and text messages. Reports of fake websites have also been reported.
- 7.14 The CAFT receive regular fraud alerts from the National Anti-Fraud Network and City of London Police. In addition, the Fraud Advisory Panel has created a Covid-19 fraud watch group which meets weekly and shares information on emerging fraud threats.
- 7.15 The Council has created a Covid-19 advice and guidance webpage which includes a link alerting members of the public to warning of the latest scams:

www.barnsley.gov.uk - Covid-19 Advice and Guidance

Details of the latest scam alerts which may have an effect within the Council e.g. bank mandate fraud are also recorded on the Council's internal Intranet.



8. Performance Measures

- 8.1 CAFT's success will be measured by:
- Monitoring the quality of corporate fraud referrals (inputs) on a quarterly basis;
 - Measure the results (outputs) and success rate of corporate investigations on a quarterly basis;

- Production of six-monthly updates and an annual report to the Audit Committee

9. Local Area Implications

- 9.1 There are no Local Area Implications arising from this report.

10. Consultations

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

11. Compatibility with European Convention on Human Rights

- 11.1 In the conduct of investigations, the Corporate Anti-Fraud Team operates under the provisions of the Data Protection Act 2018, the Human Rights Act 1998, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

12. Reduction of Crime and Disorder

- 12.1 An inherent aspect of counter fraud 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. Additionally, Internal Audit Services ensures that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.
- 12.2 Counter fraud work is carried out in compliance with criminal and civil law and criminal investigation procedures relevant to investigation work including: the Police and Criminal Evidence Act (PACE) 1984, the Criminal Procedure and Investigations Act (CPIA) 1996, the Regulation of Investigatory Powers Act (RIPA) 2000, the Public Interest Disclosure Act 1998 and relevant Employment Law, Fraud Act 2006, Proceeds of Crime Act 2002 and Prevention of Social Housing Fraud Act 2013.
- 12.3 Where an investigation occurs that identifies a potential criminal offence, the matter is always referred to the police.

13. Risk Management Considerations

- 13.1 Failure to have robust counter fraud arrangements will increase the Council's susceptibility to fraud and will result in loss of public money.
- 13.2 The loss of assets and resources as a result of fraud is included within the Strategic Risk Register

14. Employee Implications

- 14.1 All employees are under an obligation through their contracts of employment to be honest and adhere to the Code of Conduct.
- 14.2 There will be further guidance and opportunities for all employees to ensure their personal awareness of anti-fraud and corruption measures continues to be high. Management are charged to ensure that awareness is high and maintained.

15. Financial Implications

- 15.1 There are no financial implications arising directly from this report. The costs of the Corporate Anti-Fraud Team function are included within the Authority's base budget.
- 15.2 There are financial consequences in both losses from fraud and also the cost of controls to minimise fraud. Internal Audit Services carefully assess both aspects of the financial consequences of fraudulent activity when making recommendations and advising management.

16. Background Papers

- 16.1 Various previous Audit Committee reports

Contact Officer: Head of Internal Audit, Assurance and Anti-Fraud
Email: robwinter@barnsley.gov.uk
Date: 21st May 2020

Report of the Head of Internal Audit, Anti-Fraud and Assurance

AUDIT COMMITTEE – 3rd JUNE 2020

INTERIM INTERNAL AUDIT ANNUAL REPORT 2019/20

Executive Summary

- i. This report provides the Head of Internal Audit's interim annual opinion on the adequacy and effectiveness of the Authority's internal control arrangements based on the work of Internal Audit for 2019/20 and has been prepared in accordance with the Public Sector Internal Audit Standards.
- ii. Considering the overall results of Internal Audit work undertaken to date, together with management's implementation of recommendations the indicative opinion given is **reasonable** (positive) assurance. This has been based upon an agreed programme of risk based audit coverage and input which has enabled a valid indicative assurance opinion to be provided.
- iii. It is important that senior managers remain alert to and focussed on maintaining an appropriate, risk-based and effective framework of controls as we enter the recovery stage of Covid 19 and also as we continue to work towards Barnsley 2030.
- iv. The key results from all completed audits have been reported throughout the year within the Internal Audit progress reports and are summarised in this report.
- v. Throughout the year the Audit Committee have been made aware of progress in the implementation of audit report recommendations.
- vi. The current draft audit plan for 2020-21 is focussed on supporting management to consider the approach to controls in the context of the impact of Covid 19.

AUDIT COMMITTEE – 3rd June 2020

INTERIM INTERNAL AUDIT ANNUAL REPORT 2019/20

1. Purpose of Report

1.1 This interim annual report has been prepared adopting recommended practice contained within the updated Public Sector Internal Audit Standards (PSIAS) which came into effect on the 1st April 2017. These Standards require the Head of Internal Audit (HoIA) to report to the appropriate Member body, the Audit Committee, providing his opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control based on the work undertaken by Internal Audit.

1.2 In order to comply with these Standards the report provides:-

- i. an opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control;
- ii. summary of the audit work undertaken to formulate the opinion;
- iii. details of key control issues identified which can be used to inform the Annual Governance Statement (AGS); and
- iv. the extent to which the work of other review or audit bodies has been relied upon.

1.3 The opinion provided is an indicative interim opinion due to a number of planned pieces of work relating to 2019/20 currently being finalised. The update will be given to members at a later meeting, to coincide with the consideration of the Annual Government Statement.

2. Recommendations

2.1 It is recommended that the Audit Committee:-

- i. **considers the indicative opinion provided by the Head of Internal Audit based on the work undertaken and completed to date relating to 2019/20 regarding the adequacy and effectiveness of the Authority's framework of governance, risk management and control;**
- ii. **notes the key issues arising from the work of Internal Audit in the context of the Annual Governance Statement (AGS).**

3. Introduction / Background

3.1 In accordance with statutory best practice provided by the PSIAS, there is a requirement that the Head of Internal Audit (HoIA) prepares an annual report to the appropriate member body providing, amongst other things, an opinion on the overall adequacy and effectiveness of the Authority's framework of

governance, risk management and control based on the audit work undertaken. For the Authority, the appropriate member body is the Audit Committee.

- 3.2 The Accounts and Audit Regulations require all councils to publish an Annual Governance Statement (AGS) providing a narrative on the Council's internal control, risk management and governance framework, the results of the annual review process and detailing any actions to be taken in respect of any identified weaknesses. The AGS will address all aspects of corporate governance including internal control and risk management arrangements, in addition to financial controls.
- 3.3 This report provides a summary of key issues arising from the work of Internal Audit covered in the 2019/20 audit plan and up to the point of preparing this report, which contributes to the overall indicative assurance opinion the HoIA is able to give the Audit Committee.
- 3.4 Although providing an important and significant contribution to the assurances the Audit Committee needs in its consideration of the AGS, this report forms only part of the assurance framework. The Audit Committee will receive the draft Annual Governance Statement (AGS) for 2019/20 at a later meeting. The Audit Committee is therefore encouraged to consider this interim annual report in the context of broad controls assurance.
- 3.5 The financial budget for the Internal Audit Team is clearly set covering the period 1st April to 31st March each year and a plan of the days and where they are planned to be delivered is prepared similarly. However, the actual delivery of internal audit work and the constant review and revision of coverage is on a more rolling basis. In order to align the annual Internal Audit report to the AGS and the signing of the Statement of Accounts it is more appropriate that the Head of Internal Audit's opinion is provided reflecting all the work undertaken that relates/covers the financial year at the point of the approval of the AGS and Accounts. This inevitably includes work actually undertaken in the current financial year but that relates to the 2019/20 financial year.
- 3.6 In order to provide the Audit Committee with key information and the opportunity to comment this interim final report has been prepared along with an indicative opinion.

4. Head of Internal Audit's Indicative Opinion on the Effectiveness of the Authority's Internal Control Environment

- 4.1 The Audit Committee has received Internal Audit progress reports throughout the audit year. In each of these reports a reasonable assurance opinion had been given reflecting an overall satisfactory level of internal controls and their application.
- 4.2 Taking the whole year into account and the audits completed to date, it is appropriate to give an overall **reasonable** (positive) indicative assurance opinion for the year. The information supporting this opinion is provided below.

- 4.3 Whilst the overall opinion is positive, there are some key issues arising from Internal Audit work in the year that senior management should consider. In general terms these continue to relate to the significant pressures in most areas of the Council, the general impact of managing the implications of changed structures and new and changed systems. Such changes, whilst inevitable in the circumstances of limited resources, need to be recognised by management as having implications on the ability to maintain reasonable and effective controls in some areas of activity.
- 4.4 It is important that senior managers remain alert to, and focussed on, maintaining an appropriate, risk-based and effective framework of controls as the Council enters the recovery stage of the Covid 19 period and also continues to work towards Barnsley 2030. The audit work undertaken and planned for the current year has sought to take into account the change in risk appetite necessary to embrace and implement such significant change. Although the overall indicative assurance opinion is **reasonable**, it is essential that senior management retain a focus on embedding new and revised operational and governance arrangements (including the innovative service delivery methods that have arisen in response to Covid 19).
- 4.5 To highlight this issue, a number of senior managers asked for Internal Audit input during the year to provide support and assurances that the control framework in certain areas was effective. This Internal Audit support was requested to highlight key control, governance and risk issues and assist management in how best to deal with them. Of key importance of course is the consideration and management of the identified and accepted risks moving forward.
- 4.6 It should be noted that the audit work completed has in the main identified weaknesses in the framework and application of controls that increases the risk of the failure to meet operational objectives. The failure to then address control weaknesses through the timely implementation of agreed management actions clearly adds to this risk.
- 4.7 Section 6 of this report provides more detail regarding the results of the audit work. In summary, 63% of the completed audits resulted in a substantial or reasonable assurance opinion compared with 73% in 2018/19 and 60% in 2017/18.
- 4.8 Within the Internal Audit progress reports a number of key issues were drawn to the Committee's attention. These are summarised in Section 6.
- 4.9 The results of the core system reviews for the 2019/20 financial year are given in paragraph 6.14.
- 4.10 Generally, the audit work in the year has found areas where controls remain good and only relatively minor issues have been raised. There remains a few areas of work to be concluded, but at the point of preparing this report three "Limited" assurance opinions have been provided in 2019/20 compared to four in 2018/19.

- 4.11 Although audit work aims to cover a broad range of services, systems and areas of Council activity, it needs to be recognised that Internal Audit coverage cannot guarantee to detect all errors, systems or control weaknesses or indeed identify all of the opportunities for improvements in management arrangements that might exist. Accordingly the assurance opinion provided is based on reasonable coverage, as resources allow, and cannot be regarded as absolute assurance. Equally, there is a responsibility of senior managers through the annual governance statement process to provide assurances to the Chief Executive regarding the application and effectiveness of the internal control and governance framework in their operational or functional areas.
- 4.12 To remind the Committee, Internal Audit assurance opinions are classified within a range of four options, two positive and two negative. The table below shows in broad terms the basis for the different opinions applied.

	Level	Control Adequacy	Control Application
POSITIVE OPINIONS	Substantial Assurance	A robust framework of controls exists that is likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Reasonable Assurance	A sufficient framework of key controls exists that is likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
NEGATIVE OPINIONS	Limited Assurance	A 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.
	No Assurance	A 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.

- 4.13 Internal Audit seeks to work closely as appropriate with other auditors, most significantly External Audit. However, for 2019/20 no work undertaken by other auditors or any other review body has been specifically relied upon in the provision of this indicative annual overall assurance opinion.

5. Summary of Internal Audit Work and Coverage 2019/20

- 5.1 Internal Audit aim to utilise a risk-based approach to planning its work. This approach seeks to ensure that the key risks facing the Authority are covered where appropriate by Internal Audit work. The audit planning process and details of the 2019/20 audit plan were considered by the Audit Committee at its March meeting.
- 5.2 The Audit Committee has received Internal Audit progress reports that incorporate the results of audit work and management's response on a

continuous basis. A summary of the Internal Audit reports for 2019/20 is at Appendix 1.

- 5.3 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. Over the last couple of years there has been a notable increase in the number of these adjustments which is indicative of the rapidly changing control environment and structure of the Council. Details of audit work which has been deferred, deleted or requests for specific pieces of work have been reported within the Internal Audit progress reports.
- 5.4 It should also be noted that Internal Audit work is variable both in its nature and timing. The risk-based approach ensures the highest priority work is undertaken. As with all plans, the audit plan was determined at a particular time (March 2019) utilising information available and has been subject to significant changes in certain areas arising from requests for internal audit input. The Audit Committee should be assured that within the finite resources available to Internal Audit, the key audit risks identified have either received audit attention during the year or are reflected in the audit plan for 2020/21.
- 5.5 The position at the time of drafting this report for core internal audit days relating to the 2019/20 plan shows a slight under delivery of 112 days, or 4%, of the original provision. This is due to the impact of Covid 19 in quarter one of the current financial year (management capacity to respond to requests to enable completion of the 2019/20 planned work).

Position as at 17th May 2020 – Audit Days Delivered Relating to 2019/20 Plan

Directorate	Original 2019/20 Plan days	Revised 2019/20 Plan days	Actual days (% of revised days)
Communities	102	90	81 (90%)
People	128	101	102 (101%)
Place	88	113	104 (92%)
Public Health	11	19	19 (100%)
Core Services	407	449	437 (97%)
Council Wide	205	159	149 (94%)
Corporate	177	187	195 (104%)
Barnsley MBC	1,118	1,118	1,087 (97%)
Corporate Anti-Fraud Team	572	572	524 (92%)
Barnsley MBC Internal Audit Total	1,690	1,690	1,611 (95%)
HolA role as Head of Assurance	0	1	10 (1,000%)
HolA role as DPO	50	50	51 (102%)
DPO Assurance	45	45	45 (100%)
Sub Total	95	96	106 (110%)
External Clients	1,215	1,215	1,171 (96%)
Total Chargeable Planned Days	3,000	3,000	2,888 (96%)

5.6 Within the resources there remains a significant amount of time needed to respond to requests for providing advice, support to services, innovation and initiatives, changes, projects and programmes, corporate change projects and general work that does not result in a specific report. Approximately half of operational audit time is spent on work that generates a specific report. Details of the non-report work have been provided through the progress reports, but in summary have covered the following:

- Grant verification
- Charity Accounts sign-off
- Requests for service reviews on an advisory basis
- Review of Contract Procedure Rules
- General advice to services in relation to controls, risk and governance
- Policy review and advice
- Advice and support in relation to the Council's Information Governance arrangements, including attendance at the Information Governance Board and Digital Leadership Team meetings
- Advice, support and challenge during the re-tender of the PRIP contract, including attendance at PRIP Board meetings
- A check and challenge of the revised SEND governance arrangements including the approach to decision making
- A quality assurance review of the Public Health procedures and processes
- Advice and support during the Council's review of its financial management system (SAP) in terms of developments and access controls
- Supporting HR in the development of a Managers Toolkit
- Corporate document management / information asset requirements
- Feedback to and liaison with all services
- Audit Committee support
- Follow-up of management actions
- Annual audit planning process
- Input to the Annual Governance Review
- Corporate whistleblowing input

5.7 Whilst the work covered in the above list has not resulted in a specific assurance opinion, all work undertaken is considered in terms of the overall indicative annual assurance provided in this annual report. Much of this work has also been considered in the 2020/21 planned coverage.

6. Summary of Internal Control Issues Arising from Internal Audit work in 2019/20

6.1 Internal Audit has completed 8 individual reviews of aspects of the Authority's internal control framework during 2019/20 that resulted in a formal report. These 8 audits sought to identify, test and review various controls to ensure management were meeting their responsibilities to establish and adhere to appropriate systems of internal control. It should be noted that at the time of this report, a further 6 reviews are ongoing and are substantially complete. Details are referenced within the work in progress section (appendix 3).

- 6.2 A summary of the assurance opinions given for the 8 reports issued thus far for the year are shown below together with a comparison to 2018/19 and 2017/18.

Assurance Opinion		2019/20		2018/19		2017/18	
		Completed					
		No	%	No.	%	No.	%
Positive Opinions	Substantial	0	0%	4	27%	2	10%
	Reasonable/ adequate	5	63%	7	46%	10	50%
Negative Opinions	Limited	3	37%	4	27%	8	40%
	No	0	0%	0	0%	0	0%
TOTAL		8 *	100%	15	100%	20	100%

* A further 5 reports are expected to be issued over the next few weeks.

It should be noted that clearly some audit areas have a greater significance and potential impact on the overall assurance opinion, i.e. limited assurance opinions given for control weaknesses in areas with a narrow scope, limited transactions and financial value will have a lower impact on the overall opinion compared to say a major service or a core financial system receiving such an opinion.

- 6.3 Across the various completed pieces of work to date 62 recommendations/implications were raised. These are summarised below:

	No.	%	No.	%	No.	%
Recommendation Category	2019/20		2018/19		2017/18	
Fundamental/ High	4	6%	1	1%	3	2%
Significant/ Medium	39	63%	48	51%	59	54%
Merits Attention/ Low	19	31%	46	48%	48	44%
Total	62	100%	95	100%	110	100%

- 6.4 Of the 4 fundamental/ high recommendations:
- 3 were raised in the SAP Concur Expenses report; and
 - 1 was raised in the Systems Fit For Purpose report (Governance arrangements with regards to IS Service Delivery).

In respect of the four fundamental/high recommendations above, two have a future agreed implementation dates and two are currently being followed up with management as per the agreed protocol.

Although there has been significant pressure on management throughout the year and across all services, Internal Audit has continued to get good co-operation from management across the Council and at various levels.

- 6.5 Details of the key issues arising from these reviews have been presented to the Audit Committee in the Internal Audit progress reports. These findings

have arisen across audit reviews ranging from specific establishments to areas of governance.

- 6.6 In addition to the formal audit reports attracting an assurance opinion other reports have been issued in an advisory/consultancy context. A number of these reports are the product of significant Internal Audit input over many months in some cases. These reports also contribute to the overall assurance opinion. Such input enables Internal Audit to assist management as initiatives or projects or reviews are progressing, thus helping establish effective controls and governance from the outset. The major advisory reports have covered:
- Family Centres;
 - Glassworks Phase 2 Governance;
 - SEND Decision Making;
 - Public Health Quality Assurance.
- 6.7 As stated in the Internal Audit progress reports it is important to note that the identification of control weaknesses does not necessarily indicate that any loss or inefficiency has actually occurred. Weaknesses indicate an increased *potential/risk* that losses or inefficiencies could occur.
- 6.8 An important part of Internal Audit's assessment of controls is undertaken through the annual reviews of the core financial systems of the Authority. This work is considered by External Audit who have regard to Internal Audit's work to assist in their opinion on the financial systems for their audit of the Accounts.
- 6.9 The core system reviews in relation to 2019/20 are just being finalised. The necessary timing of these reviews is extremely challenging in coinciding with the preparation of the draft accounts. It is appropriate to highlight the excellent co-operation once again received from Financial Services. A separate section on the core system reviews is given below.
- 6.10 In relation to specific establishments or other minor systems, controls are tested at a lower level to ensure the detailed operation of systems and procedures, and the use of assets and resources are effective.
- 6.11 During the year, all audit report management actions were followed-up in accordance with the current follow-up protocol. As reported through the Internal Audit progress reports, the percentage of management actions implemented by the agreed dates had improved during the year but this has been impacted upon on the lead up the financial year end in response to the Covid 19 pandemic and this understandably being management's priority at that time. Please refer to Appendix 4 for a breakdown of the current status of all agreed management actions, where the original agreed target implementation date was during the 2019/20 financial year.
- 6.12 The Audit Committee has continued to monitor this situation. Senior management are aware of their responsibilities to implement agreed recommendations/actions to ensure any control, risk or governance weaknesses identified through internal audit work are corrected. The Senior

Management Team receives regular monitoring reports regarding the implementation of recommendations and escalates action accordingly. Clearly, any significant delay in implementation or non-implementation weakens the overall control environment.

- 6.13 In common with the general theme highlighted previously, Internal Audit has found that in many cases the delay in the implementation of recommendations has been as a direct consequence of the significant demands placed on senior management over the year and particularly towards year-end with the impact of reacting to Covid 19. A further follow-up exercise is currently in progress and will be reported to the next Audit Committee.

Core System Reviews 2019/20

- 6.14 Overall there are 10 systems regarded as core and fundamental to the financial management of the Authority. Over the last few years there has been a detailed risk assessment undertaken to establish the extent of coverage each system requires given a number of factors, namely any significant changes in the system or key personnel, the audit opinion the previous audit and the results of an analytical review undertaken by Internal Audit. The outcome of this risk assessment is discussed and agreed with the Section 151 Officer. External Audit are also consulted on the risk assessment and proposed coverage.
- 6.15 The assurance opinions given for each of them are shown in the table below:-

Core System	Assurance Opinion 2019/20	Assurance Opinion 2018/19	Assurance Opinion 2017/18	Assurance Opinion 2016/17	Assurance Opinion 2015/16
Purchase to Pay	Not Audited	Substantial	Adequate	Not Audited	Not Audited
Income	Not Audited	Not Audited	Adequate	Not Audited	Adequate
Council Tax / NDR	Not Audited	Substantial	Not Audited	Not Audited	Adequate
Housing Benefits	Not Audited	Substantial	Not Audited	Limited	Not Audited
Pay, Employee Admin & Org. Management	At testing stage	Not Audited	Adequate	Not Audited	Not Audited
Cash Receipting & Banking	Not Audited	Adequate	Not Audited	Not Audited	Adequate
Main Accounting - Journals	Reasonable*	Not Audited	Substantial	Not Audited	Not Audited
Fixed Asset Register**	Reasonable	N/A	N/A	N/A	N/A
Housing Rents	Substantial	Adequate	Substantial	Substantial	Substantial
Treasury Management	Not Audited	Not Audited	Substantial	Adequate	Not Audited

* Draft report currently being discussed with management and therefore indicative assurance opinion.

** Historically this formed part of the Main Accounting review.

- 6.16 The core financial systems reviewed each year are identified utilising a risk based methodology. The outcomes in relation to each of the systems audited this year have / are likely to receive a positive assurance opinion.

Summary of Control Issues

- 6.17 During the year the Audit Committee has received Internal Audit progress reports that highlighted key control issues that could potentially undermine the provision of an overall positive assurance opinion for the year. The major issues that resulted in the issue of high (fundamental) implications (recommendations) in relation to particular audits were:-

- A lack of oversight of strategic priorities across the Council of all IT projects (Core – Systems Fit for Purpose Corporate Governance Arrangements);
- A lack of clarity regarding manager and employee responsibilities in the Expenses and Travel & Accommodation policy for SAP Concur users and approvers and a lack of ease of access to the policy and procedures (Core – SAP Concur Expenses);
- Results from system testing showed that SAP Concur expense claims did not comply with the policies due to behaviour / culture issues and relevant policies not being sufficiently detailed and open to management interpretation and discretion. However, no evidence of fraud was found (Core – SAP Concur Expenses).

- 6.18 It is noted that the impact of and recovery from Covid 19 and also the continued move towards Barnsley 2030 will continue to have implications for the structure and nature of the Council's control framework. This will inevitably give rise to potential implications in terms of the effectiveness of control and governance structures and will require careful management in order to retain a positive assurance overall.

7. Local Area Implications

- 7.1 There are no Local Area Implications arising from this report.

8. Consultations

- 8.1 All audit reports are discussed with the main auditee. Individual audit reports are provided to the appropriate Executive and/or Service Director to apprise him/her of key issues raised and remedial actions agreed. No specific consultation has been necessary in the preparation of this annual report.

9. Compatibility with European Convention on Human Rights

- 9.1 In the conduct of investigations, Internal Audit operates under the provisions of the Data Protection Act 2018, the Human Rights Act 1998, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

10. Reduction of Crime and Disorder

- 10.1 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. Additionally, Internal Audit ensures that, in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.

11. Risk Management Considerations

- 11.1 Whilst there are no specific risks emanating as a result of this report there are a range of risk issues worthy of consideration and note.
- 11.2 The Audit Committee has received a detailed report on the audit plan including the basis of the plan and the utilisation of risk information. This is a critical aspect of the audit function and seeks to ensure audit resources are targeted at the areas of the Council's business where the most significant risks have been identified.
- 11.3 There is a risk to the Authority as a whole should the Internal Audit function not be effective. This would undermine the internal control, risk and governance arrangements of the Authority and fail to provide the Audit Committee with sufficient independent information upon which to base their assurance views upon. The provision of detailed Internal Audit progress reports during the year, plus this annual report and the report on the QAIP should act as mitigation in ensuring the Audit Committee is in a position to constantly keep the audit function under review.
- 11.4 There is a risk to the control and governance of the Authority if management fail to implement their agreed actions to address the implications identified during Internal audit work. In mitigation Internal Audit has introduced a more rigorous 'follow-up' process to ensure the most significant issues are implemented. This is reported to the Audit Committee within the quarterly and annual reports.

12. Employee Implications

- 12.1 There are no employee implications arising from this report.

13. Financial Implications

- 13.1 There are no financial implications arising directly from this report. The costs of the Internal Audit function and the external audit fees are included within the Authority's base budget.

14. Appendices

- 14.1 Appendix 1 - Summary of Internal Audit Reports 2019/20
Appendix 2 - Details and Outcomes of other Internal Audit Activities
Appendix 3 - Projects and Work In Progress
Appendix 4 - Agreed Management Actions

15. Background Papers

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

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Telephone No: 01226 773241
Date: 21st May 2020

Summary of Internal Audit Reports 2019/20

Directorate- Audit Assignment	Assurance Opinion	Number of recommendations/ implications raised:			Total	Agreed
		High/ Fundamental	Medium/ Significant	Low/ Merits Attention		
People – Commissioning of Residential Placements and Fostering	Limited	0	5	7	12	12
Communities – IT Project and Programme Management	Reasonable	0	2	3	5	5
Core – Apprenticeship Levy	Reasonable	0	5	2	7	7
Place – Principal Towns	Reasonable	0	6	2	8	8
Communities – Homelessness	Reasonable	0	4	2	6	6
Core – Systems Fit for Purpose Corporate Governance Arrangements	Limited	1	7	1	9	9
Core – SAP Concur Expenses	Limited	3	5	2	10	10
Core – Fixed Asset Register	Reasonable	0	5	0	5	5
Total		4	39	19	62	62

Details and outcome of other Internal Audit activities concluded in the period

Audit Work Completed	Details	Contribution to Assurance
Place: URBACT Project Revolution	Grant Claim Audit Certification.	The work contributes to assurance in respect of financial management.
People: Assessed and Supported Year in Employment (AYSE) Grant Claim Verification	Grant Claim Audit Certification for Social Workers in the first year of employment.	The work contributes to assurance in respect of financial management.
Core: Charity Accounts	Completion of Charity Commission's Independent Examiner's Report return.	The work contributes to assurance in respect of financial management.
People: Troubled Families – Quarterly validation	Grant claim validation.	The work contributes to assurance in respect of financial management.
Place: Environmental Services Petty Cash Processes	Advice provided to the Service regarding the petty cash procedures and purpose.	The work contributes to assurance in respect of financial management.
Core: Procurement Card Processes	Reviewed old and new process. Additional advice provided regarding the risks and expected controls of a new paperless process.	The work contributes to assurance in respect of financial management.
People: Family Centres	Suggested areas for improvement in relation to income and expenditure at a family centre.	The work contributes to assurance in respect of financial management.
Place: Glassworks Governance Phase 2	A review of the governance arrangements for Phase 2 of the Programme. This included risk management, the Project Execution Plan (PEP), Board meetings and other meetings across the Council and partners/suppliers. Attendance at Board meetings in an advisory capacity.	The work contributes to assurance in respect of financial management and governance arrangements.
Core: Bankrupt Suppliers	Advice provided to Legal Services and the Strategic Procurement Service regarding trading with suppliers that are bankrupt.	The work contributes to assurance in respect of financial management.
Core: Council's Contract Register	Advice provided to the Strategic Procurement Service regarding the maintenance and update of the Council's Contracts Register, in particular, for capturing new contracts awarded between £5K and up to £10K.	The work contributes to assurance in respect of financial management and contract management.
Core: Procurement and Legal	Advice, support and guidance to Procurement and Legal, attendance at joint meetings, independent review of policies and procedures.	The work contributes to assurance in respect of financial management and governance arrangements
Core: Advice	Advice provided to Finance – SAP Access & Separation of Duties; - SAP Success Factors; - SAP Access Controls.	The work contributes to assurance in respect of financial management

Audit Work Completed	Details	Contribution to Assurance
Core/Communities: Information Governance	Advice, support and guidance in relation to the Council's Information Governance Framework. Includes attendance at Information Governance Board and Digital Leadership Team meetings.	The work contributes to assurance in respect of financial management and governance arrangements
Core: Managers Toolkit	Support to HR during the development of a managers Toolkit.	The work contributes to assurance in respect of governance arrangements
Core/Place: PRIP	Advice, support and challenge during the re-tender process, including attendance at Board meetings.	The work contributes to assurance in respect of financial management and governance arrangements
People: SEND Decision Making	Advice, support and guidance (heck and challenge methodology) in relation to the development of the SEND governance arrangements, including decision making. Included attendance at various working group meetings and Board.	The work contributes to assurance in respect of financial management and governance arrangements
Public Health: Quality Assurance	A quality assurance review of the policies, procedures and processes in relation to Public Health.	The work contributes to assurance in respect of financial management and governance arrangements

Work in Progress as at 17th May 2020

Directorate & Audit Assignment	Status / Comment
Core – Procurement Compliance Review *	Draft Report Issued
Core – Main Accounting Journals	Draft Report Issued
Core – Policy into Practice – Honoraria & Agency Staff	Draft Report Issued
Core – DPO Arrangements Compliance	Work in Progress
Core – Main Financial Systems Payroll (underpayments and overpayments)	Work in Progress
Communities – Barnsley Community Voluntary Sector (advisory)	Work in Progress

* this is a large, complex review to provide assurance in relation to procurement activity undertaken by all Directorates and also by NPS Barnsley Ltd (on behalf of the Council – under the terms of an SLA).

Analysis of Agreed Management Actions Where the Original Agreed Implementation Date Was Due and Followed Up in the Period 1st April 2019 to 31st March 2020

Recommendation/ Implication Categorisation	Original Target Date in 2019/20	Completed	Not yet completed – Revised date agreed	Not yet completed – Awaiting management update
Communities				
Fundamental/High	2	2	0	0
Significant/ Medium	18	14	1	3
TOTAL	20	16 (80%)	1 (5%)	3 (15%)
Place				
Fundamental/High	2	2	0	0
Significant/ Medium	7	7	0	0
TOTAL	9	9 (100%)	0	0
People (excl. Maintained Schools)				
Fundamental/High	7	1	0	6
Significant/ Medium	14	3	9	2
TOTAL	21	4 (17%)	9 (43%)	8 (40%)
Maintained Schools				
Fundamental/High	0	0	0	0
Significant/ Medium	0	0	0	0
TOTAL	0	0	0	0
Core				
Fundamental/High	4	1	2	1
Significant/ Medium	26	16	3	7
TOTAL	30	17 (57%)	5 (17%)	8 (26%)
Public Health				
Fundamental/High	0	0	0	0
Significant/ Medium	0	0	0	0
TOTAL	0	0	0	0
OVERALL TOTAL	80	46	15	19
%	100%	58%	18%	24%

AUDIT COMMITTEE – 3rd JUNE 2020

INTERNAL AUDIT CHARTER

1. Purpose of the Report

- 1.1 This covering report and the Internal Audit Charter 2018 – 2020 serves as a reminder to the Committee of the key aspects of the internal audit function. Such a Charter is required by the Public Sector Internal Audit Standards.
- 1.2 The Charter, prepared by the Head of Internal Audit (HoIA) and complemented by regular reports and an annual report, are intended to give the Audit Committee assurances regarding how the Internal Audit function is resourced, managed, organised and delivers its responsibilities.

2 Recommendation

- 2.1 **It is recommended that the Audit Committee considers the Internal Audit Charter and be satisfied that it meets the requirements of the Public Sector Internal Audit Standards (PSIAS) and adequately represents and describes the required function to provide the Audit Committee and senior management with a professional service.**

3. Background Information

- 3.1 The Audit Committee periodically considers the Charter as required by the Public Sector Internal Audit Standards (PSIAS).
- 3.2 The Charter reflects the current working arrangements of the function but also the aspirations and developments necessary to ensure continuous improvement. The Charter will be made available to all employees through the Service's Intranet site.
- 3.3 The Internal Audit Team also provides services to the South Yorkshire Pensions Authority, Berneslai Homes, South Yorkshire Police Crime Commissioner, South Yorkshire Police and Northern College. From 1st April 2020, the Internal Audit Team ceased to provide an Internal Audit service to the South Yorkshire Fire & Rescue Authority.
- 3.4 The key aspects of the Charter are to ensure clarity and understanding about what Internal Audit is, what it is intended to do and its position in the organisation and to reinforce the objective of the Internal Audit Service as a valuable asset to the each client by supporting senior management in meeting their responsibilities and the delivery of corporate objectives.
- 3.5 as the Committee are aware, the PSIA require the Head of Internal Audit to prepare and maintain a Quality Assurance and Improvement Programme (QAIP). Part of this requirement is that an external quality assessment (EQA) is commissioned at least once every 5 years as a way of independently

providing audit committee's and organisations assurance regarding how the Internal Audit function is meeting the requirement of PSIA. The EQA was being planned for later in the calendar year. This will now be postponed until 2021. The Charter will have a more fundamental review later in this year as part of the QAIP which will be brought back to the Committee.

4. Background Papers

Public Sector Internal Audit Standards 2017

Contact Officer: Head of Internal Audit, Assurance and Anti-Fraud
Email: robwinter@barnsley.gov.uk
Date: 21st May 2020



BARNSLEY
Metropolitan Borough Council

INTERNAL AUDIT SERVICES

Internal Audit Charter

2018 – 2020

Updated February 2020

1. Introduction

- 1.1 The Internal Audit function is a key component of an organisation's governance framework. As such, it aims to provide a quality objective and independent management support function in order to influence and contribute to the achievement of strategic objectives. An important part of this support is the development and maintenance of excellent client relationships and adopting an innovative and flexible approach to the delivery of the service. This Charter provides the framework for the management and delivery of the Internal Audit function and is applicable to all client organisations.
- 1.2 This Charter therefore defines the mission and core principles for Internal Audit, its authority and scope, purpose, responsibilities, position in the organisation, resources and standards, planning and reporting. This is consistent with and in compliance with the Public Sector Internal Audit Standards (PSIAS).
- 1.3 The PSIAS defines internal audit as:

“.... an independent, objective assurance and consulting function designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”.

2. Mission and Core Principles

- 2.1 The PSIAS also provides a mission for the Internal Audit function that articulates what it aspires to accomplish within the Council and for its numerous external client organisations.
- 2.2 The mission for Internal Audit is:
- “To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.*
- 2.3 A set of core principles have also been defined through the PSIAS aimed at articulating internal audit effectiveness. The function aims to demonstrate these principles in all it does and across all the various organisations it serves. The core principles and how they are met are:-

Principle	How Discharged
Demonstrates integrity	All IA staff are obliged to adhere to the Code of Ethics within the PSIAS (see para 8.8) and confirm annually that they have read, understood and will comply.
Demonstrates competence and due professional care	IA have a performance management process of specific job supervision and management complimented by regular 1:1s and the corporate PDR process. Feedback from clients on each piece of work is also utilised for this purpose. IA staff undertake regular specific and general training and development activities. (See para 8.9)
Is objective, free from undue influence and therefore demonstrates independent thought	As individuals, the ability to operate objectively and with an independent mind is a core attribute of being in IA and a requirement within PSIAS (see paras 8.5 and 8.6). The HoIA’s position within the organisation also sets this tone and is further reinforced by the specific access to information and other officers afforded to IA.
Aligns with the strategies, objectives and risks of the organisation	IA planning and delivery is built upon the knowledge of the organisations strategies, objectives and key risks. Consideration of these is an integral part of annual and specific job planning.
Is appropriately positioned and adequately resourced	The HoIA has the necessary reporting lines and access. The resources of the IA function are assessed annually as part of the audit planning process. It is the duty of the HoIA to highlight any concern regarding the resources available for IA to the organisation.
Demonstrates quality and strives for continuous	The HoIA maintains a Quality Assurance and Improvement Programme (QAIP) as required by PSIAS.

Principle	How Discharged
improvement	This aims to ensure the delivery of high quality IA services but to also identify any opportunities for further improvement. The client feedback process is a key element of this.
Communicates effectively	A key output from IA is the audit report. These are compiled in a clear and concise manner to highlight the key areas for management to address. Regular liaison meetings are held with each client throughout the year to ensure the sharing of information and that operational working arrangements, job planning and delivery are effective. The HoIA's annual report is also a key element of organisational communication.
Provides risk-based assurance	All IA planning considers the risk, concerns, issues and threats to an organisation, a service or system in whatever capacity IA work is focussed. IA reports make reference to these matters such that management are alerted to undertake any actions to address risks etc. The HoIA's annual opinion focusses on assurance about the effectiveness of an organisation's risk management, control and governance arrangements.
Is insightful, proactive and future-focussed	The scoping of IA work includes prompts and opportunities to provide innovative solutions, provide advice and consider future activities, capacity and efficiencies. This is particularly an area of focus in the advisory work IA undertakes.
Promotes organisational improvement	All IA work as referenced above is designed to assist management and the organisation deliver its strategic and operational objectives in the most efficient and effective way.

2.4 The Barnsley Internal Audit Service operates within a challenging environment across all client organisations to deliver the services each requires and to ensure it does so providing added value. The Service needs to be able to react and adapt to the rapid pace of change which is taking place both locally, regionally and nationally. Accordingly, and in addition to the core principles in the PSIAS, the Charter has been extended to include even wider aspirations of the Internal Audit Service, which are to:

- ✓ Develop, maintain and enhance relationships particularly where a client organisation is undergoing significant change to ensure that the service is aware of and understands its needs and objectives
- ✓ promote and support clients with regards to an increase in regional and collaborative working
- ✓ understand its position with respect to the organisation's other sources of assurance and plan our work accordingly
- ✓ be seen as a catalyst and support for change at the heart of the organisation
- ✓ be the auditor of choice, delivering exceptional client service
- ✓ add value and assist the organisation in achieving its strategic objectives
- ✓ be forward looking – knowing where the organisation wishes to be and being aware of the relevant national agenda and its impact
- ✓ be innovative and challenging
- ✓ help to shape the ethics and standards of the organisation, reducing bureaucracy whilst maintaining high standards of governance and compliance
- ✓ ensure the right resources are available recognising that the skills mix, capacity, specialisms, qualifications and experience requirements all change constantly
- ✓ ensure all staff are supported in undertaking relevant professional qualifications and continuous professional development
- ✓ share best practice with other internal auditors, clients and other professional services
- ✓ seek opportunities for joint working with other organisations' auditors.

3. Authority and Scope of Internal Audit

3.1 The requirement for an internal audit function is detailed within the Accounts and Audit Regulations which state that a relevant body must *“undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards and guidance [PSIAS]”*.

- 3.2 In accordance with the PSIAS, the scope of Internal Audit allows that in fulfilment of audit responsibilities there will be unrestricted coverage of all the organisation's activities and unrestricted access to all functions, records, data, personnel, premises and assets of the organisation and its partner organisations, as deemed necessary in the course of audit work and as set out in relevant partnership agreements and contracts. Internal Audit has therefore the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.
- 3.3 All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. The Head of Internal Audit (HoIA) and staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.
- 3.4 The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the governance, risk management, and internal control processes in an organisation as well as the quality of performance management arrangements in carrying out assigned responsibilities to achieve the objectives of the organisation.

4. Purpose of Internal Audit

- 4.1 Each client organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising whether effective and efficient arrangements exist. The annual HoIA opinion, which informs the annual governance statement, both emphasises and reflects upon the importance of this aspect of Internal Audit work. The response to Internal Audit activity should lead to the strengthening of the control environment and therefore contribute to the achievement of the corporate objectives, improvement and support innovation and change.
- 4.2 This is achieved through internal audit providing a combination of assurance and consulting/advisory activities. Assurance work involves assessing how well the systems and processes are designed (adequacy) and how well they are working (application). Consulting and advisory activities are available and complimentary to assist management make improvements to systems and processes where necessary.

5. Definitions

- 5.1 As the Internal Audit function serves a variety of organisations and for the purpose of this Charter the following definitions apply:

The Board – generally the governance group charged with seeking independent assurance on the adequacy of the control, risk management and governance framework, and the main oversight body for the delivery of the internal audit function. Such Boards are usually the group performing the role of audit committee.

Senior Management – generally those responsible for the leadership and direction of the organisation as a collective, incorporating the 'chief executive' role.

6. Responsibilities of Internal Audit and Senior Management

- 6.1 The responsibilities and objectives of Internal Audit are as follows:
- i. To be a valuable asset to the organisation by supporting senior management in meeting their corporate responsibilities.
 - ii. To contribute to assurances to those charged with governance in relation to the robustness and reliability of internal controls, risk management and governance to support the Annual Governance Statement (AGS).
 - iii. To support the Statutory S151 Officer / Responsible Financial Officer in discharging their duties.

- iv. To review, appraise and report on the extent to which the assets and interests of the organisation are accounted for and safeguarded from loss and the suitability and reliability of financial and other management data and information.
 - v. To support the requirement to seek efficiency including the arrangements for achieving value for money and effective change management.
 - vi. To provide soundly based assurances to management on the adequacy and effectiveness of their internal control, risk and governance arrangements. Such assurances include information technology governance and ethical behaviour.
 - vii. To assess the adequacy and effectiveness of the organisation's contracts, procurement, commissioning and associated governance arrangements.
 - viii. To assess the corporate risk management process and make recommendations to improve and embed the process where required whilst ensuring that Internal Audit does not adopt management responsibilities for managing risks.
 - ix. To evaluate the risk of fraud and the manner in which it is managed by the organisation. In addition, to reduce the incidence of fraud and irregularity by publicising the findings of fraud investigations to act as a deterrent and provide a quality fraud and irregularity prevention, detection and investigation service.
 - x. To disseminate examples of best practice in the application of an effective control, risk and governance framework.
 - xi. To provide an Internal Audit advisory service intended to add value and improve governance, risk management and control processes.
 - xii. To provide advice and an objective and supportive consulting service in respect of the development of new programmes and processes and / or significant changes to existing programmes and processes including the design of appropriate controls. This is usually achieved through membership of Officer Groups, Governance and other Boards or working parties as well as direct contact with officers within services / functions / departments. Such advice and consultation work forms an important part of the audit plan.
 - xiii. To prepare timely, concise and informative reports to management to facilitate the improvement of the control environment.
 - xiv. To undertake Audit support activities in respect of assisting the Audit Committee (or equivalent) to discharge its responsibilities; monitoring the implementation of agreed recommendations; disseminating across the entity better practice and lessons learnt arising from its audit activities, and having oversight of the audit function.
- 6.2 Under the PSIAS, the HoIA has a specific responsibility to lead and manage the Internal Audit function and have the necessary and unfettered access to senior management and audit committees.
- 6.3 Senior management also have responsibilities under this Charter in order to maximise the effectiveness and efficiency of the Internal Audit function. These are to:
- Engage fully and flexibly in the audit planning process, providing information and insight into high risk areas or areas of strategic focus or concern
 - Nominate and commit to lead officers for each internal audit assignment and a point of reference for the overall management of the internal audit service
 - Engage in a timely manner with Internal Audit in the scoping of work and agreeing terms of reference, dealing with audit queries and discussing draft and final reports
 - Provide evidence to Internal Audit (and the audit committee) of the implementation of audit recommendations
- 6.4 Arrangements will be made with each client organisation to monitor joint compliance with these responsibilities.
- 6.5 It should be noted that internal audit is not responsible for the operation of control functions within the Council (or other organisations); these responsibilities rest with senior management. Internal audit should not be regarded as a substitute for good management.

7. Position of Internal Audit in the Organisation(s)

- 7.1 Within the Council the HoIA reports functionally to the Audit Committee and organisationally to the Service Director – Finance.
- 7.2 With regards to non-council client organisations the HoIA reports functionally to the respective audit committee / Board. Whilst the organisational relationship is different in the external client organisations, to fulfil professional responsibilities the HoIA will report to the respective Chief Finance Officer and/or Chief Executive.
- 7.3 Irrespective of the organisation, the HoIA has direct and unfettered access to the Chief Executive (or equivalent), Monitoring Officer (or equivalent) and Responsible Finance Officer. The HoIA also has access to the respective audit committees where this is deemed necessary in the discharging of professional responsibilities.

8. Internal Audit Resources / Skills / Competencies and Standards

- 8.1 In accordance with PSIAS, the HoIA will be professionally qualified and suitably experienced in the leadership and management of an internal audit function. These requirements reflect the responsibilities of the HoIA in leading a professional discipline, demonstrating personal independence and objectivity and the need to liaise with senior management, members, other professionals.
- 8.2 It is the responsibility of the HoIA to establish and maintain an appropriately skilled and experienced team and to set a culture of continuous improvement for the function. Resources will be set aside in the operational budget for the purposes of staff development and general and professional training.
- 8.3 At least annually, the HoIA will submit to the 'Chief Executive' and the Audit Committee an Internal Audit plan for review and approval. The plan will consist of a work schedule and resource requirements for the next financial year(s). The plan will include the impact of any resource limitations and significant actual or planned changes.
- 8.4 The Standards element of the PSIAS highlights some key expected competencies. These are:
- 8.5 Independence:
- 8.5.1 An independent approach and mind-set is essential to the effectiveness of the Internal Audit function. To ensure this, Internal Audit will operate within a framework that allows:-
- Unrestricted access to the relevant senior officers; the Chair of the Audit Committee and Audit Committee Members; individual Senior Management Officers; employees and the responsible External Auditor.
 - The HoIA reporting in his own name.
 - Segregation from line operations.
- 8.5.2 The Internal Audit function has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in original line processing functions or activities.
- 8.5.3 Internal Auditors are generally not involved in undertaking non-audit activities and an Auditor will not be involved in the audit of any system or process for which they had previous operational responsibility for a period of two years.
- 8.5.4 Audit responsibilities are periodically rotated to avoid over-familiarity and complacency and also to provide for service continuity and resilience.

8.6 Objectivity:

8.6.1 Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- Shall not accept anything that may impair or be presumed to impair their professional judgement.
- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.
- declare any real or perceived interests on an annual basis. In addition, a prompt is included at the assignment planning phase of each audit;

8.7 Confidentiality:

8.7.1 Internal Auditors are expected to display confidentiality and:

- Shall be prudent in the use and protection of information acquired in the course of their duties.
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

8.8 Integrity:

8.8.1 In the conduct of audit work, Internal Audit staff will:

- perform their work with honesty, diligence and responsibility.
- observe the law and make disclosures expected by the law and the profession.
- not knowingly be a party to any illegal activity or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- respect and contribute to the legitimate and ethical objectives of the organisation.
- comply with relevant professional standards of conduct.
- respect and contribute to the legitimate and ethical objectives of the organisation.
- observe the Standards of Public Life's Seven Principles of Public Life.

8.9 Competency:

8.9.1 Internal Auditors are expected to be competent in their role by:

- engaging only in those services for which they have the necessary knowledge, skills and experience.
- performing internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- continually improving their proficiency and effectiveness and quality of their services.

8.9.2 The HoIA will maintain a Quality Assessment and Improvement Programme (QAIP) as required by the PSIAS and report this to each client audit committee on an annual basis.

9. **Access to Relevant Personnel and Information**

9.1 Each member of the Internal Audit Team will carry with them at all times an ID card that clearly shows their responsibilities and authority as auditors. In the fulfilment of their audit duties this entitles them to unrestricted access to all records, assets, personnel and premises belonging to each client organisation. In addition, internal auditors have the authority to obtain such information and explanations as is considered necessary to meet the requirements of the audit activity. Where necessary, such access will be granted on demand and not subject to prior notice.

10. Scope of Internal Audit Activity

- 10.1 The HoIA is responsible for producing an annual report to each client organisation's audit committee providing an opinion on the adequacy and effectiveness of the control, risk management and governance arrangements. Through careful annual audit planning and based on a programme of audit activities of sufficient breadth and depth covering the whole organisation, the HoIA is able to produce such an annual opinion.
- 10.2 The overall approach is determined by the HoIA and will take into account the level of assurance required, the significance of the objectives of the organisation, the degree of change within the organisation, the prevailing risk appetite and culture, and previous audit findings and recommendations.
- 10.3 To fulfil the scope of internal audit, the programme of audit activities is usually varied covering assurance work, advice, consultancy, anti-fraud work and irregularity investigations. The types of internal audit work are shown as annexe 1.
- 10.4 Increasingly, a major contribution to the HoIA's annual opinion is through advisory/consultancy type work where in a more proactive and timely basis input can be given and assurance obtained regarding the adequacy and effectiveness of the activities of the organisation, e.g. through attendance at key management meetings, steering groups and project and programme boards. This work is also valuable for audit planning and generally ensuring a high level of awareness of the organisations direction, objective, pressures and performance.

11. Internal Audit Planning

- 11.1 Setting an annual or periodic risk-based plan is the responsibility of the HoIA. The audit plan is determined through a process of information gathering, reflection, forward looking and above all consultation and engagement with senior management and the Board.
- 11.2 The following are the key issues in the development of the risk based audit plan:-
- An understanding of the organisation's vision and ambition, as articulated within the organisation's strategic plans and ensuring that audit coverage is directed and links to these areas of corporate importance.
 - Identification of the significant (key) risks and issues arising from the above and understanding which areas of service delivery the significant risks impact upon.
 - Internal Audit provides support to management and directs resources to areas where the Service can add value and support change and innovation.
- 11.3 The HoIA will advise senior management and the Board regarding the planned coverage and if/where this is potentially compromised due to limited resources.
- 11.4 Each year the HoIA will set out the planning process and key issues as part of senior management and Board engagement.

12. Reporting

- 12.1 The key output from internal audit activity is a report, a written and formal product to show the outcome from the assignment.
- 12.2 Audit Assignment Reporting
- 12.2.1 In reporting the outcome of individual audit assignments, the lead Internal Auditor will follow a proactive and consultative approach to engage management. The key principles of which are:-

- Advance discussion and agreement of the scope and objectives of audit assignments, and the timescales for the completion of the work along with the recipients of the audit report.
- Immediate reporting of any fundamental or critical issues arising during the course of audit work.
- Post audit meetings (with or without a draft report as required) to discuss the conclusion and outcome of audit work on a prioritised basis and to agree management actions and timescales.
- Any areas of disagreement which are not resolved by discussion are recorded in the action plan and the residual risk highlighted within the report.
- Providing management with the opportunity to give feedback on the conduct of the work and how valuable and effective they found the audit process and report.

12.2.2 The process for the communication of audit work is designed to conform with the PSIAS.

12.2.3 Final audit reports will normally include an overall assurance opinion on the adequacy and effectiveness of the system of risk management, controls and governance arrangements. The report will be issued on a timely basis and responses sought from senior management on the implementation of agreed recommendations. The non-receipt of a response will be followed up with the responsible manager, Executive Director or equivalent and reported to the Audit Committee.

12.2.4 A process has been established with each organisation to ensure the agreed actions are implemented or that senior management have accepted the risk of not taking action. Internal Audit will in certain circumstances undertake specific further work to obtain direct evidence of management actions having been taken as planned. The implementation of audit recommendations is reported to each audit committee where senior management may be invited to explain any delays in taking action.

12.3 Reporting of Ad Hoc Advice and Development / Consultancy Work

12.3.1 Internal Audit undertakes a variety of tasks which do not always justify a formal audit report, e.g. responding to one-off queries, advice and consultancy type work given verbally at meetings e.g., projects and developments. Internal Audit does however ensure that details of advice given and recommendations made are recorded by the retention of memos / copy e-mails, or file notes and minutes of meetings. Such records are retained in respect of advice given which is likely to (or intended to) influence management decisions or effect changes in systems and processes. The result of this work is considered as part of the HoIA's overall assurance opinion.

12.3.2 Issues and risks arising would also be recorded within project and operational risk registers in order to be managed by project lead officers. Details of issues arising would not necessarily be reported separately to the Audit Committee. However, details of the engagement and work undertaken would be recorded within the respective Audit Committee Report and any material issues would be followed up in accordance with the standard reporting and monitoring process.

12.4 Reporting to the Audit Committee

12.4.1 Internal Audit reports as follows:-

- Details of audit plans, performance against plans and against key performance measures, and on significant control or compliance issues arising from audit work, longstanding recommendations and management responses, completed projects / advice, unplanned, cancelled or deferred audit work.
- To client Audit Committee's on its performance and on individual audit reports.
- Audit Committees provide a route for the escalation of a failure to respond to audit reports, or the non-implementation of agreed recommendations, with the potential for management to be called to answer to the Committee.
- The Audit Committee receives an annual report summarising the outcome of the review of the effectiveness of the internal audit function which is required under the PSIAS.

12.5 Annual Report of the Head of Internal Audit

12.5.1 The annual report to the Audit Committee includes the HoIA's opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control as determined from the programme of work undertaken. The following elements are incorporated into annual audit reports:-

- The HoIA's opinion on the overall effectiveness of the organisation's internal control, risk management and governance environment.
- Disclosure of any qualification to this opinion, together with the reason for the qualification.
- The disclosure of any impairments or restriction in scope of audit work.
- A summary of the audit work undertaken to provide this opinion, including any reliance placed on assurance work by other bodies.
- Details of any issues that the HoIA judges to be particularly relevant to the AGS.
- A comparison of work actually undertaken with the work originally planned and a summary of the performance of Internal Audit against its performance measures and criteria.
- A statement to confirm work has been completed independently and in accordance with the PSIAS.
- The results of the Quality Assurance Improvement Programme (QAIP).
- Any other issues that the HoIA judges is relevant to the preparation of the AGS.

13. **Quality Assurance**

13.1 Internal Audit is committed to provide a high quality service to all client organisations and encourages clients to give feedback. All matters relating to the quality of the function are captured within the Quality Assessment and Improvement Plan (QAIP) which is maintained by the HoIA and reported to each audit committee annually.

14. **Contacts**

The key contacts for the Internal Audit Service are:

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Types of Internal Audit Work

Advice	To meet requests from management for information and guidance on matters of internal control, procedures, compliance with relevant policies etc.
IT Audit	Operational IT audit designed to assess and review the operating procedures supporting key IT policies, environmental controls and input into system developments and new systems.
Information Governance	<p>Work specifically looking at the adequacy and effectiveness of the management, use, control and security of information, compliance with the requirements of data protection legislation as well as internal policies and procedures.</p> <p>Support the Data Protection Officer in undertaking specific compliance reviews in relation to Data Protection legislation.</p>
Regularity	<p>Audit work designed to review and assess compliance with policies and procedures to ensure internal controls exist and are effective.</p> <p>Such work covers the functional areas of services and establishments.</p> <p>Important Internal Audit work to demonstrate presence at an operational level. Work supported by risk based and themed audit work.</p>
Financial Systems	<p>Work designed to assess and review the adequacy of the internal controls within the financial systems of the Organisation. Such work will take the form of either a walkthrough or full compliance audit on a cyclical basis.</p> <p>This work is also considered by External Audit as part of their work on the statutory opinion on the accounts.</p>
Grant Claims	Work necessary to independently verify grant claims as required by the awarding body.
Management Audit (Incl. Corporate items)	<p>Provision for work on corporate procedures and processes. Also incorporates work specifically for management on an advisory basis.</p> <p>These jobs also tend to be of a significant length in terms of Internal Audit days and elapsed time due to their detail and nature.</p>
Anti-Fraud and Special Investigations	<p>This work focuses on prevention, detection and investigations.</p> <p><u>Prevention</u> work focuses on developing good procedures, policies and guidance for managers and ensuring awareness so that appropriate controls are in place to avoid irregularities.</p> <p><u>Detection</u> work focuses on proactively examining the transactions of the organisation and other information to identify potential fraudulent activity.</p> <p><u>Investigations</u> work is largely in response to allegations of irregularity being brought to Internal Audit's attention. This work is often extremely sensitive and requires great care, tact, diplomacy and attention to detail. A report to management is most often the output from this work where audit findings are described along with recommendations regarding potential disciplinary action or</p>

referral to the Police, and guidance on improving controls to minimise the risk of such matters arising again.

**Commissioning,
Procurement and
Contract Audit**

Commissioning & Procurement - generally focussed on the policies, procedures and systems in place to identify, assess and deliver a requirement; including compliance with procurement regulations (EU requirements and/or Contract Procedure Rules, Commissioning and Procurement Strategies/Policies).

Contract - this work focuses on the controls within the organisation's contractual policies and procedures to ensure that individual contracts are entered into on a timely basis and that these protect the organisation's interests. In addition, that the contract management arrangements are robust, and payments made are appropriate.

Project Management

Work which evaluates the effectiveness of the application of project management principles in order to achieve given outcomes / deliverables.

**Corporate
Governance
Assurance**

Requirements under the Accounts and Audit Regulations mean that all client organisations have to prepare and publish a statement on the overall adequacy of their governance arrangements (annual governance statement).

A key element to providing assurance to the organisation is the work of Internal Audit overall and particularly in the key areas of corporate governance, risk management, performance management and general policy and procedure compliance.

**Audit Committee
Support**

Time is allocated to support the various audit committees. This work involves the provision of reports, guidance and training.



Grant Thornton

An instinct for growth™

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Leeds LS1 4BN

22 April 2020

Dear Neil

Audit scope and additional work 2019-20

I hope you and your colleagues are all keeping safe and well in these very unusual and difficult times. In this letter, I want to update you on our plans to work with you over the coming months, and to ensure that we plan our audit effectively, to provide assurance for those charged with governance, and to deliver a high quality audit to all users of the audit, whilst also seeking to maintain our fee within the envelope which we discussed previously.

I wrote to you previously regarding our detailed audit proposals on 13 January 2020, to outline how the increased regulatory focus facing all audit suppliers was impacting on our planned audit programme. I set out in my letter my expectation of what this would mean for our audit coverage for 2019-20, as well as for the audit fee. Items I highlighted in particular included the impact of 'raising the bar' to meet the FRC's expectation that all audits would now achieve a level of 2a (acceptable with limited improvements only) or above. I explained that we would need to increase our managerial oversight to achieve this audit standard. In addition, I outlined how you should expect the audit team to exercise even greater challenge of management in areas that are complex, significant or highly judgmental. I also outlined the specific additional work which we would need to undertake in complex areas of the accounts with high estimation uncertainty, such as Property, Plant and Equipment and Pensions valuations. I also outlined the changes we were making to our materiality level to reflect greater public scrutiny, as well as our planned use of an auditor's expert for PPE valuation. I set out full details in my audit plan dated 14 January, where I advised that my estimate was that an additional fee of £20,850 would be required to complete the audit.

Subsequent to the above, global events have moved in an unexpected and tragic direction. None of us could have foreseen in January the impact that the Covid19 crisis has had on the world. As a local government body, you are at the forefront of efforts to support local people, and clearly the focus of the Authority will be directed to supporting local communities as best you can in these exceptionally difficult circumstances. As your auditors, we absolutely understand the challenges that you and your teams are facing and we have already been discussing with you and your team how we can work with you as effectively as we can. At these challenging times it is even more important to ensure that we can deliver a high quality audit, focused on good governance and the application of relevant accounting and auditing standards, whilst recognising the day to day pressures you face.

With this in mind we have prepared an update to our Audit Plan for 2019-20 and I attach this for your consideration. The following are the key points which I particularly wish to highlight for your attention.

Addition of a significant audit risk in respect of Covid 19:

The crisis has increased audit risk factors in the following areas:

- Remote working arrangements and redeployment of staff to critical front-line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation;
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management's estimates;
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and their overall financial resilience and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We have set out in the Audit Plan update the additional work we propose to undertake in respect of this new significant risk. Fundamental to our response will be working with you to understand the arrangements the Authority has in place to address relevant risks in respect of Covid 19 in its accounts preparation. We will also review the appropriateness of your disclosures, including in respect of any estimation uncertainties around for example PPE and Pensions asset valuations.

Value for Money and Financial Standing

As part of our VFM work we will ensure we understand the arrangements you are putting in place to manage risks around business continuity in the current crisis. We do not envisage this will be a significant audit risk for 2019-20, although we will keep this under review for 2020-21. We will also review your assessment of going concern and financial stability in the light of increased uncertainties around, for example, Council Tax, NNDR collection rates and car park income. We envisage linking the additional VFM work around financial standing with our Going Concern opinion work. We already identified a significant VFM risk in relation to Glassworks project in our Audit Plan dated 14 January. We will continue to assess the impact of Covid-19 to the Glassworks project as part of our VFM conclusion work for 2019-20.

Regulatory changes.

As you will be aware, earlier this month, CIPFA decided to adopt a small number of presentational changes to its Accounting Code of Practice for 2019-20. The changes which are now proposed to the Code, for example around disclosure, will have only a marginal impact on the audit. The additional audit risk factors that I highlighted in my January 2020 letter regarding raising the bar, PPE and Pensions work, for example, will therefore all still be required this year. You will also be aware that the Government accounting Financial Reporting Advisory Board (FRAB) has deferred the implementation of IFRS 16 by a year. Whilst IAS 8 disclosures will be required, this change will lead to some reduction in preparatory work required by both you and us, for this year at least.

Finally, MHCLG has revised the publication date for the draft accounts to 31 August and set a target date for publication of audited accounts of 30 November. Whilst flexibility in moving away from July is welcome, a number of authorities have highlighted the risk that a delayed closedown process could impact on their budget programme for 2021-22. We are keen to agree a timetable that works for you, and that we can both commit too.

Fee impact

As I set out in my previous letter, final audit fees are determined by PSAA, after the audit has been completed. At this stage, it is difficult to quantify the impact of the additional work required in respect of Covid19. My best estimate is that, taking into account increased work in respect of Covid 19, and reduced work on IFRS 16, the fee set out in our Audit Plan dated 14 January 2020, totalling £125,568 remains appropriate, and we will do our best to work within this envelope. Should circumstances change, we will let you know.

I hope this is helpful and allows you to plan accordingly for the 2019-20 audit. Should you wish to discuss this further, please do not hesitate to contact me. I attach a copy of our Audit Plan update for your comment. We look forward to working with you again this year.

Yours sincerely

Gareth

Gareth Mills

Engagement Lead and Key Audit Partner

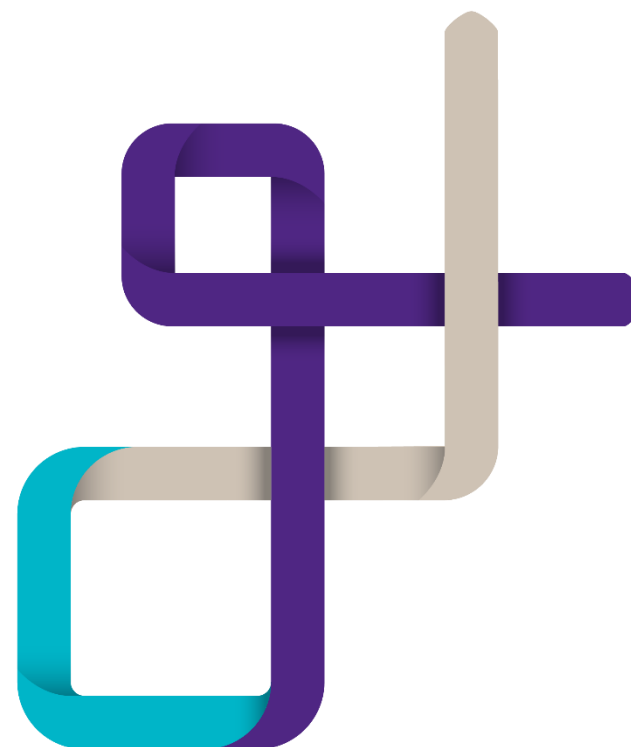
For and on behalf of Grant Thornton UK LLP

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External Audit Plan update

Year ending 31 March 2020

Barnsley Metropolitan Borough Council
22 April 2020



1. Introduction & headlines

Purpose

This document provides an update to the planned scope and timing of the statutory audit of Barnsley Metropolitan Borough Council ('the Authority') as reported in our Audit Plan dated 14 January 2020, for those charged with governance.

The current environment

In addition to the audit risks communicated to those charged with governance in our Audit Plan dated 14 January 2020, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VFM) approach to reflect the unprecedented global response to the Covid-19 pandemic. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to encounter, in order to provide vital public services. As far as we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our external audit procedures.

Impact on our audit and VFM work

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020, however we will liaise with management to agree appropriate timescales. We continue to be responsible for forming and expressing an opinion on the Authority's financial statements and making our conclusion on your VFM arrangements.

In order to fulfil our responsibilities under International Auditing Standards (ISA's (UK)) we have revisited our planning risk assessment. We may also need to consider implementing changes to the procedures we had planned and reported in our Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it has been confirmed since our Audit Plan was issued that the implementation of IFRS 16 has been delayed for the public sector until 2021-22.

Changes to our audit approach

To date we have:

- Identified a new significant financial statement risk, as described overleaf
- Reviewed the materiality levels we determined for the audit. We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19.

Changes to our VFM approach

We have updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VFM risks in relation to Covid-19. We already identified a significant VFM risk in relation to Glassworks project in our Audit Plan dated 14 January. We will continue to assess the impact of Covid-19 to the Glassworks project as part of our VFM conclusion work for 2019-20.

Conclusion

We will ensure any further changes in our audit and VFM approach and procedures are communicated with management and reported in our Audit Findings Report. We wish to thank management for their timely collaboration in this difficult time.

2. Significant risks identified: Covid-19 pandemic

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Covid – 19	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus 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"> • Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach • Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise • Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic. • Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely • Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances • Evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment • Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence.

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BARNLEY MBC AUDIT AND GOVERNANCE COMMITTEE – INDICATIVE WORK PROGRAMME June 2020 – March 2021

	Mtg. No.	1	2	3	4		5	6	7
Committee Work Area	Contact / Author	3.06.20	27.07.20*	16.09.20*	28.10.20* (2pm start)	Oct/Nov - Extra Mtg for the A/cs / AGS?	02.12.20*	20.01.21	17.03.21
Committee Arrangements					Workshop				
Committee Work Programme	AS	X	X	X		X	X	X	X
Minutes/Actions Arising	WW	X	X	X		X	X	X	X
Review of Terms of Reference	MMc/AS	X			X		X		X
Self-Assessment Review	AS/CHAIR				X		X		
Internal Control and Governance Environment									
Local Code of Corporate Governance (Draft / Final)	MMc/AS		X	X					
Annual Governance Review Process and Timescales	MMc/AS	X							X
Draft/Final Annual Governance Statement & Action Plan	MMc/AS		X	X		X?			
AGS Action Plan Update	MMc/RW	X					X		
Corporate Whistleblowing Update & Annual Report	SL/RW							X	
Anti-Fraud									
Annual Fraud Report	RW	X							
Corporate Fraud Team - Report	RW			X					X
Corporate Risk Management									
Risk Management Update	RW/AS	X							
Risk Management Policy & Strategy	RW/AS		X						
Annual Report	RW/AS		X						
Strategic Risk Register **	RW/AS		X					X	
Internal Audit									
Internal Audit Charter (Annual)	RW	X							X
Internal Audit Plan	RW	X							X

	Mtg. No.	1	2	3	4		5	6	7
Committee Work Area	Contact / Author	3.06.20	27.07.20*	16.09.20*	28.10.20* (2pm start)	Oct/Nov - Extra Mtg for the A/cs / AGS?	02.12.20*	20.01.21	17.03.21
Internal Audit Quarterly Report	RW		X				X	X	
Internal Audit Annual Report (Interim / Final)	RW	X	X						
Annual Review of the Effectiveness of Internal Audit	RW						X		
External Audit (Grant Thornton)									
Annual Governance Report (ISA260 Report)	GT		X?	X?		X?			
Audit Plan	GT							X	
Annual Fees Letter	GT			X					
Claims & Returns Annual Report	GT							X	
External Audit Progress report & Technical Update	GT	X	X	X			X	X	X
Financial Reporting and Accounts									
Financial Regulations - Update	S Loach			X					
Budget Proposal Section 25 Report	NC								X
Statement of Accounts (Draft / Final)	NC		X	X		X?			
Corporate Finance and Performance Management & Capital Programme Update	NC			X			X		X
Treasury Management Annual Report	IR/Stuart Wilson		X						
Treasury Management Progress Report	IR/Stuart Wilson						X		
Treasury Management Policy & Strategy Statement	IR/Stuart Wilson								X

	Mtg. No.	1	2	3	4		5	6	7
Committee Work Area	Contact / Author	3.06.20	27.07.20*	16.09.20*	28.10.20* (2pm start)	Oct/Nov - Extra Mtg for the A/cs / AGS?	02.12.20*	20.01.21	17.03.21
Other Corporate Functions contributing to overall assurance programme to be determined:									
Update on Glassworks	DS	X							
Update on Covid-19 Response	?	X							
Information Governance and Cyber Security update (twice yearly)	SJH	X							
DPO Update (twice yearly)	RW	X							
Human Resources (annual)	MP/JH								
Business Continuity/Emergency Resilience (Annual)	MP/SD								
Health & Safety Resilience (6 monthly report – March Update – September Annual)	MP/SD								
Procurement (Annual)	NC/CA								
Performance Management (twice yearly)	MP								
Asset Management (Annual)	DS/DS								
Ethical Framework (Annual)	AF/SL								
Equality and Inclusion (Annual)	MP/HD								
Partnerships (Annual)	MP								
Insurance Claims, Ombudsman and Complaints (Annual)	NC								

* Dates may change depending on legislative changes/impact of Coronavirus re Accounts/AGS

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

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By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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