

<b>MEETING:</b>	Audit Committee
<b>DATE:</b>	Monday, 22 July 2019
<b>TIME:</b>	4.00 pm
<b>VENUE:</b>	Council Chamber - Barnsley Town Hall

## 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 5<sup>th</sup> June, 2019.

### Presentation

3. IT Services - Presentation (*Pages 11 - 18*)

The Head of IT (Service Management) will make a presentation on the current and future work of her service.

### Items for Discussion/Decision

4. Report to those charged with Governance (ISO 260) 2018/19 (*Pages 19 - 54*)

The Council's External Auditor will submit a report summarising the key issues identified during the audit of the Financial Statements for the year ended 31<sup>st</sup> March, 2019 for the Authority and on the assessment of the Authority's arrangements to secure Value for Money.

5. Revised Audited Statement of Accounts 2018/19

The Committee will receive the revised audited Statement of Accounts for 2018/19.

6. Annual Governance Report 2018/19

The Chief Executive and Executive Director Core Services will submit a joint report on the final Annual Governance Statement 2018/19 and seeking approval to refer it to Council for consideration.

7. Internal Audit Progress Report 2019/20 (*Pages 55 - 70*)

The Head of Internal Audit and Corporate Anti-Fraud will submit a report providing a summary of the Internal Audit activity completed and the key issues arising from it for the period 1<sup>st</sup> April to 30<sup>th</sup> June, 2019.

8. Internal audit Annual Report 2018/19 (*Pages 71 - 74*)

Further to minute 4 of the previous meeting held on the 5<sup>th</sup> June, 2019, the Head of Internal Audit and Corporate Anti-Fraud will submit his final Internal Annual Report 2018/19 providing an opinion on the adequacy and effectiveness of the

Authority's framework of governance, risk management and control arrangements based on the work of Internal Audit during 2018/19.

9. Annual Fraud Report 2018/19 (*Pages 75 - 88*)

The Head of Internal Audit and Corporate Anti-Fraud will submit an Annual report on counter fraud related activity undertaken by Internal Audit's Corporate Anti-Fraud Team from 1<sup>st</sup> April 2018 to 31<sup>st</sup> March, 2019

10. Data Protection Officer's Annual Assurance Report (*Pages 89 - 102*)

The Data Protection Officer will submit a report providing an assessment of compliance with the General Data Protection Regulations and the Data Protection Act 2018 based on specific assurance work undertaken over the last few months and general activity during the last year.

11. Annual Report on Treasury Management Activities 2018/19 (*Pages 103 - 122*)

The Executive Director Core Services and Service Director Finance (Section 151 Officer) will submit a joint report reviewing the Treasury Management activities carried out by the Council during 2018/19 in accordance with statutory guidance.

**Items for Information**

12. Glassworks Project - Update (*To Follow*)

The Executive Director Place will submit an update report on the current position with regard to the Glassworks.

13. Governance, Member and Business Support Business Unit Progress Report (*Pages 123 - 126*)

The Service Director Governance, Member and Business Support will submit a report giving an overview of the functions of the Governance, Member and Business Support Unit and related elements of the Annual Governance Statement process.

14. Audit Committee Work Plan 2019/20 and 2020/21 (*Pages 127 - 130*)

The Committee will receive the indicative Audit Committee Work Plan for the remainder of the 2019/20 municipal year and for 2020/21.

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

Diana Terris, Chief Executive  
All Executive Directors  
Andrew Frosdick, Executive Director Core Services

Rob Winter, Head of Internal Audit  
Neil Copley, Service Director Finance (Section 151 Officer)  
Ian Rooth, Head of Financial Services  
Adrian Hunt, Risk Management Manager  
Michael Potter, Service Director Business Improvement and Communications  
Louise Booth, Audit Manager

Council Governance Unit – 3 copies

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

Friday, 12 July 2019

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<b>MEETING:</b>	Audit Committee
<b>DATE:</b>	Wednesday, 5 June 2019
<b>TIME:</b>	4.00 pm
<b>VENUE:</b>	Reception Room, Barnsley Town Hall

## MINUTES

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

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

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

### 2. MINUTES

The minutes of the meeting held on the 17<sup>th</sup> April, 2019 were taken as read and signed by the Chair as a correct record.

### 3. APPOINTMENT OF VICE CHAIR

**RESOLVED** that Mr S Gill be appointed Vice Chair of this Committee for the ensuing year.

### 4. INTERIM INTERNAL AUDIT ANNUAL REPORT 2018/19

The Head of Internal Audit and Corporate Anti-Fraud submitted his interim annual report providing his opinion on the adequacy and effectiveness of the Authority's framework of governance, risk management and control arrangements based on the work of Internal Audit during 2018/19, which had been prepared in accordance with the Public Sector Internal Audit Standards.

In order to comply with these Standards the report provided:

- An opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control
- A summary of the audit work undertaken to formulate the opinion
- Details of key control issues identified which could be used to inform the Annual Governance Statement
- The extent to which the work of other review or audit bodies had been relied upon.

Appendices to the report provided a summary of Internal Audit reports for the year, details and outcome of other Audit Activities not producing a specific assurance opinion and projects and work currently in progress.

The report indicated that based on the overall results of Internal Audit work undertaken to date, together with the management's implementation of recommendations, the indicative opinion given was adequate (positive) assurance. This was based on an agreed programme of risk based audit coverage that had

enabled a valid indicative assurance opinion to be provided. An update would be given to the July meeting of the Committee to coincide with the consideration of the final Annual Governance Statement although it was not anticipated that there would be any change.

It was recognised that the Future Council approach had required a change in risk appetite and following the implementation of the new operational arrangements there was a need to ensure that these were embedded. This had been discussed with the Senior Management Team but Senior Managers would have to remain alert to and focussed on maintaining an appropriate risk based and effective framework of control.

It was noted that the key results of all completed audits reported throughout the year were summarised within this report and that the progress in the implementation of audit report recommendations had consistently improved during the year.

The current Audit Plan, therefore, focussed on supporting management to consider the approach to controls in the context of reduced resources.

In the ensuing discussion, the following matters were highlighted:

- It was noted that more audit days had been delivered to the Council than planned but a reduction in the number provided to external clients and the rationale for that and implications thereof was explained. The benefits of undertaking work for external clients was touched upon and arising out of this discussion reference was made to the income
- A restructure of the Internal Audit Team and an investment by the Authority had enabled the appointment of two additional internal auditors in the coming year to add capacity to the council's audit coverage
- In relation to the completed pieces of work it was noted that 95 recommendations had been made during the year. One fundamental recommendation relating to school exclusions was outstanding but due for completion by 1<sup>st</sup> September, 2019
- Reference was made to the changing shift of audit work involving responding to requests for providing advice, support to services, innovation and initiatives, changes, projects and programmes and corporate change projects. Whilst such work might not result in specific reports it would, nevertheless contribute to the overall assurance opinion provided. This changing approach was particularly welcomed
- It was noted that the Annual Governance Statement would be submitted to the July Committee meeting
- It was noted that 15 reports had been issued to date for this year with another 4 ongoing in relation to the internal control framework. Arising out of this, there was a discussion of what might be considered an appropriate number of reports that should be produced in order to give adequate assurance. The Head of Internal Audit and Corporate Anti-Fraud accepted that statistically whilst this was not a lot of reports, however, some of the pieces of work had been significant involving 50 to 60 audit days. He was, nevertheless satisfied with the planning process and was confident that his Service would be able to identify significant issues.

- There was a discussion of the way in which the work of Internal Audit added value to the organisation and on how such information could be captured. Appendices to the report provided details of the key areas of activity and the Head of Internal Audit and Corporate Anti-Fraud stated that the final report would quantify days spent on each activity and how this was split across themes
- There was a detailed discussion of all aspects of Internal Audit involvement and assurances in place in relation to the Glassworks project and particularly as this related to governance arrangements
  - It was noted that Internal Audit was involved in assisting the Council to ensure that appropriate contract management arrangements were in place in relation to Phase 2
  - Members were informed of the raft of measures in place whereby the Committee could look for assurance. These included amongst other things an examination by the Overview and Scrutiny Committee and by Cabinet. Mr G Mills representing the Council's External Auditor commented that this scheme would also be a key area of focus in the Value For Money opinion to be presented at the next meeting on the 22<sup>nd</sup> July, 2019
  - Arising out of the discussion it was suggested that it would be useful to receive a summary sheet of interventions and issues dealt with as this would give the Committee additional assurance that all matters were being addressed appropriately
  - Reference was made to a meeting of the Overview and Scrutiny Committee held on the 4<sup>th</sup> June, 2019 which had examined the Barnsley Town Centre Redevelopment including aspects of the Glassworks. This meeting had been attended by Mr P Johnson (Independent Member) in an observer capacity who commented on the quality of the scrutiny and the answers provided by officers
  - The Head of Internal Audit and Corporate Anti-Fraud stated that his final report would be amended to take account of and address the points expressed

**RESOLVED:-**

- (i) that the assurance opinion provided by the Head of Internal Audit and Corporate Anti-Fraud on the adequacy and effectiveness of the Authority's framework of governance, risk management and control be noted;
- (ii) that the key issues arising from the work of Internal Audit in the context of the Annual Governance Statement be noted; and
- (iii) that the report be amended and presented in its final version to the meeting of the Committee on the 22<sup>nd</sup> July, 2019.

**5. DRAFT 2018/19 STATEMENT OF ACCOUNTS**

The Service Director Finance submitted a report on the draft Statement of Accounts 2018/19, the ninth set of accounts prepared in accordance with International Financial Reporting Standards.

The Committee also received a presentation from Mr P Danforth (Strategic Finance Manager) on the background and legislative requirements to be adhered to in the preparation of the Statement of Accounts.

He made specific reference to the following matters which he put in the context of and, cross referenced to, the current Statement of Accounts:

- The Statement of Accounts Process including
  - The legislative drivers
  - The International Financial Reporting Standards
  - The changes in the timeframes for preparing the draft and audited accounts
- The role of this Committee with particular reference to
  - The Authority's Financial Reporting and Accounting Policies
  - The Risk Management and Governance Arrangements
  - The arrangements in place to identify and tackle Fraud
- Recent changes affecting the preparation of the Statement of Accounts including
  - Code Changes – the changes to Accounting for Investments and for accounting for revenues from contracts
  - Other significant changes – the introduction of Summary Accounts and Explanatory Notes as well as the introduction of Technical annexes
- The Statement of Accounts. The following matters were particularly highlighted
  - The Funding Basis Position (Management Accounts) vs Accounting Basis Position (Financial Accounts)
  - The Management Accounts – Revenue including the Net Revenue Expenditure 2018/19 and Accounting Adjustments
  - The Structure of the Statement of Accounts – the Narrative Report, the four Core Statements, the Disclosure Notes and the Technical Annexes
  - The Financial Accounts including the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement and the Balance Sheet (Net Worth)
- Next Steps – following discussion at this meeting further discussions would progress with the External Auditors during the rest of June and July following which the External Auditors would submit their ISO 260 Report on their findings to this Committee and to Council on the 25<sup>th</sup> July, 2019

The report and presentation engendered a full and frank discussion during which matters of a general and detailed nature were raised and answers were given to Members questions where appropriate. The following matters were amongst those raised:

- In response to questioning Mr G Mills (Grant Thornton) referring to the legislative drivers, timeframes, the Code changes and other changes that had been introduced and commented on the impact this had both on the Statement of Accounts and on the role of the External Auditors in this. He was satisfied, however, that all processes had been followed and there were no material issues to raise in this respect
- Arising out of the above, particular reference was made to the new timescales for the production of the Statement of Accounts and the challenges this



presented. It was considered that there were adequate resources both within the Council and the External Auditors to meet this timeframe despite those challenges. A brief overview was provided of the arrangements in place and the meetings organised to take matters forward

- The Service Director Finance commented that whilst there appeared to be a £51.5m underspend this was to be utilised within the medium term
- Referring to the balance sheet, there was a discussion of
  - the implications of the Retirement Benefit Obligation. It was noted that this situation was common to most local authorities
  - the financial resilience of the Authority particularly in the light of the financial commitment and borrowing in relation to the Town Centre redevelopment. It was noted, however, that all borrowing was in line with the Council's previously approved strategy and objectives
- there was a discussion of
  - the potential impact on fixed term assets and use of reserves. Such matters would, however, be a key area of focus by the External Auditors and mention would be made within the ISO 260 report
  - the recent benchmarking exercise referred to in the press and the monitoring being undertaken by government of 11 councils use of reserves. It was noted that whilst Barnsley's reserves had been reduced, largely as a result of the Town Centre redevelopment, this had been planned and it was thought that the governments focus was primarily on the unplanned use of reserves
- reference was made to and there was a discussion of the costs of academisation and also in relation to PFI costs on the authority
- there was a discussion of Officer Remuneration and Exit Packages, of the ways and time scales in which these were paid and particular reference was made to pre-agreed pension strain costs and how these were calculated
- the reasons for the planned use of Housing Revenue Account Balances reserves was outlined. It was noted that there had been a decrease in balances which comprised of the Authority's total in year surplus of £4.4m net of reserves utilised in the year totalling £8.8m
- referring to the demographic profile for Barnsley, questions were asked about continuing health inequalities. Particular reference was made to sickness data particularly when comparing those in employment and the unemployed. This matter had been previously identified as part of the discussion on the Strategic Risk Register. It was noted that there were probably some legacy reasons for this but a further report was anticipated from the Director of Public Health which would address such issues

## **RESOLVED**

- (i) that the Service Director Finance and his Team be thanked for their hard work and dedication in producing the accounts in challenging circumstances and restricted timeframe;
- (ii) that the work that has taken place to prepare the Authority's Draft 2018/19 Statement of Accounts on an International Financial Reporting Standards basis be noted; and

- (iii) that the finalised Statement of Accounts 2018/19 be submitted to the next meeting of the Audit Committee to be held on 22<sup>nd</sup> July, 2019.

## **6. EXTERNAL AUDIT - PROGRESS REPORT**

Mr G Mills representing the Council's External Auditor Grant Thornton commented on the good participation by the Committee on the Internal Audit Annual Report and the Statement of Accounts submitted earlier in the meeting. This had enabled him to outline the External Auditor's position in relation to these matters and on the work currently being undertaken.

He would submit and update report outlining any changes together with the ISO 260 report to the next meeting to be held on the 22<sup>nd</sup> July, 2019.

**RESOLVED** that the report be noted.

## **7. AUDIT COMMITTEE WORK PLAN 2019/20**

The Committee received a report providing the indicative work plan for the Committee for its proposed scheduled meetings for the remainder of the 2019/20 municipal year and for 2020/21.

The Head of Internal Audit and Corporate Anti-Fraud commented that his final Internal Audit Annual Report would be submitted to the meeting to be held on the 22<sup>nd</sup> July, 2019.

The Chair referred to an article that had appeared in the Barnsley Chronicle on the 31<sup>st</sup> May, 2019 which publicised the fact that the Council's IT Service had designed in-house income management software that was to be rolled out to local authorities across the country. This software would not only save the authority on software costs alone but would also generate income from sales/licensing.

**RESOLVED :**

- (i) that the core work plan for 2019/20 and 2020/21 meetings of the Audit Committee be approved and reviewed on a regular basis; and
- (ii) that staff within the Council's IT Service be congratulated for their hard work and dedication in developing this unique Income Management System software.

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Chair

# IT SERVICES

# AUDIT COMMITTEE

Sara Hydon – Head of IT (Service Management)

*22<sup>nd</sup> July, 2019*



# INTRODUCTION

- Looking back – 2018/19
  - Rise in incidents reported
  - DPO report and Internal Audit assurance
- Current education and communications
  - E-learning (yearly), Straight Talk, [Blogs](#)



# LOOKING FORWARD

- Metacompliance
  - **policy** management, awareness, and training platform which ensures that policies are understood and employees are engaged
  - automates, delivers and manages the education lifecycle
- [Video](#)



# BENEFITS

- Bite-sized education – different formats, at various intervals
- Graphically engaging
- Knowledge assessments (or agreement)
- Increased knowledge of threats & risks
- Target to specific groups of users – avoid one size fits all approach
- Using intelligence to inform future training and communications




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  - Designed for Members with members
  - Interactive e-learning
  - Real-life scenarios
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  - Freedom of Information 2000
  - General Data Protection Regulation 2018
- Module 3: Creating and Storing Information**
  - Collecting information
  - Privacy notices
  - Physical and digital security
- Module 4: Sharing and Disposing of Information**
  - Privacy impact
  - Fair information sharing
  - Data retention, transport and disposal
- Module 5: Using the system securely**
  - Passwords, emails, internet
  - Cyber-security
- Module 6: Away from the office**
  - Behaviour
  - Information security
- Module 7: Quiz**





# QUESTIONS...?



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# The Audit Findings (ISA260) Report for Barnsley Metropolitan Borough Council

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Year ended 31 March 2019

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## Section

1. Headlines
2. Financial statements
3. Value for money
4. Independence and ethics

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## Appendices

- A. Action Plan
- B. Audit adjustments
- C. Fees
- D. Audit Opinion (proposed)

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Barnsley Metropolitan Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2019 for those charged with governance.

<b>Financial Statements</b>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements:</p> <ul style="list-style-type: none"><li>• give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year</li><li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li></ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work commenced as planned at the beginning of June and, at the time of this report, remains ongoing July. Our key audit findings are summarised in this report.</p> <p>We have identified a small number of proposed adjustments, including a prior period adjustment of £37m, and these are detailed at Appendix B. We have also raised some recommendations for management as a result of our audit work in the Action Plan at Appendix A.</p> <p>Our work is currently progressing and, at this stage, there are no matters of which we are aware that would require modification of our proposed audit opinion (as set out at Appendix D), subject to the following outstanding matters:</p> <ul style="list-style-type: none"><li>• finalisation of a testing and review of the work done by the engagement lead and manager in the following sections;</li><li>- elements of testing on property, plant and equipment, finishing substantive testing of income streams and operating expenditure, work on the Housing Revenue Account and Collection Fund, completion of audit testing on debtors, creditors and reserves</li><li>• review of the updated pension fund liability and related disclosures in light of the changes required following the McCloud judgement and Guaranteed Minimum Pension (GMP) requirements (we will review the updated accounting entries and disclosures upon receipt from the Council's actuary)</li><li>• completion of work on the group accounts, and disclosures in respect of related party transactions and PFI schemes</li><li>• completion of our audit work on some notes to the accounts not included above in line with our audit approach</li><li>• receipt of the updated Annual Governance Statement (AGS) and Narrative Report taking into account our review of the draft versions of these documents</li><li>• completing our review of management's going concern assessment</li><li>• receipt of management's letter of representation (included as a separate item on the Audit Committee's agenda for 22 July)</li><li>• review of the final set of financial statements.</li></ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited, subject to satisfactory completion of our review of the Narrative Report and AGS.</p> <p>We expect to issue an unqualified (clean) audit opinion by 31 July 2019.</p>
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# Headlines - continued

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## Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Our Audit Plan presented to the Audit Committee on 23 January 2019 identified the following two key areas of focus on the Council's value for money arrangements:

- Financial standing – delivery of 2018-19 budget and savings plan and achievement of Medium Term Financial Strategy (MTFS)
- Arrangements in place for the Glass Works development.

We have completed our risk based review of the Council's value for money arrangements. We have concluded that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources around these two risks. Appropriate arrangements are in place in relation to the management of the Council's financial position and in the governance, risk management and financial management of the Glass Works scheme to date.

We therefore anticipate issuing an unqualified 'clean' value for money conclusion, as detailed at Appendix D. Our findings are summarised in section 3 of this report.

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## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- To certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code. We expect to be able to certify the conclusion of the audit once we have completed our review of the Council's Whole of Government Accounts (WGA) return. We anticipate issuing our audit certificate by the NAO's WGA deadline of 31 August 2019.

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## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

## 2. Summary

### Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management prior to reporting to the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

### Audit approach

Our audit approach was based on a thorough understanding of the group and Council's business and is risk based, and in particular included:

- an evaluation of the group and Council's internal controls environment, including its IT systems and controls

- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response
- From this evaluation, we determined that a full ISA(UK) audit of the parent undertaking was required (which is the Council). On the other two components, namely Berneslai Homes Limited and Penistone Grammar Trust, we performed specified audit procedures on material balances and transactions
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to significantly alter or change our Audit Plan dated 10 January 2019, as communicated to you on 23 January at the Audit Committee. There was one change noted following our interim audit, which was the inclusion of an additional component in the group accounts (Penistone Grammar Trust), we have taken this into account in our audit work performed on the group.

### Conclusion

Our audit work on your financial statements is currently ongoing. Subject to outstanding work and queries being satisfactorily completed and resolved (previously listed on page 3 of this report), we anticipate issuing an unqualified audit opinion following the Audit Committee on 22 July 2019, as detailed in Appendix D.

### Our approach to materiality

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

Materiality calculations remain the same as reported to you in our Audit Plan, presented to the Audit Committee in January. Our determination of materiality is detailed below.

Materiality category	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	10,000,000	9,900,000	We have determined materiality at 1.8% of gross expenditure from the 2017-18 final accounts. This is in line with the industry standard and reflects the risks associated with the Council's financial performance.
Performance materiality	7,000,000	6,930,000	This is 70% of materiality and reflects any significant findings from the work of the previous external auditor and that 2018-19 is the first year of audit for us as external auditors.
Trivial matters	500,000	500,000	A standard level of five per cent of materiality has been used. This is our reporting threshold for any errors identified.
Materiality for specific transactions, balances or disclosures		5,000	The senior officer remuneration disclosure has been identified as an area requiring specific materiality of £5,000 based on the disclosure bandings, due to its sensitive nature.

# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p><b>1</b> The revenue cycle includes fraudulent transactions</p>	<p><b>Auditor commentary</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA (UK) 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Barnsley MBC, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We did not consider this to be a significant risk for the Council in our Audit Plan.</p> <p>Therefore we did not undertake any specific work in this area other than our normal audit procedures, including validating total revenues to council tax, non domestic rates and central government grants income.</p> <p>Our audit work has not identified any issues in respect of fraudulent revenue recognition.</p>
<p>Management override of controls</p>	<p><b>Auditor commentary</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council continues to face financial pressures and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>As part of our audit, we:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals</li> <li>• analysed the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions</li> </ul> <p>Our audit work to date has not identified any issues in respect of management override of controls. We are currently working through the journals selected for testing, we will provide a verbal update the Audit Committee on 22 July with our final findings on our review of journals.</p>



# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p><b>3 Valuation of the pension fund net liability</b></p> <p>The group's pension fund net liability, as reflected in the group balance sheet as the retirement benefit obligations, represents a significant estimate in the financial statements and group accounts.</p> <p>The group's pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>The groups £400m net liability as at 31 March 2018 was derived from both the Council's single entity liability of £376m and Berneslai Homes Limited liability of £24m.</p> <p>We therefore identified valuation of the group and Council's pension fund net liability as a significant risk in our Audit Plan, which was one of the most significant assessed risks of material misstatement.</p>	<p><b>Auditor commentary</b></p> <p>As a response to this risk , our audit work included but was not restricted to:</p> <ul style="list-style-type: none"> <li>• updating our understanding of the processes and controls put in place by management to ensure that the group's pension fund net liability is not materially misstated and evaluated the design of the associated controls</li> <li>• evaluating the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work</li> <li>• assessing the competence, capabilities and objectivity of the actuary who carried out the group's pension fund valuation</li> <li>• assessing the accuracy and completeness of the information provided to the actuary to estimate the liabilities</li> <li>• testing the consistency of the pension fund assets and liabilities and disclosures in the notes to the core financial statements with the actuarial reports from the actuary</li> <li>• undertaking procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report</li> <li>• obtaining assurances from the auditor of South Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements (currently awaiting this information).</li> </ul> <p><b>Key observations</b></p> <p>Subject to satisfactory receipt of assurances from the auditor of the Pension Fund, we have reviewed this estimate and are satisfied that it is reasonable. Key assumptions have also been reviewed and agreed as reasonable. In the 'significant findings – other issues' on page 9 we set out the potential impact of the McCloud judgement on the pension fund net liability.</p> <p>At the time of producing this report, we have been in discussions with management and we are aware that the Council has requested updated reports from its actuary to take into account the impact on the Council's pension numbers of the McCloud judgement and GMP. We understand the expected impact of these issues would result in an increase of the Authority's £438m pension fund liability of c£12m.</p> <p>We will review the updated actuary reports and resulting changes to the pension figures in the accounts once received. We will verbally update the Committee on 22 July with our findings on this issue.</p>

# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p><b>4 Valuation of land and buildings</b></p> <p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £885m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, the Council needs to ensure the carrying value of land and buildings in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p><b>Auditor commentary</b></p> <p>As a response to this risk, our audit work included but was not restricted to</p> <ul style="list-style-type: none"> <li>• evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluating the competence, capabilities and objectivity of the valuation expert</li> <li>• discussing with the valuer the basis on which the valuation was carried out</li> <li>• challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• testing revaluations made during the year to see if they had been accounted correctly in line with applicable accounting guidance and input correctly into the Council's asset register</li> <li>• assessing how management have confirmed assets valued at 1 April 2018 have not significantly changed in value by the year end, 31 March 2019</li> <li>• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end</li> <li>• reviewing the Council's PFI schemes to consider the appropriateness of the accounting entries.</li> </ul> <p>Our audit work to date identified a material issue in relation to accounting for land and buildings, in relation to a requirement for a prior period adjustment (PPA). The PPA is in relation to the Horizon School which had a net book value of £37m at the time it gained Trust status in June 2017. The Council's accounting policy is to treat such transfers as a loss on disposal at the point the transfer takes place. Therefore the transfer and the resulting loss on disposal should have been reflected in the 2017-18 accounts.</p> <p>The Council is to restate the 2017-18 comparative accounts for this issue (which is discussed in more detail alongside other audit adjustments at Appendix B). In addition, in order to mitigate the chances of an issue like this occurring in the future, we have raised a recommendation in the Action Plan at Appendix A, to ensure communication on school transfers is enhanced between finance, estates and legal.</p> <p>This issue is to be corrected by management and therefore the matter will not impact our audit opinion.</p>


# Significant findings - other issues

Issue	Commentary	Auditor view
<p><b>Potential impact of the McCloud judgement</b></p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds but also for other pension schemes where they have implemented transitional arrangements on ongoing benefits.</p>	<p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling and GMP. The actuary's estimate suggested a potential impact of these issues would result in an increase of the Council's £437.9m pension fund liability by c£12m.</p> <p>The Council has requested that it's actuary carry out a detailed review of the impact of this issue and will update it's accounts on completion of the Actuary's work.</p> <p>We will review the updated actuary reports and resulting changes to the pension figures in the accounts once received. We will verbally update the Committee on 22 July with our findings on this issue. Management's view is that the impact of this change is material and therefore updating the accounts for this issue is appropriate.</p>	<p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p> <p>Given the change in liability resulting from the McCloud judgement, management has agreed to process the adjustment of c12m on receipt of the updated IAS19 report. We consider this an appropriate adjustment to the Council's financial statements.</p> <p>We have included this as an adjusted item at Appendix B.</p>

# Significant findings arising from the group audit

Component	Findings	Group audit impact
<b>Berneslai Homes Limited (BHL)</b>	<ul style="list-style-type: none"> <li>We noted in our Audit Plan in January 2019 that there are no specific significant risks associated with BHL other than the group defined benefit pension liability where there was a £24m pension liability associated with BHL as at 31 March 2018. We noted the liability has increased to £32m as at 31 March 2019</li> <li>After reviewing the figures of BHL as at 31 March 2019, we are able to fully confirm that there are no specific significant risks associated with BHL that would relate to a significant risk for the group audit purposes</li> <li>Our audit approach included obtaining sufficient assurances based on group materiality over any material balances and transactions of BHL outside the group boundary based on group materiality. This included the BHL pension fund liability, operating costs and short term investments. Our work to date has not identified any material issues that require reporting to you</li> <li>We completed a review of the group consolidation process and no issues were identified that need reporting to you.</li> </ul>	<ul style="list-style-type: none"> <li>No material or other reporting issues were noted from BHL's inclusion in the group accounts</li> <li>Subject to satisfactory completion of our group audit work, we are satisfied that the group accounts after taking account intercompany transactions, are not materially misstated.</li> </ul>
<b>Widstone Grammar School (PGT)</b>	<ul style="list-style-type: none"> <li>Our Audit Plan in January 2019, did not include PGT as a component of the group. The Council as part of its' continued assessment of preparation of group accounts have identified that PGT is a material component to the group and therefore , for the first time has included PGT in the group accounts. As a result , the Council restated its' comparative figures for last year to incorporate this.</li> <li>Our audit approach included obtaining sufficient assurances based on group materiality, over any material balances and transactions of PGT outside the group boundary. This included the PGT land and buildings and endowment funds balances. Our work to date has not identified any material issues that require reporting to you</li> <li>We completed a review of the group consolidation process and no issues identified that need reporting to you.</li> </ul>	<ul style="list-style-type: none"> <li>No material or other reporting issues were noted from PGT's inclusion in the group accounts</li> <li>Subject to satisfactory completion of our group audit work, we are satisfied that the group accounts after taking account intercompany transactions, are not materially misstated.</li> </ul>

# Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
<b>Land and Buildings – Council Housing - £564.6m</b>	<p>The Council owns 18,400 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance.</p> <p>The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged its internally RICS qualified valuers from its' Estate Department to complete the valuation of these properties. The year end valuation of all Council Housing was £564.6m, a net increase of £21.6m from 2017-18 (£543m).</p>	<p>As part of our audit , we performed the following procedures to ensure the estimates used and key judgements applied when valuing the Council Housing stock and other land and buildings are prudent and reasonable, including:</p> <ul style="list-style-type: none"> <li>• Assessment of management's expert (the Council's RICS qualified valuers)</li> <li>• Completeness and accuracy of the underlying information used to determine the estimate</li> <li>• Impact of any changes to valuation method as relevant. There were no significant changes to the valuation method.</li> <li>• Consistency of estimate used</li> <li>• Reasonableness of the movement in the estimate.</li> <li>• Adequacy of disclosure of estimate in the financial statements.</li> </ul>	 <b>Green</b>
<b>Land and Buildings – Other - £280.8m</b>	<p>Other land and buildings comprises specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its' internally RICS qualified valuers from its' Estate Department to complete the valuation of these properties on a five yearly cyclical basis.</p> <p>Management has considered the year-end value of non-valued properties, and the potential valuation change in the assets revalued at 1 April 2018 comparing the potential changes at the date of valuation and the year end of 31 March 2019 to determine whether there has been a material change in the total value of these properties.</p> <p>Management's assessment of assets not revalued in year and asset revalued during the year has identified no material change to the properties current value compared to its' carrying value as at 31 March 2019.</p>		


Land and Buildings – Other - £280.8m

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## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated (red)
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic (amber)
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious (green)

# Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment																									
<p><b>Net pension liability:</b> The Council's total net pension liability at 31 March 2019 is £469.8m (PY £400m) comprising the South Yorkshire Local Government and unfunded defined benefit pension scheme obligations.</p> <p><b>£437.9m (Council)</b> The Council uses Mercer, an actuarial firm, to provide actuarial valuations of the Council and group's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016-17.</p> <p><b>£469.8m (Group)</b> A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £69.8m net increase in the group's pension fund liability in 2018-19.</p>	<p>As part of our audit , we performed the following procedures to ensure the estimates used and key judgements applied when valuing the Council's pension liability were prudent and reasonable:</p> <ul style="list-style-type: none"> <li>• Assessment of management's expert (for the group and Council this is Mercer)</li> <li>• Assessment of actuary's roll forward approach taken, detail work undertaken to confirm reasonableness of approach</li> <li>• Use of PwC as auditor's expert to assess the actuary's assumptions – see table below for comparison with Actuary assumptions</li> </ul>	 <b>Green</b>																									
	<table border="1"> <thead> <tr> <th data-bbox="786 536 1249 576">Assumption</th> <th data-bbox="1256 536 1464 576">Actuary Value</th> <th data-bbox="1471 536 2004 576">PwC range</th> <th data-bbox="2011 536 2213 576">Assessment</th> </tr> </thead> <tbody> <tr> <td data-bbox="786 580 1249 687">Discount rate</td> <td data-bbox="1256 580 1464 687">2.4% -2.5% for most employers</td> <td data-bbox="1471 580 2004 687">We are comfortable that the methodologies used to establish discount rate will produce a reasonable assumption at 31 March 2019.</td> <td data-bbox="2011 580 2213 687" style="text-align: center;">● Green</td> </tr> <tr> <td data-bbox="786 692 1249 826">Pension increase rate</td> <td data-bbox="1256 692 1464 826">Dependent on duration (2.3%-2.20%for most employers</td> <td data-bbox="1471 692 2004 826">We are comfortable that the methodologies used to establish pension increase rate will produce a reasonable assumption at 31 March 2019.</td> <td data-bbox="2011 692 2213 826" style="text-align: center;">● Green</td> </tr> <tr> <td data-bbox="786 831 1249 938">Salary growth</td> <td data-bbox="1256 831 1464 938">Scheme and employer Specific</td> <td data-bbox="1471 831 2004 938">We are comfortable that the methodologies used to establish salary growth will produce a reasonable assumption at 31 March 2019.</td> <td data-bbox="2011 831 2213 938" style="text-align: center;">● Green</td> </tr> <tr> <td data-bbox="786 943 1249 1077">Life expectancy – Males currently aged 45 in 20 years time</td> <td data-bbox="1256 943 1464 1077">25.3</td> <td data-bbox="1471 943 2004 1077">We are comfortable that the methodologies used to establish life expectancy will produce a reasonable assumption at 31 March 2019.</td> <td data-bbox="2011 943 2213 1077" style="text-align: center;">● Green</td> </tr> <tr> <td data-bbox="786 1082 1249 1216">Life expectancy – Females currently aged 45 in 20 years time</td> <td data-bbox="1256 1082 1464 1216">28.3</td> <td data-bbox="1471 1082 2004 1216">We are comfortable that the methodologies used to establish life will produce a reasonable assumption at 31 March 2019.</td> <td data-bbox="2011 1082 2213 1216" style="text-align: center;">● Green</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4% -2.5% for most employers	We are comfortable that the methodologies used to establish discount rate will produce a reasonable assumption at 31 March 2019.	● Green	Pension increase rate	Dependent on duration (2.3%-2.20%for most employers	We are comfortable that the methodologies used to establish pension increase rate will produce a reasonable assumption at 31 March 2019.	● Green	Salary growth	Scheme and employer Specific	We are comfortable that the methodologies used to establish salary growth will produce a reasonable assumption at 31 March 2019.	● Green	Life expectancy – Males currently aged 45 in 20 years time	25.3	We are comfortable that the methodologies used to establish life expectancy will produce a reasonable assumption at 31 March 2019.	● Green	Life expectancy – Females currently aged 45 in 20 years time	28.3	We are comfortable that the methodologies used to establish life will produce a reasonable assumption at 31 March 2019.	● Green		
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<ul style="list-style-type: none"> <li>• Impact of any changes to valuation method</li> <li>• Reasonableness of the Council's share of LGPS pension assets</li> <li>• Reasonableness of the movement in the estimate</li> <li>• Quantifying the impact of the McCloud judgement and GMP on the group and Council's pension fund balance (note work still in progress on this matter at the date of this report)</li> <li>• Adequacy of disclosure of estimate in the financial statements.</li> <li>• Completeness and accuracy of the underlying information used to determine the estimate</li> </ul>																											

# Going concern

## Our responsibility

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

## Going concern commentary

### Management's assessment process

- Final outturn for year ending 31 March 2019
- Approved Budget 2019-20
- Medium Term Financial Strategy (MTFS) 2020-21 to 2022-23 and assumptions
- Efficiency savings target 2019-20
- Efficiency savings proposals 2020-21 onwards
- The robustness of the Budget and recommended level of reserves
- Reserves Strategy 2019-20 onwards
- Assessment of going concern basis paper provided management for 2018-19

### Auditor commentary

Management produced a going concern assessment report as part of their 2018-19 accounts preparation procedures. It is recognised good practice for local authorities to perform an appropriate going concern review. The review covered the guidance from the CIPFA Code 2018-19 on the going concern concept.

In the vast majority of cases, local authorities shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. The Council's going concern report included the Council's thought process in relation to going concern principles and how that specifically applies to the circumstances in place at the Council.

The paper included the following key points:

- the legal basis and reserves position highlighting the Council has working reserves of c10% of the approved net budget for 2019-20 whilst highlighting uncertainties around the Comprehensive Spending review, Fair Funding review and Business Rates Retention
- the Council's relatively strong reserves position (c£130m in the General Fund and c£200m in useable reserves overall) provides a contingency if required to address cash flow demands and emergencies, and reduce the need to borrow on short term cash flow needs for operational matters. We note that the majority of the general fund and usable reserves highlighted above are earmarked for specific future Council priorities.
- the approved MTFS and the 2019-20 balanced budget whilst highlighting the strategy to deal with forecast deficits in 20-21 and 21-22. The MTFS was subsequently updated in May 2019 to roll it forward to 2022-23.

### Work performed

We performed work on the MTFS, held meetings with senior management to discuss the MTFS, budget setting and savings plans.

### Auditor commentary

- Our work indicates that there are no material uncertainties in terms of the going concern assessment by the management and no further disclosures are considered necessary in the Financial Statements.
- We have also carried out further work as part of our Value for Money Conclusion in relation to sustainable resource deployment

### Concluding comments

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Services Director for Finance and Chief Financial Officer use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Services Director for Finance and Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We are satisfied with management's assessment that the going concern basis is appropriate for the 2018-19 financial statements.

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Head of Internal Audit and noted his update to the Audit Committee. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>Based on our review of related party transactions to date, we are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
3	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council and will be included as a separate agenda item at the Audit Committee on 22 July 2019.</li> <li>A specific representation has been requested from management in respect of the appropriateness and completeness of the prior period adjustment disclosed in the revised accounts relating to the issue identified in the material disposal of a school building.</li> </ul>
5	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to the Council's bank, loans and investments counterparties.</li> <li>The majority of these requests were returned with positive confirmations, however, when requests were not received, we carried out appropriate alternative procedures by observing and obtaining copies of online banks statements to confirm the balances as at 31 March 2019.</li> </ul>
6	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>With the exception of the prior period adjustment, our audit to date has found no other material omissions in the financial statements. We have identified some other disclosure amendments to assist in the understanding of the financial statements. These are included at Appendix B.</li> </ul>
7	<b>Significant difficulties</b>	<ul style="list-style-type: none"> <li>We did not encounter any significant difficulties in carrying out our audit, however, we did experience some challenges with regards to the Council's fixed asset register (FAR) to perform our audit work on PPE. As one of the significant risk areas of the audit and a key area of focus, we are required to complete a significant level of audit testing of PPE. This is highly dependent on our ability to understand and interrogate the FAR in order to select our various samples for audit testing and reconciliations back to the accounts. We have raised a recommendation in relation to the FAR in the Action Plan at Appendix A.</li> </ul>



# Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

Issue	Commentary
1 <b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our review of the AGS identified a small number of areas for enhanced disclosure. The Council has accepted our findings on the AGS and a revised version is due to be presented to the Audit Committee on 22 July.</p> <p>Our review of the Narrative Report also identified some areas for enhanced disclosure. The Council has agreed to update its Narrative Report to take into account our comments.</p> <p>Subject to satisfactory receipt and review of the revised AGS and Narrative Report taking into account our comments, we plan to issue an unmodified opinion in this respect – please see our proposed audit opinion at Appendix D.</p>
2 <b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>
3 <b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>The deadline for the WGA consolidation audit is 31 August 2019 and we plan to complete our audit work and report by the deadline.</p>
4 <b>Certification of the closure of the audit</b>	<p>As a result of the ongoing WGA work, we do not expect to be able to certify the completion of the 2018-19 audit of the Council in our auditor's report, as detailed in Appendix D. This is in common with a number of local authorities (and what occurred at the Council in 2017-18), where certification on closure of the audit takes place following completion of the WGA review in August.</p>

# 3. Value for Money

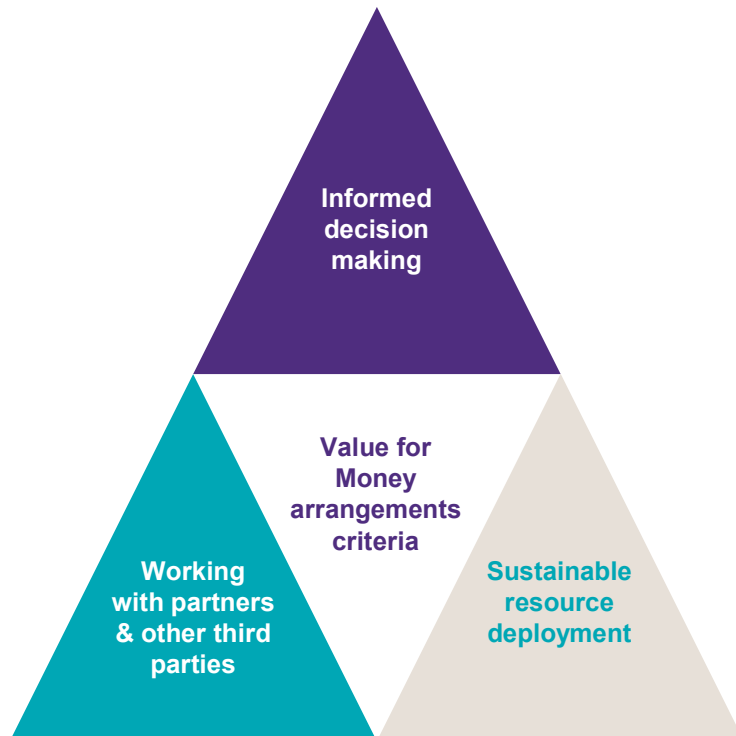
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



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## Risk assessment

We carried out an initial risk assessment in January 2019 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan in January 2019

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Financial standing – delivery of 2018-19 budget and savings plan and achievement of Medium Term Financial Strategy (MTFS)
- Arrangements in place to oversee the Glass Works development

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 17 to 18.

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

## Recommendations for improvement

We discussed findings arising from our work with management and have agreed a recommendation for continued appropriate governance arrangements in place regarding the Glass Works development.

Our recommendation and management's response to this can be found in the Action Plan at Appendix A.

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

	Significant risk reported in the Audit Plan	Findings	Conclusion
<p>1</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 36</p>	<p><b>Financial standing – delivery of 2018-19 budget and savings plan and achievement of Medium Term Financial Strategy (MTFS)</b></p> <p>The Council, in line with other local authorities, continues to operate under significant financial pressures. For 2018-19, the Council is planning to deliver a balanced outturn position but to achieve this, needs to deliver savings of some £4.4m whilst managing cost pressures within Children’s Social Care and Safeguarding and Adult Social Care (ASC) and Health at a time of reduced funding.</p> <p>The Council’s latest financial projections indicate it is expecting to deliver an underspend of £2.76m by 31 March 2019. We will continue to monitor the Authority’s financial position through regular meetings with senior management and consider how the Authority manages its budget.</p> <p>We will continue to assess progress in the identification and delivery of the future savings required as identified in the current iteration of the MTFS (of some £5.8m 2019-20 and £15.3m 2020-21</p>	<ul style="list-style-type: none"> <li>• The Council achieved it’s 2018-19 budget with an overall underspend of £7.5m after utilisation of £5.8m general fund reserves. As a result, the general fund reserves reduced from £135.8m to £130m as at 31 March 2019. The overall underspend before earmarking to 2019-20 was £47.2m, of which £39.7m of this has been earmarked into 2019-20, leaving the above £7.5m as a general fund underspend. The Council also achieved it’s savings targets of £4.4m for 2018-19.</li> <li>• It has now been agreed that £4m of this will be carried forward to 2019-20 to address social care and future demography pressures and remaining balance of £3.5m will be earmarked for strategic priorities such as mitigating against the impact of Brexit impact. The underspend against the budget was mainly due to one off events during the year and scheme project slippages, mainly in respect of the receipts of one off uncommitted grant funding.</li> <li>• The Council agreed the 2019-20 budget in February 2019. The Council needs to achieve £5.8m of saving efficiencies to deliver a balanced budget for 2019-20. The Council has a track record of achieving its saving plans. However, with continually increasing financial pressures around adult social care and children’s services and reduced government funding the Council will need to continue to be financially resilient. This reflects an increasing pattern across the local authority sector.</li> <li>• The Council’s MTFS was approved in February 2019 covering the 3 years from 2019-20 to 2021-22. The MTFS is in the process of being updated to confirm the assumptions made for 2020-2022 and include a forecast position for 2022-23. For 2020-21, the Council estimates that it requires a further £9.5m savings in addition to £5.8m savings required in 2019-20 to achieve a balanced budget. Draft proposals are already in place to meet this gap. These proposals are currently being reviewed before being approved later in 2019-20. There is a further anticipated budget gap of £4.8m for 2021-22 for which further efficiencies are expected to be required and identified.</li> <li>• This further highlights the challenging financial environment the Council operates. It has to be noted that the Comprehensive Spending Review, Fair Funding Review and outcome of Business Rates Retention have been delayed. This delay has not helped the Council’s budget setting process for the medium term. The MTFS prudently assumes a reduction in grants receivable from the central government to compensate with the increased Business Rates Retention from 50% to 75% in the future.</li> <li>• The Council’s Dedicated School Grant account was in deficit by £8.5m at the year end. As a result, a total of £8.5m was transferred from general fund reserves to ensure the DSG account ultimately achieved a break-even outturn at 31 March 2019.</li> <li>• The Council’s updated reserves strategy from 2019-20 to 2021-22 was approved by the full Council in February 2019. After allocating all the earmarked reserves and commitments, the Council has £15m set aside for contingency and emergency funds. The reserves strategy is currently in the process of being further updated to reflect the 2018-19 outturn position.</li> <li>• We have considered the Council’s arrangements to ensure it is financially resilient to deal with budgetary pressures and, overall, we are satisfied proper arrangements were in place for the delivery of in year and future budget and savings plans.</li> </ul>	<p>We concluded that the Council has proper arrangements in place for ensuring sustainable resource deployment.</p>

Significant risk reported in the Audit Plan	Findings	Conclusion
<p><b>2 Arrangements in place for the Glass Works development</b></p> <p>The Glass Works scheme is one of the most significant projects undertaken by the Council in recent history. The development has two phases with an estimated capital cost of £178.1m, with associated revenue running costs of £11.4m over three years up to 2020-21.</p> <p>As part of our Value for Money arrangements work we will consider the Council's arrangements in place in relation to Glass Works project specifically considering the governance and risk management arrangements in relation to the scheme.</p> <p>We will continue to meet with senior management and Internal Audit in relation to Glass Works to obtain the latest information on the progress, cost and governance of the development. We will consider any financial reporting and Prudential Framework implications arising from the Glass Works scheme.</p>	<p>Our focus in this area was around governance and risk management arrangements in place to secure economy, efficiency and effectiveness in Council's use of resources. Our findings were as follows:</p> <ul style="list-style-type: none"> <li>• The Council set up a Glass Works Board in September 2017 with Terms of Reference. The objective of the Board was to provide leadership on strategic governance and decision making for the Glass Works project. The Board included key senior officers from the Council and external project members including the contractors for the scheme.</li> <li>• The remit of the Glass Works Board covered conflict of interests, Key Performance Indicator reporting, health and safety, design and constructions, funding of the project, financial management, risk management and mitigation, change management and other areas that are required for effective management of the project. Monthly meetings have been held since the inception, including throughout 2018-19. The Council's SMT are updated with key matters arising from the Glass Works Board meetings.</li> <li>• Cost plan reports were developed for key stages of the project by the key contractors. These were discussed and action taken before approval at each stage by the Glass Works Board.</li> <li>• Under the remit of Glass Works Board, an Asset Management sub group was set up which comprised of relevant Council officers and external stakeholders. The sub group met on a monthly basis to monitor construction phases of key buildings and assess associated risks which were reported back to the Glass Work Board for further action</li> <li>• A detailed leasing strategy of the glasswork project was also developed by an external consultant with rental income projections upon potential tenants subscribed to take up tenancy. The financial projections in respect of the Glass Works scheme are then acknowledged within the Council's MTFS.</li> <li>• Professional legal advice was obtained from a nationally known legal firm at each key juncture of the project and the Council is continuing to involve relevant and appropriate advisors on an ongoing basis. For example, on key matters including drafting appropriate tenancy agreements for discussion and signing with relevant stakeholders. There was a Terms of Reference agreed with the external legal advisor and they also attend Glass Works Board meetings as relevant. At the time of this report, the Council is in the process of drafting future tenancy agreements for prospective tenants for discussion and finalisation.</li> <li>• In addition to risk identification and management discussions at Glass Works Board meetings on a monthly basis, the Council's strategic Risk Register has a standard risk around glass work project. This risk is discussed at Council, Cabinet and Audit Committee level and monitored and actions taken on a regular basis. We are aware from our review that appropriate actions are taken when significant risks have arisen in 2018-19 in relation to the scheme, including revising financial projections, updating the Cabinet on a timely basis and seeking appropriate re-approvals of elements of the scheme.</li> <li>• We have considered the Council's governance and risk management arrangement in place to secure economy, efficiency and effectiveness in Council's use of resources. Overall, we are satisfied proper arrangements are in place at present in respect of the Glass Works scheme.</li> </ul>	<p>We concluded that the Council has proper arrangements in place for informed decision making in relation to the Glass Works development project.</p>

## 4. Independence and ethics

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed at Appendix C.

### Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified:

Service	£	Threats	Safeguards
<b>Audit related:</b>			
Using Benefit Certification	16,400	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £16,400 (on the basis that we complete the HB workbooks) in comparison to the total fee for the audit of £104,718 and in particular relative to Grant Thornton UK LLP's turnover overall.
Certification of Teachers' Pension Return	4,200	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,200 in comparison to the total fee for the audit of £104,718 and in particular relative to Grant Thornton UK LLP's turnover overall.
Pooling of Housing Capital Receipts Return Certification	3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit of £104,718 and in particular relative to Grant Thornton UK LLP's turnover overall.
<b>Non-Audit related:</b>			
None	-		

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

None of the services provided are subject to contingent fees.

We have not provided any other services to the Council in 2017-18 prior to our appointment as external auditors to the Council on 1 April 2018.

# Appendix A: Action Plan

We have identified the recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019-20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Rec	Issue and risk	Recommendations
1	<p><b>Fixed Asset Register (FAR):</b></p> <p>The Council has a manual excel based spreadsheet FAR operated and maintained by one key finance officer. Due to the value and volume of Property, Plant and Equipment recorded in the FAR (over £1.1bn), the spread sheet management is complex, with a significant number of tabs and manually input formulae. There is a risk to the accuracy of the FAR should anything happen to the officer responsible for it and should any manual inputs be included in error.</p> <p>Our audit work also highlighted some complexities when trying to identify and sample additions, disposals, valuations and also when validating the depreciation charge for individual assets. This resulted in considerable additional audit time spent on the FAR and wider PPE audit testing.</p> <p>The spreadsheet based FAR is relying on various formulas manually inputted to obtain appropriate outputs and considering the amount of assets recorded in the FAR, such manually inputted formulas may increase the risk of error.</p>	<p>Whilst we understand this manual FAR has been in use for a considerable number of years, capital accounting is becoming increasingly complex and is likely to continue to be a key area of focus for external audits in the future. We recommend management considers the feedback we have provided in our audit work this year and considers what options can be put in place to reduce the risks around the FAR and reduce the level of audit queries raised on the FAR in 2019-20.</p> <p>This could include:</p> <ul style="list-style-type: none"> <li>• Ensuring other colleagues in finance are trained to use and update the FAR</li> <li>• Meeting with external audit once the 2018-19 audit is concluded to further understand our interrogation requirements of the FAR in order to generate our various samples on PPE for testing, and how the Council can support with this in 2019-20</li> <li>• Consider whether other FARs may enhance the existing asset management and asset record keeping at the Council given the significant value and volume of the asset base</li> </ul> <p><b>Management response:</b></p> <ul style="list-style-type: none"> <li>• We acknowledge the External Auditor's response on the Council's FAR. Other officers within the Council do have an understanding of the Council's FAR, though we accept that the fixed asset accounting process is predominantly led by one experienced individual. We have commenced a review of the FAR processes to ensure a wider knowledge transfer across the finance function to help prevent any single point of failure.</li> <li>• We will arrange a workshop with the External Auditor as part of the post audit lessons learnt exercise to improve any processes where necessary moving forwards.</li> <li>• Management has and continues to invest in and review the Council's Asset Management recording arrangements. This work will continue but is currently limited due to resource availability.</li> </ul>

# Action Plan

Rec	Issue and risk	Recommendations
2	<p><b>Prior period adjustment: communication between estates, legal and finance departments</b></p> <p>Our audit work identified a material prior period adjustment relating to an asset disposal. Our work and discussions with the senior finance team indicated that there had been a lapse of communication between the estate, legal and finance departments and, as a result, the disposal of a school was not recognised in the year ended 31 March 2018.</p> <p>The Council has a significant asset base with numerous transactions taking place each year, which need to be appropriately accounted for. Whilst we recognise this matter may have been a one-off issue, it is important for the Council to further strengthen and document the communication processes to mitigate the risk of such an event occurring again in the future. This is particularly important considering the significant capital expenditure taking place at the Council in the coming years</p>	<p>We recommend the Council further strengthens and documents the communication and co-ordination between estates, legal and finance departments to ensure that significant capital transactions are accounted for in the appropriate financial reporting period. This should reduce the risk of material misstatements in the accounts.</p> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>• Management accepts that there has been a minor breakdown in communication between all departments within the Council involved in the Asset management process. Work has already commenced on reviewing and tightening these processes and procedures to help prevent such an event occurring in the future.</li> </ul>
	<p><b>Glassworks Development Project:</b></p> <p>Our value for money review in this area indicated the Council has proper arrangement in place for informed decision making around the Glass Works development Project in 2018-19.</p> <p>Any lack of informed decisions being taken, omitted due diligence reviews and cost evaluations, failing to obtain appropriate legal advice and imprudent projections of future rental income could all result in financial losses to the Council.</p> <p>Therefore, continuation of the existing governance arrangements in relation to this project, including appropriate reporting to Members and key stakeholders at key points in the development, is paramount.</p>	<p>Although we have not noted any specific areas for concern at this point in time, given the capital investment involved, uncertainty around returns, and the significance for the Council, it is important that strong governance controls are maintained in relation to the Glassworks project.</p> <p>Considering this is one of the largest and most challenging projects that the Council has ever undertaken, the Council should continue to maintain appropriate governance, risk management and financial management arrangements in place to continue to make informed decision making regarding the Glassworks Project in 2019-20 and beyond. The Council should also consider ensuring the Audit Committee is kept up to date with governance arrangements on the scheme.</p> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>• Governance, Risk Management and Financial Management of the Glassworks development remains one of the highest priority for the Council's SMT and Senior Elected Members (Cabinet).</li> <li>• A representative of the Council's Internal Audit function (which is now responsible for Governance &amp; Risk Management) attends the Glassworks board in an advisory capacity and the appointment of external cost control consultants in February 2019 has further strengthen the transparency and financial management for the development.</li> <li>• The Glassworks Board is scheduled to meet on a monthly basis throughout the construction of the development and 12 months post completion (until March 2023 at the earliest). Beyond this, the board will migrate to become a new Glassworks (ongoing) management board.</li> <li>• Regular reports/updates will continue to be made to the Audit Committee on the progress of the development and ongoing management arrangement moving forwards.</li> </ul>



# Action Plan – IT general controls audit

We have identified the recommendations for the Council as a result of issues identified during the course of our IT General controls audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019-20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our IT audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Rec	Issue and risk	Recommendations
4	<p><b>Dialogue users with access to [REDACTED]</b></p> <ul style="list-style-type: none"> <li>During our review, we noted four dialogue users with access to the [REDACTED] profile.</li> <li>The [REDACTED] profile contains [REDACTED] system rights and should not be used with any dialogue type accounts within the production environment. [REDACTED]</li> </ul>	<p>The [REDACTED] profile should be reserved for use within an emergency or fire-fighter type ID that can be locked when not in use since most day to day administrative activities do not require such wide-ranging access as provided by [REDACTED].</p> <p><b>Management Response:</b></p> <p>The Council has a number of specialised users that have access to the [REDACTED]. One of these accounts specifically relates to when the Council requires external SAP technical expertise and a connection is opened in the SAP Support Portal and therefore is controlled and managed. The remaining user accounts relate to Council officers who have the [REDACTED] profile as a requirement to fulfil their SAP support roles. Transaction history is recorded on a daily Profile Tailor report to allow for review and investigation (where appropriate). [REDACTED]. This report is automatically submitted to the ICT Manager (SAP) for review and sample checking to mitigate associated risks.</p> <p>In conjunction with the above, the Council will review these roles and respective responsibilities on an individual basis to assess whether new roles are to be subsequently designed.</p> <p>In addition to the IT system controls, the wider control framework gives management further assurance around the identification of any potential financial misstatements e.g. through regular budget monitoring activity with finance professionals.</p>
5	<p><b>Generic test account with access to sensitive SAP t-codes</b></p> <ul style="list-style-type: none"> <li>During review, we noted that a test account [REDACTED] was created for testing purposes by one of the SAP IT Internal team. This account was granted access to sensitive t-codes</li> <li>Access to sensitive t-codes and authorisation objects by generic test accounts increases the risk of account misuse and processing of unauthorised transactions. Considering that account activity is not logged and reviewed, any misuse will also go undetected by management.</li> </ul>	<p>We recommend that [REDACTED] dialogue account should be removed. If there is business need, access and authorisation objects should be limited to the specific test functions for which the account was created. Additionally, activities of this account should be logged and reviewed.</p> <p><b>Management Response</b></p> <p>This account (used by a designated SAP specialist) was provided with temporary additional access to rule out authorisation issues while diagnosing a problem faced by a user during the year. If such test accounts are required again in future, then this account will include a (as an essential requirement) populated end date to automatically remove access.</p> <p>The [REDACTED] account has been 'locked' and [REDACTED] has since been removed.</p> <p>These t-codes are now picked up on a daily Profile Tailor report which is auto submitted to the ICT Manager (SAP) for review and action as appropriate.</p>

# Action Plan – IT general controls Audit

Rec	Issue and risk	Recommendations
6	<p><b>Access to data and altering utilities not properly restricted</b></p> <ul style="list-style-type: none"> <li>During our review, we noted that there were five dialogue accounts with inappropriate access to modify SAP table data via t-code SM30.</li> <li>Unauthorised access to customised or standard data tables increases the risk of data being edited directly potentially resulting in unauthorised entries or database integrity problems.</li> </ul>	<p>Management should ensure that customisable tables are adequately protected by preventing users from using the SM30 or SM31 transaction code. Where this is not possible due to business requirements SAP customisable tables should be protected via authorisation groups and users restricted in their access to those authorisation groups.</p> <p>As a minimum, no user with access to SM30 and SM31 should have a wild card entry (*) in the DICBERCLS field of the S_TABU_DIS authorisation object. In all cases where users (both IT and end user) have access to SM30 and SM31, management should consider logging the use of these transactions and should review them periodically.</p> <p><b>Management response</b></p> <p>Of the accounts identified, two have already had this access removed and the other three are no longer set as dialog users [which effectively means their accounts are “dormant” and cannot be accessed]. These individuals access accounts were also removed from the corporate network (Active Directory) as part of the leavers process. These accounts are not deleted as they are attached to historical processes configured over time within SAP that cannot be transferred to an active user.</p> <p>Ongoing monitoring of the use of SM30/SM31 is considered as part of the Profile Tailor report (within 1 hour of access) which is automatically submitted to the ICT Manager (SAP) for review and action as appropriate.</p>

# Action Plan – IT general controls Audit

Rec	Issue and risk	Recommendations
8	<p><b>Programmers have the ability to transport changes from development to production via STMS</b></p> <ul style="list-style-type: none"> <li>During our review, we noted Programmers have the ability to transport changes made in the development environment directly to the production environment via STMS transport tools</li> <li>[Redacted]</li> </ul>	<p>Programmers should not have access to any SAP transport utilities. This should be achieved by removing all user records for programmers. Furthermore, programmers should not have any privileged access to the operating system on the SAP server or have the ability to remotely call the SAP transport program 'tp'.</p> <p><b>Management response</b></p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>

9	<p><b>Programmers have access to production environment with associated development keys</b></p> <ul style="list-style-type: none"> <li>During our review, we noted [Redacted] with access to production environment with associated development keys</li> <li>Access to both live data and system programming utilities are incompatible user permissions. [Redacted]</li> </ul>
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Management should ensure that programmers do not have more than view access to the production environment. Where it is necessary for a [Redacted] to replicate a problem in the production environment, this should be done under very strict emergency/firefighter conditions using a system ID that is checked out especially for the purpose of resolving the emergency. All actions taken by this firefighter ID should be logged in SM21 and independently reviewed by management.

**Management response**

[Redacted] of the users identified do not have live accounts on the SAP system; they are historic users that performed development work in previous periods and therefore their entries within the Development User tables exist. They were removed from the corporate network (Active Directory) as part of the Council's leaver's process.

The recommendation provided is contradictory to SAP Best Practice Guidance. SAP Note 1710320 states that SAP does not provide a method of maintaining this table and that they do not recommend performing manual maintenance of the table. The remaining [Redacted] are SAP Specialists.

To segregate these two abilities, transactions will be assessed and new roles created to split these functions and remove the highlighted risk. These new roles will then be allocated to named users to replace their current authorisations / roles.

In the interim, Profile Tailor auto reports (see below) will be utilised to alert / inform the ICT Manager (SAP) of activity in these areas.

In addition to the IT system controls, the wider control framework gives management further assurance around the identification of any potential financial misstatements e.g. through regular budget monitoring activity with finance professionals.

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# Action plan – IT general controls Audit

Rec	Issue and risk	Recommendations
10	<p><b>Excessive number of dialogue accounts with access to SM37 and SM36</b></p> <ul style="list-style-type: none"> <li>During our review, we noted that the number of dialogue accounts with access to SM37 and SM36 was excessive, as detailed below: SM37 – 3413 dialogue active accounts SM36 – 3413 dialogue active accounts</li> <li>[Redacted]</li> </ul>	<p>Management should ensure that batch administration utilities are restricted to appropriate users. Access to SM37 and SM36 should be reviewed and restricted to authorised users in line with their job responsibilities.</p> <p><b>Management response</b> Restrictions are already imposed on the authorisation object S_BTCH_JOB to only allow Delete, List, Display Processing Log and Display Job Queue. It does not allow Releasing of Jobs or Modifying Other Users' Jobs.</p>
	<p><b>Review and monitor of SM21 logs</b></p> <ul style="list-style-type: none"> <li>During our review, we noted that logging was enabled, [Redacted]. The SAP System logs all system errors, warnings, user locks due to failed logon attempts from known users, and process messages in the system log. The system log output screen is accessed via transaction SM21</li> <li>[Redacted]</li> </ul>	<p>Management should identify changes made to the production environment using the various SAP utilities available such as logs maintained in ST03, SM20 and SM21 or SCC4.</p> <p>Management should consider review the use of certain sensitive transactions which can be logged using the rsau/enable parameter in RSPARAM or via ST03. The appropriate measures should be taken to ensure that the logs are stored off line and the relevant transactions to control the logging are disabled for users who are being logged.</p> <p><b>Management response</b> Monitoring the use of ST03, SM20, SM21 and SCC4 is considered via Profile Tailor report (within 1 hour of access) which is auto submitted to the ICT Manager (SAP). The ICT Manager (SAP) will continue to undertake a spot check of these reports (see below) on a monthly basis. These will be documented within an audit log evidence report with the outcomes recorded as appropriate.</p> <p>SM21 logs are reviewed daily and stored as read only. Daily checks are undertaken to evidence that the audit logs have been checked on SAP for audit trail purposes.</p> <p>For SCC4 changes would go through IT Services O-CAB (ITIL) process for approval.</p> <p>In addition to the IT system controls, the wider control framework gives management further assurance around the identification of any potential financial misstatements e.g. through regular budget monitoring activity with finance professionals.</p>



# Appendix B: Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on the Council's useable reserves
<p><b>1 Prior Period Adjustment – disposal of Horizon school building</b></p> <p>We identified a material prior period adjustment regarding the disposal of Horizon Community College to the Horizon Archbishop Holgate Foundation Trust in June 2017. The asset was legally disposed of in June 2017 however, it was not accounted for in the 2017-18 accounts but was instead included in the 2018-19 accounts.</p> <p>Considering the disposal related to the prior period and was also material, it met the definition of a prior period adjustment under accounting standards and the CIPFA Code.</p>	<p>37,725</p> <p>2017-18 loss on disposal</p> <p>(697)</p> <p>2017-18 Depreciation</p> <p>&amp;</p> <p>Reverse out from 2018-19 loss on disposal</p>	<p>(37,028)</p> <p>2017-18 reduction in PPE</p> <p>&amp;</p> <p>No change to 2018-19 PPE</p>	<p>This increases the loss on disposal in the 2017-18 comparative accounts and reduced the loss on disposal shown for 2018-19.</p> <p>It is important to note that this adjustment does not impact on the Council's level of useable reserves.</p>
<p><b>Pension Liabilities – McCloud legal case</b></p> <p>As a result of Supreme Court's decision on 27 June 2019 denying the Government to appeal against the 'McCloud case' gave rise to reassess the Council's IAS19 liabilities and associated disclosures. The Council is responsible for making the estimates included in the financial statements and for ensuring that the financial statements are not materially misstated which also includes IAS19 entries.</p> <p>Due to significant amounts involved under pension liabilities, Council made a decision and instructed its actuary to run a revised IAS19 report incorporating the impact of McCloud and GMP Judgement.</p> <p>The assessment is expected to result in a material change to the previously reported pension liabilities in the draft accounts (up to a maximum of c£12m).</p> <p>We anticipate the Council will incorporate the revised figures into the financial statements once received from the actuary.</p>	<p>12,573</p> <p>Increase in Surplus / Deficit on Provision of Services</p> <p>(172)</p> <p>Decrease in Actuarial Gains / Losses</p>	<p>(12,401)</p> <p>Increase in pension liability</p> <p>12,401</p> <p>Increase in pension reserve deficit</p>	<p>There is no impact on the Authority's useable reserves arising from this adjustment.</p>
<b>Overall impact</b>			<b>No impact on useable reserves</b>

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
1.	Disclosure	Fees to Grant Thornton regarding Housing Benefit, Teachers Pension and Pooling Capital Housing Receipts were updated to reflect all non audit related services	External Audit Costs Note 14	✓
2.	Disclosure	This note was updated to reflect required disclosures in line with accounting guidance for all Senior Officers' remuneration in respect of 2018-19.	Officers' Remuneration Note 13	✓
3.	Disclosure	Minor presentational adjustments were made to the Narrative Report to ensure the content was consistent with the financial information and the activities during year ended 31 March 2019.	Narrative Report	✓
5	Disclosure	Minor updates were made to Related Party Disclosure note to further reflect the nature and essence of this note.	Related Parties Note 17	✓
6	Disclosure	The revaluations table was updated to reflect that it shows cost or valuations rather than the Net Book Value	Revaluations Note 19	✓
7	Disclosure	Group Accounts notes were updated and additional narrative was added to further reflect the restatement of the accounts due to inclusion of Penistone Grammar Trust being consolidated in the group accounts for the first time.	Group accounts	✓
8	Disclosure	Accounting Policies were reviewed and the following changes were agreed with management: <ul style="list-style-type: none"> <li>AUC are not depreciated. Draft accounts indicated that they are reported at 'depreciated historical cost'</li> <li>The depreciation table which indicated Council Houses have 15-50 years economic life was updated to reflect the correct banding for buildings</li> </ul>	Accounting polices	✓
9	Disclosure	A brief note was added to explain why the pension liability is not equal to the pension reserve as at 31 March 2019 due to advance payments made in the prior year.	Defined Benefit Pension Schemes Note 38	✓
10	Disclosure	A correction for an original typo which stated that the basic amount of council tax for a band D property in 2018-19 was £1,660.90M – now updated without the "M".	Collection Fund Note B	✓

# Audit Adjustments

## Impact of unadjusted misstatements

At the time of this report, there are no unadjusted errors identified in our 2018-19 audit. All identified adjustments have been processed by the management.

## Other matters

During our work on Property Plant and Equipment, we identified that some elements of the Council's land had been depreciated incorrectly in 2017-18 accounts. Land has infinite life and should not be depreciated in line with the Council's accounting policy on depreciation and standard accounting practices.

The depreciation charged against land has been quantified as £2.2m. The error is not material and, unlike the Horizon school building, does not warrant a prior period adjustment under the CIPFA Code and accounting standards.

The Council has corrected this matter within the 2018-19 accounts.



# Appendix C: Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

## Audit Fees

	Proposed fee	Final fee	2017-18 fee (to predecessor auditor)
Authority Audit	£104,718	£104,718*	£135,998
<b>Total audit fees (excluding VAT)</b>	<b>£104,718</b>	<b>£104,718*</b>	<b>£135,998</b>

\* We wish to note that in light of the additional audit work to be performed on the Pension balances and entries in the Authority's accounts (as a result of the McCloud judgement and GMP), and the additional work performed on PPE, there is likely to be an additional fee proposed for this audit work. We will discuss any additional fees with the S151 Officer and the Audit Committee. We will provide an update on this in our Annual Audit Letter, due to be presented to the Audit Committee in September 2019.

The audit fees reconcile to note 14 in the financial statements.

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## Non Audit Fees

Fees for other services	Fees £
<b>Audit related services:</b>	
• Housing Benefit Certification	16,400
• Certification of Teachers' Pension Return	4,200
• Pooling of Housing Capital Receipts	3,000
<b>Total audit related services</b>	<b>23,600</b>
<b>Non-audit services:</b>	
• None	-

# Appendix D: Audit opinion (proposed)

We anticipate we will provide the Group and Council with an unmodified 'clean' audit opinion by 31 July 2019

## Independent auditor's report to the members of Barnsley Metropolitan Borough Council

### Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Barnsley Metropolitan Borough Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, Notes to the Core Financial Statements, Housing Revenue Account Comprehensive Income and Expenditure Statement, the Movement on the Housing Revenue Account Balance Statement, the Collection Fund Statement, the Group Movement in Reserves

Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement, Notes to the Group Accounts, Annex A comprising the Authority's Accounting Policies, Annex B comprising Critical Judgements, Assumptions, Estimations made within the accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018-19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Service Director for Finance, Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate
- the Service Director for Finance, Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

### Other information

The Service Director for Finance, Chief Financial Officer is responsible for the other information. The other information comprises the Narrative Report included in the Statements of Accounts and the 2018-19 Annual Governance Statement published separately to the Statement of Accounts. Other information excludes the Authority and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# Audit opinion (proposed)

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard

## Opinion on other matter required by the Code of Audit Practice

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Our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information, which is the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority, the Service Director for Finance, Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Service Director for Finance, Chief Financial Officer. The Service Director for Finance, Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018-19, for being satisfied that they give a true and fair view, and for such internal control as the Service Director for Finance, Chief Financial Officer's determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Service Director for Finance, Chief Financial Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided

The *full Council* is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# Audit opinion (proposed)

## Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019. We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### TO BE SIGNED

#### Gareth Mills, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Leeds

Date: TBC



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# Item 7

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

**AUDIT COMMITTEE – 22<sup>nd</sup> July 2019**

### **INTERNAL AUDIT PROGRESS REPORT 2019/20**

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

- 1.1 The purpose of this report is to provide a summary of the Internal Audit activity completed, and the key issues arising from it, for the period from 1<sup>st</sup> April 2019 to 30<sup>th</sup> June 2019.
- 1.2 To provide information regarding the performance of the Internal Audit function during the period.

#### **2 Background information**

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

#### **3 Recommendations**

- 3.1 **It is recommended that the Audit Committee considers the assurances it needs on the effectiveness of the Authority's internal control, risk and governance arrangements through the work of Internal Audit by:-**
  - i. **considering the issues arising from completed Internal Audit work in the period along with the responses received from management;**
  - ii. **noting the assurance opinion on the adequacy and effectiveness of the Authority's internal control framework based on the work of Internal Audit in the period to the end of June 2019;**
  - iii. **noting the progress against the Internal Audit plan for 2019/20 for the period to the end of June 2019; and**
  - iv. **considering the performance of the Internal Audit Service for the first quarter.**

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

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

#### **5 Consultations**

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

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

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

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

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

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

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

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

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

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

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

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

#### **9 Employee Implications**

9.1 There are no employee implications arising from this report.



## **10 Financial Implications**

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

## **11 Appendices**

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

## **12 Background Papers**

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

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

**Telephone No:** 01226 773241

**Date:** 10<sup>th</sup> July 2019

# **Barnsley Metropolitan Borough Council**

## **Internal Audit Progress Report**

**Audit Committee**

**22<sup>nd</sup> July 2019**

**INTERNAL AUDIT QUARTERLY PROGRESS REPORT 2019/20**  
**1<sup>st</sup> April 2019 to 30<sup>th</sup> June 2019**

**Purpose of this report**

This report has been prepared to inform the Committee on the Internal Audit activity for the period 1<sup>st</sup> April to 30<sup>th</sup> June 2019, bringing attention to matters that are relevant to the responsibilities of the Authority's Audit Committee.

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

**2019/20 Internal Audit Plan Progress**

The following tables show the progress of the internal audit plan up to the end of June 2019, analysed by the number of plan assignments producing a report and audit days delivered by Directorate / Service.

**Position as at 30<sup>th</sup> June 2019 – Audit Days Delivered**

Directorate	Original 2019/20 plan days	Actual days (% of revised days)
Communities	<b>102</b>	11
People	<b>128</b>	13
Place	<b>87</b>	16
Public Health	<b>11</b>	10
Core Services	<b>408</b>	94
Council Wide	<b>165</b>	41
Corporate	<b>177</b>	46
Responsive	<b>40</b>	0
Barnsley MBC	1,118	231 (21%)
Corporate Anti-Fraud Team	<b>572</b>	129 (23%)
<b>Barnsley MBC Internal Audit Total</b>	<b>1,690</b>	<b>360 (22%)</b>
HolA role as DPO	<b>50</b>	27 (54%)
DPO Assurance	<b>45</b>	41 (91%)
<b>Sub Total</b>	<b>95</b>	<b>68 (72%)</b>
External Clients	1,215	284 (23%)
<b>Total Chargeable Planned Days</b>	<b>3,000</b>	<b>712 (24%)</b>

## Position as at 30<sup>th</sup> June 2019 – Plan Assignments

Directorate	2019/20 plan assignments	Assignments expected to be completed to date	Actual assignments completed
Communities	3	1	0
People	4	1	0
Place	3	1	1
Public Health	0	0	0
Core Services	15	3	3
Total	25	6	4

Whilst there is a variance of 2 assignments completed, these are in draft report stage, see Work in Progress at page 6. Meetings are scheduled with officers to discuss the outcomes and finalise the reports.

### Changes to the 2019/20 Internal Audit Plan

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

During the period 1<sup>st</sup> April to 30<sup>th</sup> June 2019, there have been no amendments to the plan.

## Final Internal Audit reports issued

We have finalised 3 audit reports since the last Audit Committee meeting. The following table provides a summary of assurances and the number and categorisation of recommendations included in these reports:

Directorate- Audit Assignment	Assurance Opinion	Number of recommendation raised:			Total	Agreed
		Fundamental	Significant	Merits Attention		
Core Services – Housing Benefits Review	Substantial <sup>1</sup>	0	0	1	1	1
Core Services – Council Tax & Non-Domestic Rates (NDR) Review	Substantial	0	0	0	0	0
Core Services – Purchase to Pay Review	Substantial	0	0	1	1	1
Place – Unannounced Cash Visits Follow up	Adequate	0	2	1	3	3
<b>Total</b>		<b>0</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>4</b>

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

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

There were no audit reports issued during the period that had a limited or no assurance opinion

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

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

Audit Work Completed	Details	Contribution to Assurance
Place: Home to School Transport Advice	Advice required regarding review of revised Home to School Transport procedures and development of Personal Travel Budget procedures.	The work contributes to assurance in respect of financial management, safeguarding, and performance management.
Core: Business Support Advice	Advice provided in the following area: Business Support – Operational Procedures and Cash Management Arrangements.	The work contributes to assurance in respect of financial management, safeguarding, and performance management.
Core: Legal Services Advice	Provision of advice to Legal Service and Strategic Procurement regarding trading with suppliers that are bankrupt.	The work contributes to assurance in respect of financial management, safeguarding, and performance management.
Core: Strategic Procurement	Provision of advice to Strategic Procurement re 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 to contract management and financial management.
Communities: Troubled Families – Quarterly validation	Grant claim validation.	The work contributes to assurance in respect of financial management.
Core – SAP Access Controls	Provision of advice to Finance and IT colleagues on the adequacy and effectiveness of access controls and separation of duties within the financial elements of the SAP system	The work contributes to assurance in respect of financial management

## Other Internal Audit work undertaken

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

## Work in progress

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

Directorate- Audit Assignment	Audit Planning	Work in Progress	Draft Report
Communities – Homelessness	✓		
People – Transition – Children/Adults	✓		
Core – SAP Concur – Policy Into Practice		✓	
Core – Apprenticeship Levy		✓	
Core – Procurement Compliance Review		✓	
Communities – IT Project/ Programme Management			✓
Place – Principal Towns		✓	
Assessed & Supported Year in Employment (Grant Certification)			✓
People – Residential Commissioning of Placements / Fostering			✓

## **Follow-up of Internal Audit report management actions**

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

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

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



**Analysis of Agreed Management Actions Followed Up in the Period 1<sup>st</sup> April to 30<sup>th</sup> June 2019**

<b>Rec. Classification</b>	<b>Due for completion this period</b>	<b>Completed in period</b>	<b>Not yet completed – Revised date agreed</b>	<b>Not yet completed / No management response</b>	<b>Number not yet due</b>	<b>Number Followed up in period</b>
<b>Communities</b>						
<b>Fundamental</b>	0	0	0	0	0	0
<b>Significant</b>	3	1	1	1	1	4
<b>TOTAL</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>4</b>
<b>Place</b>						
<b>Fundamental</b>	1	0	0	1	0	1
<b>Significant</b>	0	0	0	0	2	2
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>People (excl Maintained Schools)</b>						
<b>Fundamental</b>	0	0	0	0	1	1
<b>Significant</b>	3	2	0	1	8	11
<b>TOTAL</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>9</b>	<b>12</b>
<b>Maintained Schools</b>						
<b>Fundamental</b>	1	0	0	1	0	1
<b>Significant</b>	2	0	0	2	1	3
<b>TOTAL</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>4</b>
<b>Core</b>						
<b>Fundamental</b>	0	0	0	0	1	1
<b>Significant</b>	13	2	6	5	2	15
<b>TOTAL</b>	<b>13</b>	<b>2</b>	<b>6</b>	<b>5</b>	<b>3</b>	<b>16</b>
<b>Public Health</b>						
<b>Fundamental</b>	0	0	0	0	0	0
<b>Significant</b>	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OVERALL TOTAL</b>	<b>27</b>	<b>6</b>	<b>10</b>	<b>9</b>	<b>17</b>	<b>44</b>
		<b>25</b>				

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

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

Ref.	Indicator	Frequency of Report	Target 2018/19	This Period	Year to Date
<b>1.</b>	<b><u>Customer Perspective:</u></b>				
1.1	Percentage of questionnaires received noted "good" or "very good" relating to work concluding with an audit report.	Quarterly	95%	100%	100% (1 response received)
<b>2.</b>	<b><u>Business Process Perspective:</u></b>				
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report. (4 reports this period)	Quarterly	80%	100%	100%
2.2	Percentage of chargeable time against total available.	Quarterly	73%	66%	66%
2.3	Average number of days lost through sickness per FTE (Cumulative 14.8 days in total)	Quarterly	6 days	0 days	0 days <sup>2</sup>
<b>3.</b>	<b><u>Continuous Improvement Perspective:</u></b>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
<b>4.</b>	<b><u>Financial Perspective:</u></b>				
4.1	Total Internal Audit costs v budget.	Quarterly	Within Budget	Yes	Yes

<sup>2</sup> Please note that the sickness figures exclude a member of staff from the Corporate Anti-Fraud Team who is currently on long term absence.

## Performance indicator definitions and supporting information

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

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

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

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

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

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Assurance Opinion	Adequate			

Consideration of our overall opinion takes the following into account:

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

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

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

## Audit Contacts

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

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

### 1. Classification of Management Actions

<b>Fundamental/ High</b>	Requires immediate action – imperative to ensuring the objectives of the system under review are met.
<b>Significant/ Medium</b>	Requiring action necessary to avoid exposure to a significant risk to the achievement of the objectives of the system under review.
<b>Merits Attention/ Low</b>	Action is advised to enhance control or improve operational efficiency.

### 2. Assurance Opinions

	Level	Control Adequacy	Control Application
<b>POSITIVE OPINIONS</b>	<b>Strong</b>	Robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	<b>Reasonable</b>	Sufficient framework of key controls exist that are likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
<b>NEGATIVE OPINIONS</b>	<b>Weak</b>	Risk exists of objectives not being achieved due to the absence of key controls in the system.	Significant breakdown in the application of key controls.
	<b>Non Existent</b>	Significant risk exists of objectives not being achieved due to the absence of controls in the system.	Fundamental breakdown in the application of all or most controls.

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# Item 8

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

AUDIT COMMITTEE – 22<sup>nd</sup> JULY 2019

### INTERNAL AUDIT ANNUAL REPORT 2018/19

#### 1. Purpose of Report

- 1.1 The interim Internal Audit Annual Report was presented to Audit Committee at the June meeting. This gave the Committee an indicative annual opinion of adequate. Internal Audit have now substantially completed their work programme to deliver the 2018/19 Internal Audit Plan. This report has been written on an exceptions basis to highlight to the Audit Committee any outcomes that may have a positive, or negative effect on the interim assurance opinion.

#### 2. Recommendations

- 2.1 It is recommended that the Audit Committee considers the opinion provided by the Head of Internal Audit based on the work undertaken to deliver the 2018/19 Internal Audit Plan regarding the adequacy and effectiveness of the Authority's framework of governance, risk management and control;

#### 3. Head of Internal Audit's Opinion on the Effectiveness of the Authority's Internal Control Environment

- 3.1 The Audit Committee received an adequate interim assurance opinion at the June meeting. This had been given reflecting on an overall satisfactory level of internal controls and their application over the year.
- 3.2 Taking the whole year into account, the audits completed and substantially complete, it is appropriate to confirm and give an overall **adequate** (positive) assurance opinion for the year. The information supporting this opinion is provided below.

#### 4. Summary of Internal Audit 2018/19 Plan Work Since 28<sup>th</sup> May 2019

- 4.1 Since the 5<sup>th</sup> June Audit Committee Internal Audit have issued 1 final report as shown in the table below.

#### Summary of Internal Audit Reports 28<sup>th</sup> May to 30<sup>th</sup> June 2018/19

Directorate- Audit Assignment	Assurance Opinion	Number of recommendation raised:			Total	Agreed
		Fundamental	Significant	Merits Attention		
Core – Housing Rents	Adequate	0	1	1	2	2
<b>Total</b>		<b>0</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>

## 4.2 Glassworks Update

Internal Audit were commissioned to undertake a Governance review of the Glassworks. The scope of the audit is to:

*“provide independent and objective assurance that effective and efficient risk, control and governance arrangements exist to provide a robust framework upon which the phase two scheme can be delivered (i.e. on time, in budget and to the required standard) and provide for VfM”*

Internal Audit progress to date includes:

- Providing challenge and advice on the 'Project Execution Plan';
- Facilitating a Risk workshop around the governance arrangements to inform work in 2019/20;
- Providing challenge and advice on the Risk Registers; and
- Advice on Board governance and decision making.

This programme of work will continue throughout the lifetime of the project.

Audit Committee Members may also like to be reminded that this is the second Internal Audit Review on the Glassworks development. The first, the 'Town Centre Regeneration – Development Management Organisation' review, was completed as part of the 2016/17 Internal Audit Plan. This review resulted in an adequate assurance opinion.

## 5. Local Area Implications

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

## 6. Consultations

6.1 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.

## 7. Compatibility with European Convention on Human Rights

7.1 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.

## 8. Reduction of Crime and Disorder

8.1 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.



**9. Risk Management Considerations**

9.1 There are no specific risks emanating as a result of this report.

**10. Employee Implications**

10.1 There are no employee implications arising from this report.

**11. Financial Implications**

11.1 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.

**12. Background Papers**

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

**Officer Contact: Rob Winter CPFA**  
**Head of Internal Audit and Corporate Anti-Fraud**  
**Telephone No: 01226 773241**  
**Date: 10<sup>th</sup> July 2019**

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# Item 9

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

**AUDIT COMMITTEE – 22<sup>nd</sup> JULY 2019**

**ANNUAL FRAUD REPORT 2018/19**

### **Executive Summary**

- i. As a local authority responsible for the administration of large amounts of assets and finances, Barnsley MBC is a target for fraudsters. It is therefore important to maintain robust policies and procedures to safeguard the Council's integrity against potential fraud.
- ii. The Authority's counter fraud functions continue to be provided by Internal Audit Services Corporate Anti-Fraud Team (CAFT). This centralised team enables the Council to focus its preventative and investigative resource to tackle the different types of fraud that may occur against a Local Authority.
- iii. The team covers a wide range of tasks including implementing the Anti-Fraud and Corruption Policy across the authority, providing a comprehensive counter-fraud service for all directorates, co-ordinating and managing the council's participation in the National Fraud Initiative (NFI), the introduction of council wide Fraud Awareness training and the prevention and detection of all types of fraud.

**AUDIT COMMITTEE – 22<sup>nd</sup> JULY 2019**

**ANNUAL FRAUD REPORT 2018/19**

**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 from 1 April 2018 to 31 March 2019.
- 1.2 The Corporate Anti-Fraud Team continues to provide the Council with a full, professional counter fraud and investigation service for fraud attempted or committed against the Council.
- 1.3 This report provides information and assurance to the Audit Committee regarding a key aspect of the Authority's risk management, control and governance framework.

**2. Recommendations**

**2.1 It is recommended that the Audit Committee:**

- i. Consider the Annual Fraud Report as part of the framework of assurances to support the Annual Governance Statement;**
- ii. 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 In the current economic climate there is an increased focus being placed on local government to protect public funds. Barnsley Council is committed to ensure that increasingly scarce resources are used for the purposes intended, preventing unnecessary loss to fraud or theft and to tackle areas where abuse may occur.
- 3.3 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.

- 3.4 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 release valuable resources for front line services.
- 3.5 The Audit Committee have received update reports summarising work undertaken in respect of anti-fraud work and investigations.
- 3.6 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.
- 3.7 The Corporate Anti-Fraud Team comprises of three counter fraud officers and acts on behalf of the Director of Finance in ensuring the Council has appropriate arrangements to deter, detect and investigate fraud. The role of the CAFT includes the following:
- Driving the continual development of a framework of anti-fraud policies and procedures;
  - Raising awareness and understanding of fraud risks and developing mechanisms to maximise the opportunities for fraud risk reporting;
  - Responding to Whistleblowing allegations, referrals and other concerns including those received under the Council's Money Laundering Policy;
  - Investigation of reports of financial or other irregularity;
  - Liaising with South Yorkshire Police to support criminal prosecutions;
  - Delivering a programme of proactive anti-fraud reviews;
  - Providing advice and support to managers across the Council;
  - Providing advice and recommendations to managers on appropriate controls to help prevent and detect fraud and corruption;
  - Monitoring anti-fraud activity across the Council.
- 3.8 In 2018/19 the Corporate Anti-Fraud Team had a total budgeted plan of 580 days compared to 561 days in 2017/18. Preventative anti-fraud work undertaken totalled 154 days whilst reactive investigations totalled 358 days. The 68 day difference between budgeted days and work undertaken can be attributable to the long term absence of a member of the Team.
- 3.9 The following sections summarise the activity during the year covering corporate pro-active anti-fraud matters and reactive investigation work.

## 4. Pro-active Anti-fraud and Corruption Activity 2018/19

### Acknowledging and Preventing Fraud

- 4.1 Effective preventative systems are put in place to try and ensure that if fraud is attempted, it will be discovered and fail.
- 4.2 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 reported system weaknesses to identify areas of high fraud risk. Follow-up audits or themed anti-fraud audits are undertaken in all departments where common weaknesses have been identified.

### Fraud Awareness Week

- 4.3 The Council held its first Fraud Awareness Week during September 2018. Led and co-ordinated by the CAFT, several Council departments, including Trading Standards, Community Safety and Services, Procurement, Licencing, Parking Enforcement (blue badges) and Berneslai Homes participated in the “Fraud: Spot it, Stop it” campaign.
- 4.4 Promoted by the Council’s Chief Executive who advised *“Fraud is not just the concern of the finance or audit department - every single one of us has a role to play in stopping fraudsters diverting our valuable resources. This week we are launching a “Fraud: Spot it, Stop it” campaign to help you understand your role in stopping the fraudsters”* the campaign was launched across the Council’s Intranet and an article was included in the 14<sup>th</sup> September 2018 electronic edition of StraightTalk.

The screenshot shows the Barnsley Council Intranet homepage. At the top, there is a navigation bar with the Barnsley Metropolitan Borough Council logo and links for Employee Central, Our Council, Staff Directory, HR intranet, Jobs, and Help. A search bar is located on the right. Below the navigation bar, there is a dark teal banner with the text "SharePoint Barnsley Council Intranet" and links for Newsfeed, OneDrive, Sites, and a user profile for Race, Jos. Below this banner, there are four small square tiles with the text "WE'RE PROUD", "WE'RE HONEST", "WE'RE A TEAM", and "WE'LL BE GREAT EXCELLENT". The main content area features a large black banner for "Fraud Awareness Week 17-21 Sept". The banner includes a red octagonal sign that says "SPOT IT FRAUD STOP IT" and the text "WE ALL PAY FOR IT". Below the banner, there are two columns of content. The left column is titled "News & updates" and shows a news item dated "06 September". The right column is titled "Diana's blog" and shows a blog post dated "01 August" with the hashtag "#DigitalFirst at the Talkabouts - you said, we".

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**Help us to fight fraud in Barnsley**

Fraud Awareness Week begins on Monday so what can you do to prevent fraud from occurring in the workplace?


**S**tick to existing processes - 41% of fraud cases against government happened because the proper processes were not followed.

**T**ell your line manager or Internal Audit's Corporate Anti-Fraud team if you think there's a problem with a policy or process that could expose us to a fraud attack.

**O**wn the problem and look out for discrepancies or things that seem unusual, whether it's a supplier or contractor submitting invoices before delivering a product or a colleague frequently ignoring procedures.

**P**ass the updated fraud awareness e-learning course, available on POD.

Working together we can spot and stop fraud. If you suspect an incident of fraud, please report it to Internal Audit's Corporate Anti-Fraud Team at [corporatefraudinvestigations@barnsley.gov.uk](mailto:corporatefraudinvestigations@barnsley.gov.uk).




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- 4.5 A differing fraud theme was published each day throughout the week on the Council's Intranet. These articles provided advice to officers on identifying supplier fraud, insider fraud, grant fraud and how to protect individuals from personal fraud.
- 4.6 Representatives from the above teams (para 4.3) provided counter fraud advice to members of the public at a "Fraud: Spot it, Stop it" stall located in the Council's indoor market on the Wednesday and Friday. Members of the public visiting the stall (146 over the two days) were supportive of the campaign and stall, as were surrounding market stall holders.
- 4.7 The following outcomes and feedback was provided by the participating departments/teams:

Berneslai Homes

Visited 87 properties where no contact had been received from the tenant for a significant period of time. No issues were identified during the visits with the majority of tenants advising that they had had no reason to contact the company;

Trading Standards

Were extremely happy with the amount of interest and engagement they had with members of the public and stated that it (the market stall) was one of the more successful displays that they had recently had (in terms of passing footfall). In addition, the team were pleased to be featured as 'Tweet of the Week' in the Barnsley Chronicle.

On an ongoing basis Trading Standards are involved with the prevention of dishonest and fraudulent trading and provide daily assistance to residents and business who are impacted by these trading practices. The team are currently running a long term project to educate and minimise the effects of mail scams and also employ a member of the team who deals with illicit tobacco. The day to day work of the team deals with counterfeiting, safety, food, metrology and fair trading all of which contributes to make Barnsley a relatively safe and legal place to trade and live.

### Procurement

Focusing on contracts under £100k (which require 3 quotations) the Council's Procurement Team undertook a review of all quotation exercises performed on Yortender during the period September 2017 to September 2018.

The number of contracts under £100k recorded on YORtender during the above period was 426. Of these, 59 contracts (14%) recorded that only 1 response had been received from a minimum of 3.

The total value of the 59 contracts was £779,142.21 (average of £13K per contract).

The strategic procurement section will continue to ensure that compliance with the council's contract procedure rules is adhered to, ensuring value or money for the council.

### Blue Badges

The Council's Parking Enforcement Team checked 20 blue badges displayed in parked vehicles in the Town Centre and 35 in parked vehicles in the Wombwell area during Fraud Awareness Week.

Checks identified that 2 badges had expired several months earlier and PCNs (penalty charge notices) were duly applied. The blue badge holders subsequently reapplied for new badges and these were duly issued. A third PCN was issued in respect of a parked vehicle where the blue badge holder was not with the vehicle.

### Home to School Transport

The Home to School Transport inspection Licensing Officers undertook a number of vehicle and taxi driver checks as part of Fraud Awareness Week.

Taxis were inspected by BMBC vehicle examiners from Smithies Lane Depot and the taxi drivers were checked by Licensing Officers for compliance with their licence conditions, i.e. wearing their Private hire/hackney carriage drivers badge, DBS compliant, medical compliant, daily checks completed etc.

A total of 31 vehicles and drivers were checked as part of the operation with 29 drivers and 26 vehicles found to be compliant.

Of the 31 vehicles checked, 4 were suspended due to inoperative stop/indicator lights and a 5<sup>th</sup> due to having an illegal tyre. In addition, 2 drivers received written warnings for failing to complete their daily vehicle checks.

Overall, the operation was considered a success with the vast majority of drivers and vehicles complying with licensing conditions.



## **Bribery Act E-Learning**

- 4.8 The CAFT have recently developed a corporate e-learning awareness of the Bribery Act 2010. The training is accessed through the Council's corporate e-learning platform (POD).
- 4.9 The purpose of the e-learning is to provide officers with a short overview of the Act and to improve their understanding of:
- What bribery is;
  - The main offences;
  - The responsibilities of commercial organisations;
  - How to raise suspicions of bribery;
  - How to identify warning signs that bribery may be occurring
- 4.10 A decision as to whether the training will be mandatory to all employees is still to be taken and the e-learning will be launched via the Council's Straight Talk e-bulletin following this decision.

## **National Fraud Initiative**

- 4.11 The NFI is a regular (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 and error within public bodies, e.g. local authorities, central government, the NHS. The Council has routinely participated in this initiative from its inception in 1996/97.
- 4.12 The Council submits information relating to 12 mandatory sets of data. These datasets consist of information from Payroll, Housing Rents, Creditors, Private Residential Care Homes, Blue Badges, Residential Parking Permits, Licensing, Market Traders, Insurance, Personal Budgets, Council Tax and Electoral Registration.
- 4.13 Outcomes from the 2016/2017 exercise have previously been reported to Audit Committee and datamatches relating to the current 2018/2019 exercise were received at the end of January 2019. Data filters, recommended and supplied by the Cabinet Office, have been used to sort the matches based on the quality of the data in the match. There is no requirement for the Authority to review 100% of the matches, as long as an effective system of sampling is used to manage the risk of identifying frauds and errors.
- 4.14 To date 3,056 matches have been processed (20% of total matches received) and seven of these have identified overpayments totalling £22,349. The other 3,049 matches were cleared with no issue.

4.15 A breakdown is shown below:

<b>Subject</b>	<b>Monetary Value</b>	<b>Number of Cases</b>	<b>Recovery Action</b>
Private Residential Care Homes	£20,930	5	Amount has been recovered from future payments
Housing Benefit	£253	1	Recovery of amount ongoing
Council Tax Support	£1,166	1	Recovery of amount ongoing
<b>Total Overpayments</b>	<b>£22,349</b>		

4.16 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.

4.17 The 5 overpayments related to 4 different care homes and the delay in notification to BMBC appears to be due to the relevant care home informing their Head Office of the death who then advises the Council that payment should cease.

4.18 Due to the continued outcomes from the NFI exercise the Residential Payments Team has requested a further recheck and the CAFT are awaiting a report from the NFI.

#### **NFI Non Domestic Rates (NDR) Pilot**

4.19 A number of South and West Yorkshire local authorities, including Barnsley, participated in a NFI Business Rates pilot to identify possible fraud, error and overpayments.

4.20 The Council received 9 datamatch reports which were investigated by the Business Rates Team (based within Benefits, Taxation and Income).

4.21 The Business Rates Teams felt that, overall, the exercise was very resource intensive for very little gain. This was due to the quality of data matches received (the majority of matches were found to have no issue other than minor mismatching differences).

4.22 Similar findings were identified by neighbouring participating local authorities and these have been reported to the NFI Team.

### **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 and corruption and 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 and corruption that have occurred.

- 5.2 The Council remains focused in its commitment to take all necessary action to investigate fraud and take 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 Advice has been provided to Council managers in respect of allegations of theft, IT misuse/abuse and abuse of working hours by employees during 2018/2019. In addition, the CAFT have provided advice/guidance to Council officers and members of the public regarding scams, alleged money laundering, fraudulent procurement card transactions and alleged fraudulent car park tickets.

### Council Tax Support (CTS) Investigations

- 5.6 The levels of identified CTS fraud continue to be low nationally. CAFT have identified fraudulent council tax support claims of £8729.43 during 2018/19 compared to £6,429.04 in 2017/18.
- 5.7 A summary of the Council Tax Support workload of CAFT for the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019 is shown below.

	2018/19	2017/18
<b>Total number of referrals</b>	<b>77</b>	<b>111</b>
Accepted for investigation	7	7
Ongoing Investigations as at 31 <sup>st</sup> March	5	9

- 5.8 A summary of referrals not pursued for investigation in shown in the table below.

	2018/19	2017/18
<b>Details</b>	<b>No.</b>	<b>No.</b>
Poor intelligence – not enough evidence to pursue	<b>4</b>	7
Referred to National Crime Agency for investigation		1
No effect to CTS entitlement	<b>3</b>	4
Referred to DWP for further investigation	<b>24</b>	46
Referred to Benefits, Taxation and Income	<b>4</b>	4
Preliminary investigation provided no evidence of fraud	<b>30</b>	31
<b>Uneconomical to pursue - less than £500</b>		2
<b>Total</b>	<b>65</b>	<b>95</b>

The majority of the 2018/19 referrals were received via online e-forms (40) and from other departments within the Council or Berneslai Homes (20). A further 10 referrals were received via the Corporate Anti-Fraud Hotline whilst the remaining 7 referrals were received from anonymous letters from the public.

## Council Tax

- 5.9 CAFT have identified fraudulent council tax liability claims of £6,737.29 with additional savings of £4,525.84 since April 2018 compared to £11,630.24 with savings of £4,369.84 identified in 2017/18.

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.

- 5.10 A summary of the Council Tax workload of CAFT for the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019 is shown in the table below.

	2018/19	2017/18
Referrals	209	189
Overpayment only	27	34
Ongoing Investigations as at 31 <sup>st</sup> March	2	4

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

	2018/19	2017/18
Details	No.	No.
Change in circumstance already known - no issue	0	2
Poor intelligence – not enough evidence to pursue	21	10
No discount present	2	2
No effect to entitlement	4	2
Referred to Benefits, Taxation and Income	14	23
Referred to another council department	3	0
Referred to DWP	9	12
Local Authority error	1	1
No evidence of fraud	126	99
<b>Total</b>	<b>180</b>	<b>151</b>

Most of the above referrals were received via the Corporate Anti-Fraud Hotline (16), email account (7) and online referrals (81). A further 5 referrals were received from anonymous letters from members of the public whilst 48 were referred from Benefits, Taxation and Income, 24 from Berneslai Homes, 22 from other council departments and 1 from a local Member. The remaining 5 followed investigations into a number of matches raised via the NFI exercise.

## Non Domestic Rates

- 5.12 The CAFT received 7 allegations of non-domestic rates fraud during 2018-2019. Six were closed as there was no evidence of fraud and one remained open awaiting further information as at 31<sup>st</sup> March 2019. Whilst no evidence of fraud has since been established in the outstanding case, the Council's Base Growth Team continue to monitor the property to ensure that any business changes are referred to the Valuation Office for inclusion on the Council's business rates database.

## Insurance Claims

- 5.13 The CAFT commenced counter fraud checks of submitted insurance claims in February 2018. These checks, including financial and residential verification, provide assurance to the Insurance Team that the claims are genuine and bona fide.
- 5.14 CAFT has undertaken checks against 88 insurance claims during the 2018-2019 financial year. A summary of these referrals is shown below.

<b>Details</b>	<b>2018/19 No.</b>
No evidence of fraud	<b>83</b>
Dismissed at Court	<b>1</b>
No further action - referred back to Insurance Team	<b>2</b>
Withdrawn by claimant	<b>1</b>
C/F to 2019-2020	<b>1</b>
<b>Total</b>	<b>88</b>

- 5.15 A referral from the Council's Insurance Team highlighted discrepancies between the original claim submitted by the claimant and follow-up correspondence. Checks undertaken by the CAFT gave further doubt to the authenticity of the claim and these findings were reported back to the Insurance Team. The claim, of £22k, was subsequently dismissed at Court.
- 5.16 Preliminary investigations into a personal injury claim of £62,500, submitted by a member of the public following a road traffic accident, suggested irregularities with the circumstances of the collision. The CAFT contacted South Yorkshire Police for further information about the incident and this was subsequently provided to the Council's claim handlers. Following correspondence between the claims handler and the claimant's representative the Council were notified that the claimant had withdrawn the claim.

## Right to Buy (RTBs)

- 5.17 The Corporate Anti-Fraud Team have continued to apply an enhanced fraud prevention process to all new RTB applications throughout 2018/2019.
- 5.18 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.
- 5.19 CAFT has undertaken checks against 168 RTB applications during the financial year 2018/2019.
- 5.20 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 against a further two applications identified overpaid council tax support.

	2018/19	2017/18
<b>Details</b>	<b>No.</b>	<b>No.</b>
No evidence of fraud	<b>164</b>	184
Referred to DWP	<b>2</b>	11
Checks identified overpaid CTS (less than £500)	<b>2</b>	0
Application withdrawn by tenant	<b>0</b>	1
<b>Total</b>	<b>168</b>	196

### **Direct Payment / Personal Budgets**

5.21 Social care fraud has been identified nationally as an emerging fraud risk area for local authorities. Whilst this type of fraud can take many forms the areas of greatest concern are the misuse of personal budgets, and people with no recourse to public funds deceiving local authorities into providing services to them.

5.22 The Council's Adult Assessment and Care Brokerage Team have referred three suspected irregularities to the CAFT, a further one was been received from a member of the public.

5.23 A summary of the referrals are shown below:

	2018/19	2017/18
<b>Details</b>	<b>No.</b>	<b>No.</b>
Alleged financial misuse of direct payment budget – no evidence of fraud		2
Referred to HMRC for further investigation		1
Misuse of direct payment budget – caution given	<b>1</b>	
Alleged financial misuse of direct payment budget – management of the budget returned to the Council	<b>1</b>	
Ongoing	<b>2</b>	2
<b>Total</b>	<b>4</b>	5

5.24 A direct payment client admitted to misusing personal budget monies. Due to both the nature and financial value of the misuse, management agreed to offer the client a simple caution which was accepted but management of the budget was removed from the client. A further investigation concerning the alleged financial misuse of a client's personal budget provided insufficient evidence for a criminal prosecution. However, control of the budget was removed from the client's representative and returned to the Council.

### **Housing/Tenancy Fraud**

5.25 An investigative support service continues to be provided to Berneslai Homes to help identify potential fraudulent tenancies.

5.26 A summary of alleged tenancy fraud referrals received for investigation during 2018/2019 is shown in the table below.

	2018/19	2017/18
<b>Details</b>	<b>No.</b>	<b>No.</b>
Alleged application fraud – no evidence of fraud	<b>13</b>	2
Tenancy application fraud – application refused	<b>1</b>	

<b>Details</b>	<b>2018/19 No.</b>	<b>2017/18 No.</b>
Alleged non-residency – no evidence of fraud	<b>13</b>	16
Property recovered due to tenant's non-residency	<b>3</b>	1
Alleged fraudulent attempt to succeed tenancy – no evidence of fraud	<b>4</b>	4
Prevention of false attempts to succeed tenancy	<b>1</b>	2
Allegation of sub-letting - no evidence of fraud	<b>4</b>	3
Recovery of properties being sub-let by tenant		2
Successful prosecution for sub-letting		1
Referred back to Berneslai Homes to deal with as breach of tenancy	<b>1</b>	
Referral forwarded to another department for further action	<b>3</b>	
Ongoing	<b>9</b>	4
<b>Total</b>	<b>52</b>	<b>35</b>

5.27 The majority of the referrals were received from Berneslai Homes (36) with the remainder being received from members of the public (8 via online referral forms, 2 letters and 1 to the CAFT hotline), other Council departments / Councillors (2). A further 3 anomalies were investigated as a result of NFI data matching.

## **6. Local Area Implications**

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

## **7. Consultations**

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

## **8. Compatibility with European Convention on Human Rights**

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

## **9. Reduction of Crime and Disorder**

9.1 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.

## **10. Risk Management Considerations**

10.1 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.

10.2 There is a risk to the control and governance of the Authority if management fail to implement recommendations. 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.

## **11. Employee Implications**

11.1 All employees are under an obligation through their contracts of employment to be honest and adhere to the Code of Conduct.

11.2 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.

## **12. Financial Implications**

12.1 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.

12.2 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.

## **13. Background Papers**

13.1 Various previous Audit Committee reports

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



# Item 10

## Report of the Data Protection Officer

**AUDIT COMMITTEE – 22<sup>nd</sup> July 2019**

### **Data Protection Officer's Annual Assurance Report**

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

- 1.1 This report provides the Committee with the Data Protection Officer's (DPO) assessment of compliance with the General Data Protection Regulations (GDPR) and the Data Protection Act 2018 (DPA2018) based on specific assurance work undertaken over the last few months and general activity during the last year.
- 1.2 The Council's Information Governance Board, chaired by the Senior Information Risk Owner, the Executive Director, Core Services, received and considered a report from the DPO at its meeting on the 26<sup>th</sup> June. This report to the Audit Committee reflects the discussions and outcomes from the IG Board.
- 1.3 This report covers:
- an overview of the 12 months following the formal implementation of GDPR and the DPA 2018;
  - DPO activity during the year;
  - Specific assurance work undertaken and the results thereof;
  - Suggested audit / assurance activity for 2019/20 and beyond;
  - How the responsibilities of the DPO have been discharged;
  - The response from the IG Board.

#### **2. Recommendations**

##### **2.1 It is recommended that the Audit Committee:**

- i. Considers the report and notes the actions agreed to address the points raised;**
- ii. Specifically considers and notes the response from the IG Board;**
- iii. Notes the programme of assurance activity proposed and endorse that full and unfettered access is given to the DPO and/or Internal Audit staff undertaking work on his behalf to information, systems, offices and staff;**
- iv. Receives a 6-monthly report on progress and the results of assurance work regarding the Authority's compliance with the GDPR / Data Protection Act;**

v. **Be satisfied that the key responsibilities of the DPO have been discharged;**

### **3. Overview of the last 12 months**

3.1 Despite some national and local anxiety about what the day after ‘GDPR-day’ would bring, it passed without incident; there was no tidal wave of public interest to find out what data was being held about them. There was some national press coverage focussed largely on the new rights we all have as private citizens and of course publicity around the issues that Facebook and other large companies had regarding the use of personal data. The profile of data protection through the national press was raised but relatively briefly.

3.2 What GDPR did result in though was a renewed focus on our individual and collective responsibilities for protecting and managing the data we hold as a Council. This responsibility has been with us since the Data Protection Act 1998 of course, and whilst the GDPR and DPA2018 brought in new aspects to this arena, they haven’t changed things that much in practical terms. Perhaps the most significant and beneficial, change the GDPR has brought about however are the 6 Data Protection Principles and the duty of being required to demonstrate accountability, known as the 7<sup>th</sup> Principle. I think these are pretty well understood but as a reminder, the data protection principles are:

#### **Principle 1: lawfulness, fairness and transparency**

This means that the Council will tell the data subject what processing will occur (transparency), the processing must match the description given to the data subject (fairness), and it must be processed for one of the purposes specified in the legislation (lawfulness).

#### **Principle 2: Purpose Limitation**

This means that the Council will specify what the personal data collected will be used for and limit the processing of that personal data to only what is necessary to meet the specified purpose.

#### **Principle 3: Data Minimisation**

This means that the Council will not store or process any personal information beyond what is strictly required.

#### **Principle 4: Data Accuracy**

This means that the Council will have in place processes for identifying and addressing out-of-date, incorrect and redundant personal information.

#### **Principle 5: Storage Limitation**

This means that the Council will, wherever possible, store personal data in a way that limits or prevents identification of the data subject and only retain it for a reasonable period, i.e. not for any longer than is appropriate.

## **Principle 6: Integrity and Confidentiality**

This means that the Council will use appropriate technical and organisational measures to ensure the security, integrity and confidentiality of personal information is maintained at all times.

## **Principle '7': Accountability**

This means that the Council will demonstrate that the six Data Protection Principles (outlined above) are met for all personal data for which it is responsible.

- 3.4 These Principles have formed the basis and backcloth to the training and guidance provided on the GDPR.
- 3.5 Given the activity in the run-up to the 25<sup>th</sup> May 2018 and in the 12 months afterwards, it highlighted that, like many organisations I suspect, there were aspects of data protection practice that needed review and improvement.
- 3.6 Although with a degree of healthy panic at times, as a Council, overall, we responded well with huge amounts of preparatory work undertaken supported by good communications and very good guidance and training. The efforts of the Information Governance Team in the preparatory work and since should be commended, in making a significant contribution to the position the Council is in.
- 3.7 My appointment as DPO in January 2018 also gave focus, not least to me personally but also to the 'discipline' of data protection, recognising it as a specialist area and one that carries significant responsibilities and consequences if not managed appropriately. Through the 6 Principles, the GDPR has given a structure to how we now go about good data protection practice.
- 3.8 Significant preparatory work was undertaken despite the fact that the Information Commissioner's Office was late in providing guidance in many practical aspects and so we did our best; and that best has been good. The key areas of work have been:
  - ✓ Process mapping exercises – 180 in total across virtually every aspect of Council activity over a period of almost 2 years
  - ✓ Policy review – significant reviews of key policies
  - ✓ Procedure reviews for records management, subject access requests, DPIAs etc.
  - ✓ Preparation of guidance – 'quick guides' as well as intranet based guidance
  - ✓ POD based training involving almost 3,000 employees completing mandatory training plus face-to-face and team training sessions
  - ✓ Regular communications through Straight Talk and 'Mrs. D's blog'!
- 3.9 In summary, I regard the Council's approach to have been robust and pretty comprehensive. What is important though is that where gaps remain and

further work identified that there is a renewed momentum and focus to properly embed good data protection practice in all aspects of the Council.

#### **4. The Data Protection Officer (DPO)**

4.1 It has been a year of development and learning. The support and assistance from the IG Team has been invaluable as part of that. Their individual and collective enthusiasm and professionalism has been outstanding.

4.2 What has also been important is to establish the DPO position within the Council. Whilst this is still 'work in progress' to some extent, what has emerged is a specific independent assurance and advisory role and a role in the day to day governance of data protection. The legislation and supporting guidance makes it clear that the role is not one of managing the IG function nor to determine policy, but to independently and objectively provide assurance. In summary, the role of the DPO is to:

- monitor internal compliance with data protection legislation
- to inform and advise on data protection obligations
- to advise on and review Data Protection Impact Assessments (DPIAs)
- to provide risk based advice where necessary
- to raise awareness of data protection issues
- to undertake and commission audits
- to be a contact point for "data subjects" (whether that be the public or internal employees)
- to be the point of contact for the Information Commissioners Office (ICO)

In fulfilling that role, a DPO must:

- act independently (which is why it can't be someone in the IG Team)
- be an expert in data protection
- be adequately resourced to carry out the role
- report into the highest management level

4.3 Later in this report I highlight how the DPO role has been discharged, again, an important element of the 7<sup>th</sup> Principle.

4.4 In terms of practical activity, over the last 18 months or so I have been involved the following:

- Undertaken accredited GDPR Foundation and Practitioner courses including sitting (and passing) exams
- input to the development of corporate training
- advice on policy review
- reviewing DPIAs and signing them off
- receiving notifications of data breaches, advising and overseeing investigations and adjudicating upon any reporting to the ICO
- ICO liaison and correspondence with complainants
- Providing ad hoc guidance, support, challenge and input to new issues
- 'Project' input for example into new Personnel files solution and attending the Digital Leadership Team in my DPO capacity

- Reporting to the IG Board and Audit Committee
- Developing and undertaking a programme of independent assurance work

4.5 There has not been any practical guidance in relation to ‘how’ a DPO discharges their responsibilities and so I have adopted an approach akin to my Head of Internal Audit role. There are key and very important similarities in the traits and responsibilities of both positions but they are separate.

## 5. Assurance Work

5.1 In fulfilment of the DPO role and to provide the Council with assurances regarding GDPR compliance, it has been necessary to develop a programme of reviews. These have been prioritised based on risk and the ease to which they could be undertaken in this first period of reflection. As the Committee is aware from previous update reports, I have delayed this assurance work to enable as much ‘implementation’ as possible.

5.2 These assurance reviews have not been audits as such but aimed to present to management and the IG Board my findings and to prompt management actions being identified or further work commissioned that leads to positive assurance and confidence that the Council has adequate arrangements in place to ensure high levels of compliance and minimise any risks of non-compliance and the subsequent consequences on both data subjects and the Council.

5.2 To date and forming the basis of my assurance, is the programme of work that has been undertaken across a number of areas. These assurance reviews have aimed to present to the IG Board the extent to which I can give assurances regarding compliance etc. My overall view on the Council’s compliance with GDPR is also informed from the input and involvement I have had in other aspects of data protection. These are summarised later.

5.3 To date the outcome from the completed assurance reviews can be summarised in the following table:

Assurance work	Assurance Opinion	Implication of Findings		
		Low	Medium	High
Data Minimisation / Pseudonymisation	<i>Reasonable</i>	3		
Website Review	<i>Reasonable</i>	2	1	
Incident Management	<i>Reasonable</i>	1	1	
Unannounced Visits / Staff Data Survey	<i>Reasonable</i>	3	4	
Phase 1 - Process Mapping Compliance	<i>Limited</i>			1
SARS and CFIT	<i>Reasonable</i>	3	4	
Cybersecurity	<i>Reasonable</i>	3	6	1
	<b>Total</b>	<b>15</b>	<b>16</b>	<b>2</b>

- 5.4 Appendix A highlights the key issues arising from each assurance review showing both the positive areas as well as those where improvement in compliance or the underlying control and governance framework is required. As mentioned before, overall, my review work shows good compliance but equally an acceptance that further work is needed in a number of areas.
- 5.5 It should be noted that in all instances a management action has been agreed to address the implications arising from the findings in each review. As an overall response, the IG Board will ensure that management actions are being implemented within the timescales set by receiving monitoring reports during the year.
- 5.6 Over and above the specific assurance reviews undertaken, I have been involved in and had input into a number of other aspects of data protection and the required response to the new Regulations and Act. Such involvement and input enriches my opinion and key messages to the IG Board and Audit Committee.
- 5.7 Of particular significance are the following areas, both positive and where improvement or progress is required.

**SharePoint** - Discussions with the SharePoint systems administrator have highlighted work required around 'site owners' and to improve general compliance with the corporate file plan and operational protocols.

**CCTV** – It has been acknowledged that work is required to identify and capture all the installations and uses of CCTV across the Council and its maintained schools in order to provide assurances regarding compliance with the Protection of Freedoms Act, the CCTV Code of Practice and be in a position to complete a survey expected from the Surveillance Camera Commissioner later in the year.

**Personnel files** – This is another area where it has been acknowledged that work was needed to ensure the more efficient management of personnel records. A new SharePoint based system has been developed which will provide a practical solution to the management of various personnel records moving forwards. This has yet to go live and must be supported by clear guidance, training and on-going monitoring. A number of HR policies also need to be reviewed to support the new system.

**Physical secure storage** – Whilst there is generally good practice in the physical storage and security of documentation, there remains limitations in certain office areas. Although within relatively secure 'staff only' buildings, risks remain. It is accepted that there is no easy solution to this issue but one that needs to be raised to obtain the IG Board's acceptance of this risk.

**Broader corporate IG capacity** – I have referred earlier to the sterling work the IG Team have undertaken and continue to undertake within a very small Team. As such, any absences would significantly impact upon their capacity to provide support in this critical area of governance. The resources of the IG

Team need to be kept under review to ensure continuity, expertise and capacity.

**Contracts and Law Enforcement** – The GDPR and DPA2018 introduced the requirement to change standard contract provisions, data controller / processor agreements and to ensure procedures are in place to meet the Law Enforcement provisions. This work remains in progress. The IG Board need to re-assess the resources and priority given to this work to ensure it is concluded appropriately as soon as possible.

- 5.8 As can be seen from the specific assurance reviews and the issues in the section above, there remains work to do to further improve compliance with the GDPR and DPA2018 and generally embed good data protection practice throughout the Council.
- 5.9 It should be recognised however that through the assurance work and other DPO activity that there are many areas of excellent practice and obviously high levels of awareness and diligence.
- 5.10 In summary and to provide the IG Board and Audit Committee with an overall assurance opinion, I would assess the Council's position regarding overall compliance and having reliable and embedded good practice in place as 'reasonable', and as a simple score, a '7 out of 10'.

## **6. Proposed Assurance and Audit Activity**

- 6.1 To adequately discharge my DPO responsibilities, and as set out in the Regulations and guidance, I can undertake and commission 'audits' to test compliance. The assurance reviews undertaken to date have sought to test compliance and provide the IG Board with assurances and highlight where there are opportunities to improve the control and governance of data protection.
- 6.2 Moving forward I shall still undertake certain reviews as I deem appropriate in my independent role. However, the IG Board and management in certain areas also need to consult with Internal Audit, through the Audit Manager, to agree specific internal audit activity. This will naturally be informed from a combination of my DPO assurance reviews and the management actions proposed and undertaken, commissions from the Board to obtain more detailed compliance assurances and requests from management as part of the normal Internal Audit planning process. All review or audit activity should be on a risk basis.
- 6.3 Based upon the first series of reviews and considering other areas for DPO and/or Internal Audit activity, I include in Appendix B a possible programme of work, with suggested frequencies to assist in the future planning of review resources. As mentioned above, the individual pieces of review work will need to be individually risk assessed and scoped.
- 6.4 The suggested programme has been formatted in a way to demonstrate indicatively which of the GDPR Principles the review activity would provide assurance on (Appendix B).

## **7. Discharging the responsibilities of the DPO**

- 7.1 An important element of an organisation that has formally appointed a DPO is to be able to demonstrate how that role has been discharged as a fundamental contribution to demonstrating 'accountability' – the 7<sup>th</sup> Principle.
- 7.2 Attached (Appendix C) is a document developed to demonstrate how I discharge my DPO responsibilities. As can be seen the vast majority have been discharged or arrangements are in place to ensure they are as and when particular circumstances arise. Akin to other aspects of GDPR there are a few areas that require further work or consideration.
- 7.3 The key areas requiring further review are:
- Reviewing arrangements for reporting directly to the Chief Executive and SMT
  - Reviewing arrangements for a PDR in the context of my DPO responsibilities and agree any training and development requirements
  - Review arrangements for a 'deputy' DPO in circumstances where I am not available.
- 7.4 I will include progress on these matters in future reports to the IG Board and Audit Committee.

## **8. Information Governance Board – 26<sup>th</sup> June 2019**

- 8.1 The IG Board received this DPO Annual Assurance Report at its meeting on 26<sup>th</sup> June. For the Committee's information and assurance the IG Board accepted the report and in so doing committed to the following actions:
- ✓ Reviewing the options for improving the physical storage within Westgate
  - ✓ Ensure management fully implement the actions identified within the individual assurance reviews
  - ✓ Consider the areas highlighted to further enhance the role of the DPO
  - ✓ Ensure SMT receive the DPO Annual Assurance Report
- 8.2 The IG Board will receive periodic progress reports reflecting further DPO assurance activity.

## **9. List of Appendices**

- 9.1 Appendix A – Key issues arising from assurance work  
Appendix B – Possible Assurance and Audit Programme  
Appendix C – Data Protection Officer – How Role is discharged

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**Key issues arising from assurance work**

<b>Assurance work</b>	<b>Positive Key Issues and Points</b>	<b>Key Issues and Points for action</b>
<b>Data Minimisation / Pseudonymisation</b>	<ul style="list-style-type: none"> <li>✓ Encryption widely used and pseudonymisation / anonymisation used in parts of the Authority.</li> <li>✓ Data breach process effective.</li> <li>✓ Pseudonymisation mentioned in the mandatory GDPR eLearning.</li> <li>✓ Online help available on encrypted emails.</li> <li>✓ Video guide to revoking access.</li> <li>✓ Quick Reference Guides for sending emails and pseudonymisation available on Intranet.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Egress / Encryption required higher profile.</li> <li>✗ Incident reports to consider more analysis of causes / lessons learned.</li> </ul>
<b>Website Review</b>	<ul style="list-style-type: none"> <li>✓ BMBC website contains Privacy information that is accessible, concise and transparent.</li> <li>✓ Privacy Notices recent, simple, clear and informative.</li> <li>✓ Phone automated message informs caller that the call may be recorded and that data will only be processed and shared where there is a legal basis to do so.</li> </ul>	<ul style="list-style-type: none"> <li>✗ A few broken / outdated links found.</li> <li>✗ Privacy Notices on website still in 'template / draft' version.</li> <li>✗ Online forms did not contain sufficient GDPR information.</li> </ul>
<b>Incident Management</b>	<ul style="list-style-type: none"> <li>✓ Incident management policy exists and provides a framework for reporting and managing information security incidents.</li> <li>✓ Sample incidents tested were promptly reported to IG.</li> <li>✓ IG responded to reported incidents promptly and appropriately.</li> <li>✓ Initial Impact assessments were completed within the policy timescales (24 hours).</li> <li>✓ IG completed severity assessments promptly and took appropriate action.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Some delays in incident investigations and incident closure on the part of Services.</li> <li>✗ Recommendations and deadlines not escalated to SMT when not implemented / met by the Services.</li> </ul>
<b>Unannounced Visits / Staff Survey</b>	<ul style="list-style-type: none"> <li>✓ Access control to buildings reasonably robust with various badge / fob controlled access and barrier controls.</li> <li>✓ No personal data was visible on or around the photocopiers and they were 'signed out'.</li> <li>✓ Desks were reasonably clear of sensitive data in most areas.</li> <li>✓ Shredders were observed and no personal data items were left by them for shredding.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Personal information found in recycling bins at LIFT and town centre offices.</li> <li>✗ A few unlocked screens were observed.</li> <li>✗ Lack of data minimisation and floorplate storage issues.</li> <li>✗ Iron Mountain boxes contained</li> </ul>

Assurance work	Positive Key Issues and Points	Key Issues and Points for action
	<ul style="list-style-type: none"> <li>✓ Nothing containing personal data was observed in outdoor bins.</li> <li>✓ 100% of staff felt that they were 'very' or 'reasonably' aware of the GDPR and most (98%) felt that data was managed appropriately in BMBC.</li> <li>✓ All surveyed staff had completed the online data training and 100% felt that this supported them in understanding how to use data in accordance with the law and BMBC policies.</li> <li>✓ 98% of staff felt that the training, guidance and processes used in their role made it easy to handle data appropriately.</li> <li>✓ All staff knew what constituted a data breach and most staff (95%) were aware that ICO fines for serious breaches were substantial.</li> <li>✓ Most (85%) staff knew how to send a secure email.</li> <li>✓ Comments around the data protection training provided to staff were positive.</li> </ul>	<ul style="list-style-type: none"> <li>personal information on the shipping label.</li> <li>✗ Survey highlighted that some staff felt systems access was more than they required.</li> <li>✗ CCTV signs were not present at one of the visited sites.</li> <li>✗ 73% of staff did not know who the DPO was.</li> </ul>
<b>Phase 1 Process Mapping Compliance</b>	<ul style="list-style-type: none"> <li>✓ Processes were mapped, risks identified and actions recommended to Services by the Information Governance Team.</li> <li>✓ The knowledge and face to face time spent by the Information Governance Team with Services allowed the effective transfer of information.</li> <li>✓ The process mapping exercise identified risks outstanding.</li> <li>✓ The IG Team and DPO reflected on phase 1 and considered lessons learned in an extended IG Team meeting.</li> <li>✓ From the 11 Management Actions tested, 10 were evidenced as completed and 1 had an action plan in place.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Limiting factors and challenges to the project meant that the DPO could not provide full assurance that all risks were mitigated.</li> </ul>
<b>SARS and CFIT</b>	<ul style="list-style-type: none"> <li>✓ Staff can recognise a SAR and understand when the right of access applies.</li> <li>✓ Staff understand what needs to be considered if a request includes information about others and there is redaction guidance.</li> <li>✓ Guidance is available to staff on the management of information requests in the Management of Information Requests Procedure. This document also provides an expected timeline.</li> <li>✓ There is specific guidance for Children's Social Care &amp; Safeguarding.</li> <li>✓ There is guidance to establish whether Information requests received directly by services are 'business as usual' requests or meet the criteria to</li> </ul>	<ul style="list-style-type: none"> <li>✗ Update of the operational procedures and associated working papers required.</li> <li>✗ Refusals, verbal requests, disclosures to children and exemptions require update.</li> <li>✗ The DPO had not been informed fully of all ICO contacts.</li> </ul>

Assurance work	Positive Key Issues and Points	Key Issues and Points for action
	<p>be referred to CFIT as a SAR.</p> <ul style="list-style-type: none"> <li>✓ Procedures include the key roles and responsibilities in the handling of information requests (CFIT, Allocated Officers and IG Team).</li> <li>✓ The authority's Privacy Notice is sent to customers when their request is acknowledged.</li> <li>✓ BMBC have webpages 'What we do with your personal information' and 'Your Privacy' providing information to customers about their rights of access.</li> <li>✓ There was an improvement between Q3 and Q4 2018/19 in terms of responding to SARS in given timescales.</li> <li>✓ The council has a redaction guidance document which can be referred to in the undertaking of releasing information in connection with an information request.</li> </ul>	
<b>Cybersecurity Risks</b>	<ul style="list-style-type: none"> <li>✓ A number of independent assessments and reviews undertaken around cybersecurity prompting a tracking spreadsheet for Medium and High risks and fortnightly meetings with the Infrastructure Team.</li> <li>✓ Achieving Cyber Essentials+ accreditation</li> <li>✓ Meeting requirements of PCN standards</li> <li>✓ Rigid controls in place around access controls.</li> <li>✓ Policies in place for systems access.</li> <li>✓ A Major Incident Response Plan has been written and a review meeting has been arranged in relation to the recent DDOS website attack. Lessons learned/recommendations will be considered and agreed and ownership will be taken by the ICT Security Lead.</li> <li>✓ There is a system in place for reporting and addressing Cyber breaches and incidents.</li> <li>✓ Cybersecurity contracts are regularly reviewed.</li> </ul>	<ul style="list-style-type: none"> <li>✗ IG Board not sufficiently informed of cybersecurity issues.</li> <li>✗ No member representative for cybersecurity as recommended in LGA assessment.</li> <li>✗ No cybersecurity specific risk register.</li> <li>✗ No specific Corporate IT Security / Cyber Resilience Strategy.</li> <li>✗ ICT Access Controls require review.</li> <li>✗ Need to formalise Cybersecurity investment planning.</li> <li>✗ Major incident reporting to be reviewed.</li> <li>✗ Revised IT HUB incident reporting arrangements needed.</li> <li>✗ Cybersecurity contract arrangements require regular review.</li> <li>✗ Cybersecurity training and policies and procedures require review.</li> </ul>

**Possible Audit and Assurance Programme**

		Lawfulness	Purpose	Data Minimisation	Accuracy	Retention and Storage	Security	Accountability	Overseas Transfer	
GDPR		Principle (a) – lawfulness, fairness and transparency	Principle (b) – purpose limitation	Principle (c) – data minimisation	Principle (d) – accuracy	Principle (e) – storage limitation	Principle (f) – integrity and confidentiality	Accountability principle	No principle – separate provisions in Chapter V	Suggested Frequency
<u>Data Minimisation Pseudonymisation</u>	Review of data minimisation and pseudonymisation. Samples to be tested for suitability of minimisation tool used.			X						Annually
<u>Website Review</u>	Review of outside facing authority website and the data protection perceptions of the service users. Accessibility, usability, consistency.	X						X		Annually
<u>Incident Management</u>	Review of the incident management process. Reporting, investigation, follow up, corporate learning etc.			X			X	X		Annually
<u>Unannounced Visits IG_DP</u>	Unannounced audit visits to business units and buildings to carry out review on physical controls, access and management controls.			X		X	X			Annually - different sites
<u>Survey (GDPR)</u>	Complete a short questionnaire to evaluate the awareness and embeddedness of GDPR/Data protection principles. 40 Staff surveyed across the Authority.							X		Annual survey to review changes year on year
<u>Phase 1 Process Map Compliance Audit</u>	Review of the management actions from the IG process mapping exercise. Risks, follow ups.	X	X	X	X	X	X			One off
<u>Cybersecurity Risks</u>	Cloud abuse, Malware, hacking, passwords, Insider threat						X			Annually
<u>SARS and CFIT Review</u>	Review of the SAR process and how requests are processed through CFIT.	X						X		Biennially
<u>Accessing data from EEA under no deal Brexit</u>	Consideration/risk assessment of third parties data transfers and identifying where these third parties are located and where data is located. Consideration of the data implications of a No Deal Brexit. Consideration of Standard Contractual Clauses (SCCs).								X	One off
<u>Review of the Information Governance Board</u>	Review of the effectiveness, Terms of Reference, membership, actions and progress of the IG Board							X		Triennial
<u>SharePoint and Digital First</u>	Permissions and access review. Cross cutting issues with Staff Data Survey, Cybersecurity reviews.			X		X				As part of project
<u>CCTV Review</u>	Protection of Freedoms Act 2012 (PoFA) Surveillance Camera Code of Practice (SC Code)	X				X	X	X		Biennially
<u>Policy Review</u>	Consideration of DP/GDPR	X								Annually
<u>Records Management Review</u>	Review of effectiveness and data security arrangements of the Iron Mountain records management system. Compliance, impact and VFM.			X		X	X			Biennially
<u>Phase 2 Process Map Compliance Audit</u>	Process, progress for the 2nd phase of the process mapping exercises.	X	X	X	X	X	X			One off
<u>Contracts</u>	Progress, monitoring arrangements, overall governance, register/list of contracts.	X								Biennially
<u>Law Enforcement</u>	Actions, implementations, criminal prosecutions.	X								Biennially
<u>Data Sharing Agreements</u>	Review of Data Sharing Agreements in place, gaps and processes	X								Biennially
<u>DPIAs</u>	Data Protection Impact Assessments (DPIAs) advice and input by the DPO. Consistency, risks, actions, review.							X		Biennially
<u>Advice (DPO)</u>	Advice provided by the DPO. Risk based advice, data protection obligations, general advice.	X	X	X	X	X	X	X		Annually
<u>Risk Register (DPO)</u>	DPO Risk Register							X		Annually

Data Protection Officer – How Role is discharged

	Data Protection Officer / Organisation Responsibilities	How Practically Discharged	Action / Outputs	Status – June 2019
	<b>Position of the DPO</b>			
1	The DPO must report directly to the highest level of management and is given the required independence to perform their tasks;	<ul style="list-style-type: none"> <li>Report to Information Governance Board, SMT, Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>DPO report to each IG Board</li> <li>Quarterly report to SMT</li> <li>6-monthly report to ACTtee</li> </ul>	<ul style="list-style-type: none"> <li>In place</li> <li>To be reviewed</li> <li>In place</li> </ul>
2	The DPO is involved, in a timely manner, in all issues relating to the protection of personal data;	<ul style="list-style-type: none"> <li>Regular updates and contact with IG Team as required.</li> <li>Attendance at IG Team meetings specifically for DPO / GDPR issues</li> </ul>	<ul style="list-style-type: none"> <li>Ad hoc advice given or information received.</li> <li>Actions arising for IG Team and/or DPO</li> </ul>	<ul style="list-style-type: none"> <li>In place</li> <li>In place</li> </ul>
3	The DPO is sufficiently well resourced to be able to perform their tasks;	<ul style="list-style-type: none"> <li>Able to utilise IG Team for specific advice and support.</li> <li>Commission Internal Audit to undertake specific reviews of data protection compliance and general information governance</li> </ul>	<ul style="list-style-type: none"> <li>Ad hoc advice given or information received.</li> <li>Internal Audit reports, advice</li> </ul>	<ul style="list-style-type: none"> <li>In place</li> <li>Provision included in IA Plan.</li> </ul>
4	The DPO is not penalised for performing their tasks;	<ul style="list-style-type: none"> <li>Revised contract of employment</li> </ul>	<ul style="list-style-type: none"> <li>Contract of employment</li> </ul>	<ul style="list-style-type: none"> <li>In place.</li> </ul>
5	The DPO is not required to perform any other duties that result in a conflict of interest with their DPO duties.	<ul style="list-style-type: none"> <li>No decision-making responsibilities in relation to data protection policies.</li> <li>The HoIA role is also independent from operational management and therefore complementary to role of DPO.</li> </ul>	<ul style="list-style-type: none"> <li>In place – role understood</li> <li>Declarations of interest raised if necessary</li> </ul>	<ul style="list-style-type: none"> <li>In place.</li> <li>In place.</li> </ul>
	<b>Tasks of the DPO</b>			
1	The DPO will inform and advise the organisation and its employees about the obligations to comply with the GDPR and other data protection laws;	<ul style="list-style-type: none"> <li>Key input/consultee into corporate guidance, POD training, policy development (advisory).</li> <li>Formal reports to IG Board and Audit Committee</li> <li>Maintain awareness of developments in data protection law, case law, best practice</li> </ul>	<ul style="list-style-type: none"> <li>DPO comments, suggestions, advice provided</li> <li>Reports to each meeting on agreed frequency and ad hoc as required</li> <li>Monitor ICO website, other articles etc.</li> </ul>	<ul style="list-style-type: none"> <li>In place</li> <li>In place</li> <li>In place. Additional training to be identified and membership of the British Association of DPOs</li> </ul>
2	The DPO is tasked with monitoring compliance with the GDPR and other data protection laws, our data protection policies, awareness-raising, training and undertaking and commissioning audits;	<ul style="list-style-type: none"> <li>Programme of audits and reviews undertaken and commissioned through Internal Audit.</li> <li>Regular meetings with IG Team to be kept aware of current issues</li> <li>DPO proactively alerted to significant issues by IG Team / SIRO / Caldicott Guardians</li> </ul>	<ul style="list-style-type: none"> <li>Programme of assurance reviews undertaken</li> <li>Audit programme planned annually</li> <li>Formal and informal meeting arrangements</li> <li>As required</li> </ul>	<ul style="list-style-type: none"> <li>Completed</li> <li>In place as part of annual IA planning</li> <li>In place</li> <li>In place – as required</li> </ul>
3	The organisation will take account of the DPOs advice and the information the DPO provides on data protection obligations;	<ul style="list-style-type: none"> <li>Appropriate minutes/record will be taken regarding the advice / reports of the DPO and what action is taken.</li> <li>DPO has direct and unfettered access to the Chief Executive, SIRO and attendance at SMT as required</li> </ul>	<ul style="list-style-type: none"> <li>Response to DPO assurance reports and emails in response to queries and advice sought / given</li> <li>DPO attendance at SMT / meetings with the Chief Executive / SIRO as required</li> </ul>	<ul style="list-style-type: none"> <li>In place</li> <li>Review arrangements with new CX July 2019</li> </ul>
4	The DPO will provide risk based advice, focussing on the higher risk areas of data processing activities, i.e. where special categories of data are involved;	<ul style="list-style-type: none"> <li>DPO consulted on DPIAs (see below) and through liaison arrangements regarding high risk areas</li> </ul>	<ul style="list-style-type: none"> <li>High risk areas identified by IG Team and IG Board and communicated to DPO through liaison meetings, IG Board etc.</li> </ul>	<ul style="list-style-type: none"> <li>In place</li> </ul>
5	The advice and input of the DPO will be sought when a Data Protection Impact Assessment (DPIA) is undertaken;	<ul style="list-style-type: none"> <li>The DPIA process ensures the involvement of the DPO.</li> </ul>	<ul style="list-style-type: none"> <li>DPO notified of DPIAs required and engaged in process.</li> </ul>	<ul style="list-style-type: none"> <li>In place</li> </ul>

	<b>Data Protection Officer / Organisation Responsibilities</b>	<b>How Practically Discharged</b>	<b>Action / Outputs</b>	<b>Status – June 2019</b>
6	The DPO will also monitor the DPIA process;	<ul style="list-style-type: none"> <li>The DPO has access to all DPIAs and will undertake periodic checks to ensure consistency and appropriateness.</li> </ul>	<ul style="list-style-type: none"> <li>DPIAs to be periodically reviewed as part of DPO assurance reviews or specific internal audits</li> </ul>	<ul style="list-style-type: none"> <li>As per DPO assurance / audit review programme</li> </ul>
7	The DPO acts as a contact point for the ICO, and as such will co-operate with the ICO including during prior consultations under Article 36 (Prior Consultation) and will consult on any other matter;	<ul style="list-style-type: none"> <li>The relevant contact details for the DPO have been lodged with the ICO.</li> </ul>	<ul style="list-style-type: none"> <li>Liaison with ICO as required will be prioritised by DPO and supported by IG Team</li> </ul>	<ul style="list-style-type: none"> <li>In place</li> </ul>
8	The DPO has due regard to the risk associated with processing operations, and takes into account the nature, scope, context and purpose of the processing;	<ul style="list-style-type: none"> <li>DPO considers and is consulted on the risks associated with processing activities to focus on higher risk areas</li> </ul>	<ul style="list-style-type: none"> <li>General IG risk register overview by DPO</li> <li>Data process mapping reviews prioritised</li> </ul>	<ul style="list-style-type: none"> <li>In place. RR reviewed and will be considered at IG Boards</li> <li>As per DPO assurance / audit review programme</li> </ul>
9	The DPO shall ensure that the organisation documents the reason why any advice given by the DPO is not followed.	<ul style="list-style-type: none"> <li>Appropriate minutes / records will be taken regarding the reasons why the advice of the DPO will not be followed.</li> </ul>	<ul style="list-style-type: none"> <li>DPO will approve how this is recorded in minutes / records should this occur or have his comments recorded.</li> </ul>	<ul style="list-style-type: none"> <li>Not occurred</li> </ul>
<b>Accessibility of the DPO</b>				
1	The DPO must be accessible as a point of contact for employees, individuals and the ICO	<ul style="list-style-type: none"> <li>Within the confines of reasonable working arrangements, the DPO will be available and accessible.</li> <li>A 'deputy' DPO will be available should the DPO not be so due to annual leave or exceptional circumstances.</li> </ul>	<ul style="list-style-type: none"> <li>As a senior manager the DPO works flexibly and ensures the regular review of emails etc.</li> <li>Co-ordination with IG Team in providing 'back-up' arrangements when DPO is not available.</li> </ul>	<ul style="list-style-type: none"> <li>In place but to review annually</li> <li>In place but to review in July 2019</li> </ul>
2	The contact details of the DPO are published and communicated to the ICO	<ul style="list-style-type: none"> <li>The <a href="mailto:DPO@Barnsley.gov.uk">DPO@Barnsley.gov.uk</a> email address is published in all appropriate places.</li> </ul>	<ul style="list-style-type: none"> <li>Clear reference to DPO and how to contact exists on BMBC website and appropriate policies, procedures etc.</li> </ul>	<ul style="list-style-type: none"> <li>In place</li> </ul>
<b>Support to the DPO</b>				
1	The DPO is provided adequate resources (sufficient time, financial, infrastructure and where appropriate staff) to enable them to meet their GDPR obligations and to maintain their expert level of knowledge	<ul style="list-style-type: none"> <li>The DPO utilises the expertise of the IG Team to assist with GDPR / DPA related matters.</li> <li>The DPO will have a separate PDR to ensure sufficient focus is given to continuous training and development in data protection matters</li> </ul>	<ul style="list-style-type: none"> <li>DPO attends IG Team meetings plus ad hoc meetings / discussions as required</li> <li>PDR from SIRO to ensure focus on professional development and awareness of data protection matters</li> </ul>	<ul style="list-style-type: none"> <li>In place</li> <li>To be arranged</li> </ul>
2	The DPO must be given appropriate access to personal data and processing activities	<ul style="list-style-type: none"> <li>The DPO has unfettered access to all personal data and processing activities in order to discharge his responsibilities and undertake independent and objective audits/reviews.</li> </ul>	<ul style="list-style-type: none"> <li>Such access formalised in DPA 2018 / GDPR and job profile</li> </ul>	<ul style="list-style-type: none"> <li>In place</li> </ul>
3	The DPO be given appropriate access to other services within the organisations so that essential support, information and input can be received	<ul style="list-style-type: none"> <li>The DPO has unfettered access to all senior managers and services in order to discharge his responsibilities to provide support, advice, information, challenge and undertake independent and objective audits / reviews.</li> </ul>	<ul style="list-style-type: none"> <li>Such access formalised in DPA 2018 / GDPR and job profile</li> </ul>	<ul style="list-style-type: none"> <li>In place</li> </ul>

# Item 11

## BARNSELY METROPOLITAN BOROUGH COUNCIL

This matter is not a Key Decision within the Council's definition and has not been included in the relevant Forward Plan

Report of the Executive Director, Core Services  
and Service Director, Finance (S151 Officer)

### **ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITIES 2018/19**

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

- 1.1 This document reviews the treasury management activities carried out by the Council during 2018/19, in accordance with statutory guidance.
- 1.2 In broad terms it covers the following:
- The agreed Treasury Management Strategy for 2018/19;
  - An economic summary;
  - The Council's borrowing activity;
  - The Council's investment activity, and
  - The Prudential and Treasury Indicators.

#### **2. Recommendations**

- 2.1 It is recommended that Members note:
- **The borrowing and investment activities carried out during 2018/19, and**
  - **The Prudential and Treasury Indicators set out in Appendix 1.**

#### **3. The Agreed Strategy for 2018/19**

- 3.1 The Treasury Management Strategy identifies the key risks associated with the Council's borrowing and investment activities and sets out how those risks will be managed.
- 3.2 The focus of the Council's borrowing strategy is on reducing its exposure to interest rate and refinancing risk, whilst being mindful of the impact on the capital financing budget.
- 3.3 The purpose of the Council's investment strategy is to ensure that its cash balances are invested prudently and are available when needed to meet its spending commitments. As such, its primary aims in relation to investments are security and liquidity with the pursuit of higher returns a secondary objective.

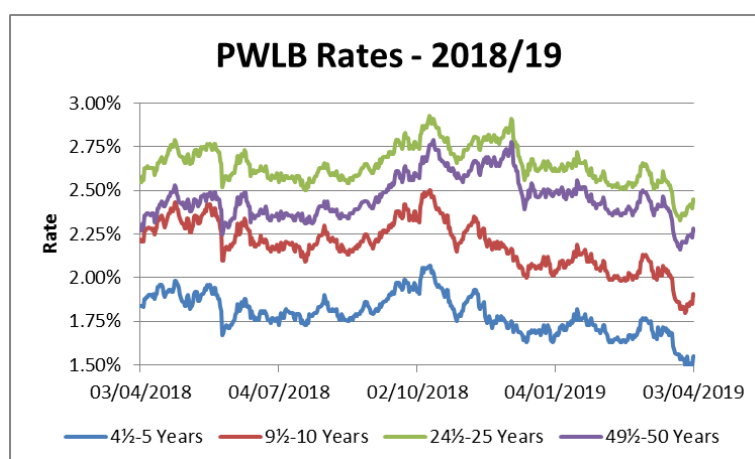
## 4. Economic Summary

### Highlights:

- *The UK base rate increased just once during the year (from 0.5% to 0.75%);*
- *PWLB rates have shown significant volatility during the year;*
- *Rates are expected to increase gradually over the short to medium term;*
- *This is subject to a number of factors, most notably the outcome of Brexit.*

4.1 The UK base rate increased from 0.5% to 0.75% in August 2018 but has since remained unchanged, largely owing to the continued uncertainty around Brexit.

4.2 PWLB rates have shown significant volatility during the year, with long term rate rising above 2.75% in October and December, before settling down below 2.5% towards the end of the year. This volatility can be attributed to a range of factors, with the main factor arguably being the ongoing uncertainty around Brexit.



### Future Outlook

4.3 There is still an expectation that rates will increase over the short to medium term, on the belief that some form of agreement will be reached on Brexit, however there are a number of other factors that could influence this position going forwards (see appendix 4 for more details).

4.4 The latest projections from the Council's advisors (Link Asset Services) are provided in the table below:

	Interest Rate Projections				
	Mar-2019	Jun-2019	Sep-2019	Dec-2019	Mar-2020
<b>Base rate</b>	0.75%	0.75%	1.00%	1.00%	1.00%
<b>5 year rate</b>	1.55%	1.90%	2.00%	2.10%	2.20%
<b>10 year rate</b>	1.85%	2.30%	2.40%	2.50%	2.60%
<b>25 year rate</b>	2.40%	2.80%	2.90%	3.00%	3.10%
<b>50 year rate</b>	2.23%	2.60%	2.70%	2.80%	2.90%



## 5. Borrowing and Leasing Activity

### Highlights:

- *The Council's Capital Financing Requirement (CFR) increased by £2M during the year, closing at £952M (down £16M from the original estimate);*
- *The Council fixed out a significant proportion of its CFR during the year, reducing its under-borrowed position to £54M (down £107M);*
- *The Council may need to borrow up to £201M over the next 2 years to finance its capital expenditure and maturing loans;*
- *Officers will continue to monitor this position closely and explore any further opportunities for deferred loan funding.*

### Movement on the Capital Financing Requirement (CFR)

5.1 The CFR is essentially a measure of the Council's need to borrow to finance its capital expenditure. The Council monitors its CFR in relation to gross debt to determine the extent to which it is under (or over) borrowed.

*NB: The term 'under-borrowed' is used throughout this document and refers to the temporary use of cash resources (e.g. reserves earmarked for future capital expenditure or grants received in advance of expenditure) to avoid immediate borrowing. This approach seeks to reduce investment counterparty risk and create a short-term budget saving. The Council will replace these cash resources with external debt as the spending commitments occur.*

5.2 The table below outlines the movement in CFR during 2018/19 and how this compares to the original estimate. The £16M variance is primarily a result of slippage / re-phasing within the approved capital programme, partially offset by a reduction in resources set aside to repay debt. This variance is mainly attributable to the General Fund:

	2018/19 Estimate (£M)	2018/19 Actual (£M)	Variance (£M)
<b>Opening CFR</b>	<b>945.549</b>	<b>949.904</b>	<b>4.355</b>
Increase from in-year capital investment	32.192	8.508	(23.684)
Amounts set aside to repay debt	(10.465)	(6.869)	3.596
<b>Net movement in CFR</b>	<b>21.727</b>	<b>1.639</b>	<b>(20.088)</b>
<b>Closing CFR</b>	<b>967.276</b>	<b>951.543</b>	<b>(15.733)</b>
General Fund	701.237	679.809	(21.428)
HRA	266.039	271.734	5.695

5.3 The following table shows the Council's under-borrowed position at the end of the year and how this compares to the original estimate. The Council initially anticipated a closing position of £161M however a concerted effort to fix out more of its borrowing requirement (in order to increase budget certainty) resulted in a closing under-borrowed position of £54M - a difference of £107M. The majority of this difference relates to the General Fund:

	2018/19 Estimate (£M)	2018/19 Actual (£M)	Variance (£M)
Closing CFR (from table above)	967.276	951.543	(15.733)
<b>Less PFI schemes / finance leases*</b>	<b>(236.348)</b>	<b>(237.332)</b>	<b>(0.984)</b>
<b>Borrowing requirement</b>	<b>730.928</b>	<b>714.211</b>	<b>(16.717)</b>
External borrowing	(569.813)	(660.175)	(90.362)
<b>Under-borrowed position</b>	<b>161.115</b>	<b>54.036</b>	<b>(107.079)</b>
General Fund	152.134	48.003	(104.131)
HRA	8.981	6.033	(2.948)

*\* PFI schemes and finance leases are excluded on the basis that each arrangement contains its own borrowing facility therefore the Council is not required to borrow separately.*

#### Movement on External Borrowing

5.4 The following table shows the movement on gross debt during the year, broken down by source / type. As the table highlights, the Council fixed out a significant proportion of its borrowing requirement, with £161M of new loans drawn down in year (£8M in the final quarter). This is partially offset by debt repayments totalling £65M (£16M in the final quarter):

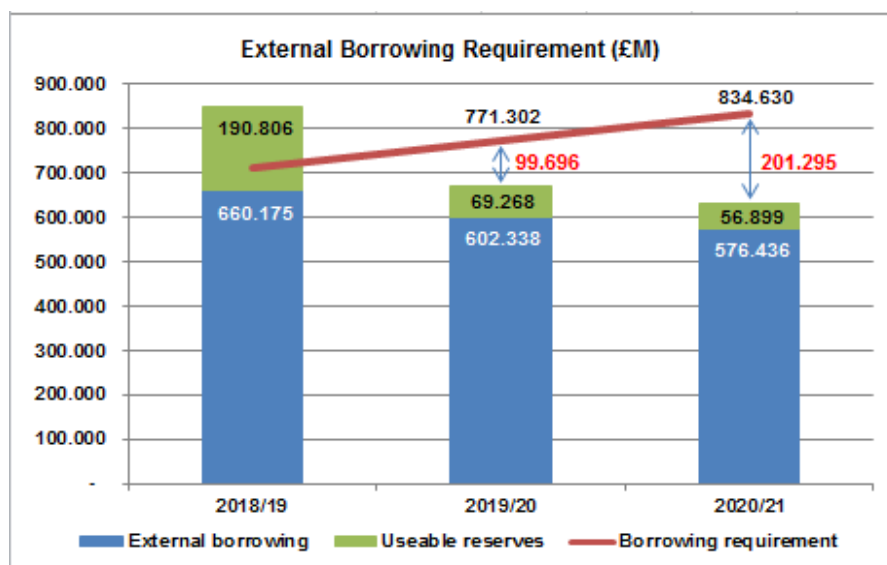
	Balance on 01/04/2018 (£M)	New Borrowing (£M)	Principal Repaid (£M)	Balance on 31/03/2019 (£M)	Net Movement (£M)
PWLB borrowing	430.612	147.500	(4.399)	573.713	143.101
Other long term loans	63.000	-	(8,000)	55.000	(8,000)
Temporary loans	38.004	14.000	(50.000)	2.004	(36.000)
Long term local authority loans	31.598	-	(2.140)	29.458	(2.140)
<b>Total external borrowing</b>	<b>563.214</b>	<b>161.500</b>	<b>(64.539)</b>	<b>660.175</b>	<b>96.961</b>

5.5 New borrowing comprised of £148M from the PWLB and £14M of temporary borrowing for other local authorities (see appendix 2 for further details). The Council also secured a second deferred loan of £20M, which is due to be drawn down in 2019/20 (hence this isn't included in the figures above).

5.6 Debt repayments included an £8M Lender Option, Borrower Option (LOBO) loan, following an opportunity to repay this early (whilst generating a saving on the Council's capital financing budget). The Council also repaid £50M of temporary borrowing reflecting the shift in strategy towards longer dated, fixed rate debt, and converted a £2M loan from the Sheffield City Region to grant funding following agreement earlier in the year.

## Future Outlook

5.7 As shown in the chart below, the Council is currently maintaining an under-borrowed position, which is expected to increase further by 2020/21 as its borrowing requirement increases and reserves are utilised:



5.8 Whilst there are sufficient reserves to support this position in the short term, these will ultimately need replacing with external borrowing as they are utilised. Based on current projections the Council may need to borrow up to £201M over the next 2 years:

	2018/19 Actual (£M)	2019/20 Estimate (£M)	2020/21 Estimate (£M)
Borrowing requirement	714.211	771.302	834.630
External borrowing	(660.175)	(602.338)	(576.436)
<b>Under-borrowed position</b>	<b>54.036</b>	<b>168.964</b>	<b>258.194</b>
Support from useable reserves	(54.036)*	(69.268)	(56.899)
<b>External borrowing requirement</b>	<b>-</b>	<b>99.696</b>	<b>201.295</b>

\* As of 31<sup>st</sup> March 2019 the Council's useable reserves stood at £191M - of which £54M were required to support the Council's under-borrowed position.

5.9 A breakdown of the £201M is provided below. This table excludes loans with an uncertain maturity date (for instance the Council's LOBOs) which amount to £57M. If interest rates were to increase suddenly, replacing this debt would come at an additional cost, although the likelihood of these loans being recalled is considered to be fairly low:

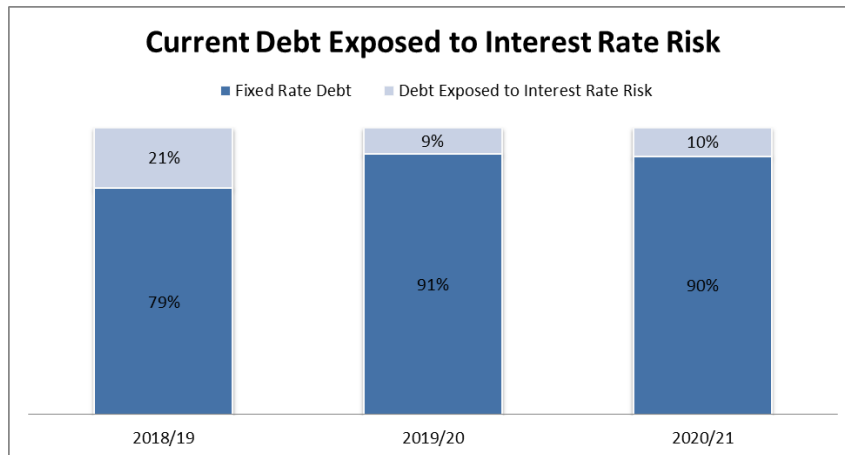
	£M
Planned capital investment	127.863
Amounts set aside to repay debt	(7.444)
Maturing loans	123.739
Loans secured but not yet drawn down	(40.000)
Support from useable reserves	(2.863)
<b>External borrowing requirement</b>	<b>201.295</b>

5.10 The Council's borrowing strategy is to reduce its exposure to interest rate risk, and is based on the following targets for 2018/19\*:-

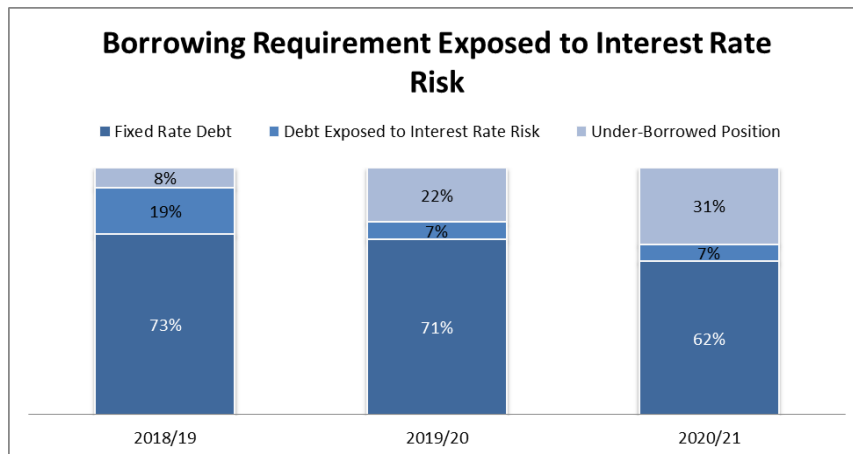
- Current debt exposed to interest rate risk <25%
- Borrowing requirement exposed to interest rate risk <35%

\*These targets have been lowered to 15% and 30% respectively from 2019/20.

5.11 The following charts show the Council's expected position against these targets based on the borrowing undertaken to date:



5.12 The first target is assessed against the Council's variable rate PWLB loans, temporary borrowing and LOBOs. At 21% the Council is currently within target, and is expected to remain within target until the end of 2020/21. By comparison 32% of the Council's debt was exposed to interest rate risk at the end of 2017/18, which shows the significance of the borrowing undertaken in year to improve our position.



5.13 The second target factors in the Council's internal borrowing, reflecting the fact that the Council will ultimately need to replace this with external financing. The Council is currently within target for 2018/19 (27%) and 2019/20 (29%). However to remain within target at the end of 2020/21, it is anticipated that the Council will need to fix out around £63M. By comparison 46% of the Council's borrowing requirement was exposed to interest rate risk at the end of 2017/18, again showing the significance of the borrowing undertaken in year to improve our position.

## Future Borrowing Strategy

5.14 As described earlier in this section, the Council has fixed out a large proportion of its borrowing requirement during the year, and as a result has reduced its exposure to interest rate risk by almost 20%. However as illustrated in tables at paragraphs 5.8 - 5.9, the Council still has a significant borrowing requirement over the next 2 years.

5.15 The Council has a number of options to address this future requirement as outlined below:

- **Fixed-rate borrowing from the PWLB** - the Council borrowed £148M from the PWLB during 2018/19 at an average rate of 2.57%; whilst rates are still relatively low this continues to be a suitable option for the Council to consider. However as outlined in section 6, the Council is holding a significant amount of cash therefore deferred loans are the preferred option at this time (see below).
- **Further deferred loans** - these allow the Council to borrow at a fixed rate - typically 0.15-0.20% above PWLB - and draw down the cash up to 4 years in advance, thus protecting the Council from any sudden interest rate rises whilst reducing cost of carry and counterparty risk. The Council has secured £40M to date and will continue to work with its advisors in order to identify any other potential lenders.
- **Loans from other local authorities** - the Council could look to replace some maturing debt with longer-term loans from other local authorities, which would help to spread refinancing risk whilst reducing the cost of carry (the interest rates on these loans are typically much lower than the longer term PWLB loans).

5.16 Other options being considered in support of the borrowing strategy include:

- **LOBO refinancing** - Officers have recently taken an opportunity to refinance one of its LOBOs which has reduced the Council's exposure to interest rate risk whilst resulting in a small annual saving on its capital financing costs. Officers will continue to explore any opportunities to repay / re-negotiate its remaining LOBOs.
- **BSF refinancing** - the Council continues to refinance the Building Schools for the Future PFI programme in conjunction with the Local Education Partnership. This process will create additional savings for the Council as well as key partners which have already been factored into the Council's MTFs. Refinancing has already been completed for phases 1 and 2 and it was originally envisaged that phase 3 would be complete by the end of this financial year. This process has been slightly delayed whilst the LEP assessed the significance of Brexit but it is anticipated that Phase 3 refinancing will be completed in the near future.

## 6. Investment Activity

### Highlights:

- *The Council's investments increased by £124M during the year as a result of new borrowing (as outlined in section 5);*
- *Security and liquidity remained the key priorities, with the majority of new investments placed in secure Money Market Funds and instant access accounts;*
- *Officers continued to take advantage of the competitive rates offered on short term local authority deposits.*

### Movement on Investments

6.1 The following table shows the movement on investments during the year, broken down by source / type. As the table highlights, the Council's investments increased by £124M during the year (£15M during the final quarter) as a result of the new borrowing outlined in section 5:

	<b>Balance on 01/04/2018 (£M)</b>	<b>New Investments (£M)</b>	<b>Redeemed Investments (£M)</b>	<b>Balance on 31/03/2019 (£M)</b>	<b>Net Movement (£M)</b>
Short term deposits	35.000	372.000	(250.500)	156.500	121.500
Money Market Funds / instant access accounts	36.000	441,300	(439.220)	38.080	2.080
<b>Total investments</b>	<b>71.000</b>	<b>813.300</b>	<b>(689.720)</b>	<b>194.580</b>	<b>123.580</b>

6.2 Security and liquidity remained the key investment priorities, with the majority of new investments placed in secure Money Market Funds and instant access accounts.

6.3 However the majority of the in-year increase relates to short term deposits, as officers continued to take advantage of the competitive rates offered by local authorities, whilst the cash was needed to meet its spending commitments. This helps to boost the Council's investment returns whilst preserving the capital invested.

### Future Investment Strategy

6.4 The Council's investment strategy is to ensure its cash balances are invested prudently and are available when needed to meet its spending commitments. The Council approved several changes to its counterparty limits back in November to ensure that it could safely accommodate its increased cash balances going forwards.

- 6.5 The key investment issues for the Council to manage in future are as follows:
1. **Money Market Fund (MMF) Reforms** - the Council's Money Market Funds converted to a new structure in early 2019, known as LVNAV funds. In order to maintain their status as LVNAV funds, there are a number of requirements that must be satisfied. Whilst there are no foreseen issues in meeting these requirements, officers will monitor the funds closely over the coming months to identify any potential risks going forwards.
  2. **IFRS9 Financial Instruments** - this is a new accounting standard for 2018/19 which changes the way that certain investments are categorised and valued. It also requires the Council to recognise any potential losses on investment through its General Fund. Officers will monitor this on a regular basis to identify any potential risks to the General Fund budget.
  3. **Local Authority Creditworthiness** - a number of local authorities have been in the spotlight which has raised the question whether they are a safe investment. Whilst there are regulations in place to avoid local authorities going bankrupt, officer recognise the reputational risk associated with such investments, therefore reputational risk will have more bearing on investment decisions in future.

## **7. Performance Measurement / Compliance with Prudential and Treasury Limits**

- 7.1 The Capital financing budget underspent by a total of £2M in year. This underspend has reduced since 2017/18 as a result of the Council's strategy to fix out more of its borrowing requirement in 2018/19, and is likely to reduce further in 2019/20 as a result of this revised approach.
- 7.2 Interest income was also higher than anticipated, reflecting the increase in cash balances from the borrowing undertaken in Q3 and the increase in interest rates compared to 2017/18.
- 7.3 The Council operated within the prudential and treasury indicators set out in the agreed strategy and in compliance with the Council's Treasury Management Practices (see Appendix 1-3 for more details).

## **8. Consultations**

- 8.1 This report has been prepared using information supplied by Link Asset Services and approved by the Treasury Management Panel.

## **9. Financial Implications**

- 9.1 The financial implications arising from the treasury management activities for the year (section 7 refers) are reported to Cabinet separately as part of the Council's revenue outturn report for 2018/19.

## **10. Employee Implications**

10.1 None arising from this report.

## **11. Regulatory Framework & Risk Assessment**

11.1 The Council has complied with all of the relevant statutory and regulatory requirements, which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means that its capital expenditure is prudent, affordable and sustainable and its treasury practices demonstrate a low risk approach.

11.2 The Council is aware of the risks of passive management of the treasury portfolio and, with the support of its Treasury Management advisers, has proactively managed the debt and investments over the year.

11.3 Treasury Management risks are identified and monitored on the MKI Insight software as part of the Council's overall approach to managing risk.

11.4 Treasury Management is a core system and as such is subject to Internal Audit inspection on an annual basis. The current assessment of Treasury Management systems is 'substantial', with no outstanding recommendations.

## **12. Background Papers**

12.1 Various Financial Services working papers.



## APPENDIX 1 - ACTUAL PRUDENTIAL AND TREASURY INDICATORS FOR 2018/19

### 1. Capital Expenditure

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

	2017/18 Actual (£M)	2018/19 Estimate (£M)	2018/19 Actual (£M)
General Fund	46.358	34.895	67.751
HRA	22.997	24.580	25.656
<b>Total Capital Expenditure</b>	<b>69.355</b>	<b>59.475</b>	<b>93.407</b>

### 2. Capital Financing Requirement (CFR)

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

	2017/18 Actual (£M)	2018/19 Estimate (£M)	2018/19 Actual (£M)
General Fund	438.515	464.889	442.477
HRA	271.734	266.039	271.734
Other Long Term Liabilities	239.655	236,348	237.332
<b>Total CFR</b>	<b>949.904</b>	<b>967.276</b>	<b>951.543</b>

### 3. External Debt

This indicator is obtained directly from the Council's balance sheet and is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit (External Borrowing + Other Long Term Liabilities).

	2017/18 Actual (£M)	2018/19 Estimate (£M)	2018/19 Actual (£M)
General Fund Borrowing	304.513	312.755	394.474
HRA Borrowing	258.700	257.058	265.701
<b>Total External Borrowing</b>	<b>563.213</b>	<b>569.813</b>	<b>660.175</b>
Other Long Term Liabilities	222.587	227.901	215.395
<b>Total Debt</b>	<b>785.800</b>	<b>797.714</b>	<b>875.570</b>

#### 4. Operational Boundary for External Debt

This indicator refers to the means by which the authority manages its external debt to ensure it remains within the statutory authorised limit. It differs from the authorised limit in as far as it is based on the most likely scenario, in terms of capital spend and financing during the year.

Unlike the authorised limit breaches of the operational boundary (due to cash flow movements) are allowed during the year as long as they are not sustained over a period of time.

	2018/19 Limit (£M)	2018/19 Actual (£M)	Compliant?
Average Debt compared to Operational Boundary	967.276	837.987	YES

#### 5. Authorised Limit for External Debt

The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council.

The Authorised Limit is the statutory limit under the Local Government Act 2003 and must not be exceeded during the year.

	2018/19 Limit (£M)	2018/19 Actual (£M)	Compliant?
Maximum Debt compared to Authorised Limit	997.276	908.663	YES

#### 6. Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. Separate limits have been set for the GF and HRA debt pools.

The limits adopted by Council provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis.

	2018/19 Limit (%)	Actual 31/03/2019 (%)	Compliant?
<b>General Fund:</b>			
Upper Limit on Fixed Interest Rate Exposure	90	90	YES
Upper Limit on Variable Interest Rate Exposure	25	10*	YES

\* Includes temporary loans which (whilst the rate is fixed until maturity) are sensitive to movement in interest rates

	2018/19 Limit (%)	Actual 31/03/2019 (%)	Compliant?
<b>HRA:</b>			
Upper Limit on Fixed Interest Rate Exposure	100	83	YES
Upper Limit on Variable Interest Rate Exposure	25	17	YES

## 7. Maturity Structure of Fixed Rate Borrowing

These limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.

Separate limits have been set for the GF and HRA debt pools. The higher percentage of maturities within 12 months in the GF pool is representative of the strategy of short term borrowing to minimise debt interest costs. The Council's LOBOs are now shown within the 'Less than 12 months' category.

	2018/19 Limit (%)	Actual 31/03/2019 (%)	Compliant?
<b>General Fund:</b>			
Less than 12 months	0-50	13	YES
12 months to 2 years	0-25	6	
2 years to 5 years	0-25	8	
5 years to 10 years	0-25	3	
10 years to 20 years	0-75	2	
20 years to 30 years	0-75	6	
30 years to 40 years	0-75	20	
40 years to 50 years	0-75	42	
50 years and above	0-75	0	

	2018/19 Limit (%)	Actual 31/03/2019 (%)	Compliant?
<b>HRA:</b>			
Less than 12 months	0-25	19	YES
12 months to 2 years	0-25	1	
2 years to 5 years	0-25	5	
5 years to 10 years	0-25	7	
10 years to 20 years	0-75	3	
20 years to 30 years	0-75	12	
30 years to 40 years	0-75	41	
40 years to 50 years	0-75	12	
50 years and above	0-75	0	

## 8. Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2017/18 Actual (%)	2018/19 Estimate (%)	2018/19 Actual (%)
General Fund	22*	22*	23
HRA	43*	45	35

\* Restated in order to meet the requirements of the prudential code.

## 9. Maximum Principal Sums Invested

This indicator sets an upper limit for the level of investment that may be fixed for a period greater than 365 days. This limit is set to contain exposure to credit and liquidity risk.

	2018/19 Limit (£M)	2018/19 Actual (£M)	Compliant?
Sums Invested > 365 days	20	0	YES

## APPENDIX 2 - LOAN PORTFOLIO AS AT 31/03/2019

Summary as at 31/03/2019:

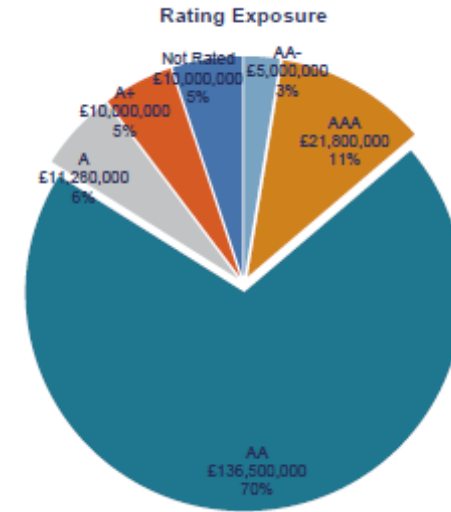
	Balance (£M)	Average Rate (%)
PWLB fixed	573.713	3.84
PWLB variable	80.900	0.96
Other long term loans	55.000	4.75
Temporary loans	2.004	0.75
Long term local authority loans	29.458	0.99
<b>Total external borrowing</b>	<b>660.175</b>	<b>3.42</b>

New PWLB borrowing in year:

Date	Balance (£M)	Term (Y)	Rate (%)
31/05/2018	10.000	50.0	2.25
19/06/2018	10.000	49.0	2.32
01/10/2018	20.000	50.0	2.56
16/10/2018	20.000	48.0	2.79
16/10/2018	10.000	48.0	2.75
19/10/2018	10.000	47.0	2.68
25/10/2018	10.000	45.0	2.62
30/10/2018	10.000	46.0	2.58
02/11/2018	10.000	46.0	2.56
14/11/2018	10.000	46.0	2.6
26/11/2018	10.000	44.0	2.64
14/12/2018	8.000	31.0	2.56
18/12/2018	2.000	36.0	2.56
26/03/2019	2.500	41.0	2.21
27/03/2019	5.000	42.0	2.19
<b>Total</b>	<b>147.500</b>	<b>46.1</b>	<b>2.57</b>

### APPENDIX 3 - INVESTMENT PORTFOLIO AS AT 31/03/2019

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF Federated Investors (UK)	9,800,000	0.79%		MMF	AAA	0.000%
MMF Aberdeen Standard Investments	8,900,000	0.79%		MMF	AAA	0.000%
Goldman Sachs International Bank	9,250,000	0.72%		MMF	A	0.000%
MMF Deutsche	3,100,000	0.73%		MMF	AAA	0.000%
Barclays Bank Plc (NRFB)	2,030,000	0.50%		Call	A	0.000%
Handelsbanken Plc	5,000,000	0.70%		Call	AA-	0.000%
Buckinghamshire County Council	5,000,000	1.00%	28/09/2018	05/04/2019	AA	0.000%
Birmingham City Council	5,000,000	0.85%	25/02/2019	05/04/2019	AA	0.000%
Lancashire County Council	5,000,000	0.95%	25/09/2018	11/04/2019	AA	0.001%
West Berkshire Council	1,500,000	0.90%	12/03/2019	12/04/2019	AA	0.001%
Leeds City Council	5,000,000	0.85%	16/10/2018	16/04/2019	AA	0.001%
North Lanarkshire Council	5,000,000	0.90%	16/11/2018	16/04/2019	AA	0.001%
Slough Borough Council	5,000,000	0.90%	23/10/2018	23/04/2019	AA	0.002%
Surrey County Council	10,000,000	0.92%	26/10/2018	26/04/2019	AA	0.002%
Eastbourne Borough Council	5,000,000	0.88%	31/01/2019	30/04/2019	AA	0.002%
Gloucester City Council	5,000,000	0.85%	07/01/2019	07/05/2019	AA	0.002%
Eastbourne Borough Council	3,000,000	0.95%	20/11/2018	20/05/2019	AA	0.003%
London Borough of Enfield	5,000,000	1.00%	29/08/2018	29/05/2019	AA	0.004%
Blaenau Gwent County Borough Council	3,000,000	0.90%	19/12/2018	10/06/2019	AA	0.005%
Birmingham City Council	5,000,000	0.95%	27/03/2019	27/06/2019	AA	0.006%
London Borough of Croydon	10,000,000	0.95%	15/10/2018	15/07/2019	AA	0.007%
Leeds City Council	5,000,000	0.90%	22/10/2018	22/07/2019	AA	0.007%
Cherwell District Council	1,000,000	1.05%	22/10/2018	22/07/2019	AA	0.007%
Bracknell Forest Borough Council	5,000,000	1.00%	21/01/2019	22/07/2019	AA	0.007%
Salford City Council	5,000,000	0.90%	25/10/2018	25/07/2019	AA	0.008%
Highland Council	5,000,000	0.95%	01/02/2019	02/09/2019	AA	0.010%
Cherwell District Council	3,000,000	1.05%	13/03/2019	13/09/2019	AA	0.011%
Surrey County Council	5,000,000	1.01%	28/03/2019	30/09/2019	AA	0.012%
Leicestershire Police	10,000,000	1.05%	29/03/2019	30/09/2019	AA	0.012%
Lloyds Bank Plc (RFB)	10,000,000	1.05%	01/10/2018	01/10/2019	A+	0.027%
Isle of Wight Council	5,000,000	1.00%	18/10/2018	17/10/2019	AA	0.013%
Cherwell District Council	7,000,000	1.10%	18/02/2019	18/11/2019	AA	0.015%
Great Yarmouth Borough Council	5,000,000	1.10%	14/12/2018	13/12/2019	AA	0.017%
Eastleigh Borough Council	5,000,000	1.00%	15/03/2019	16/12/2019	AA	0.017%
North Tyneside Metropolitan Borough Council	8,000,000	1.20%	15/03/2019	13/03/2020	AA	0.023%
<b>Total Investments</b>	<b>£194,580,000</b>	<b>0.93%</b>				<b>0.007%</b>



	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/USDBFs	
									WAM	WAM at Execution
Yellow	86.49%	£168,300,000	12.95%	£21,800,000	11.20%	0.95%	101	186	116	214
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Orange	7.71%	£15,000,000	33.33%	£5,000,000	2.57%	0.93%	123	243	184	365
Red	5.80%	£11,280,000	100.00%	£11,280,000	5.80%	0.68%	0	0	0	0
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
<b>Total</b>	<b>100.00%</b>	<b>£194,580,000</b>	<b>19.57%</b>	<b>£38,080,000</b>	<b>19.57%</b>	<b>0.93%</b>	<b>97</b>	<b>180</b>	<b>120</b>	<b>224</b>

Portfolios weighted average risk number = 1.46  
 WARoR = Weighted Average Rate of Return  
 WAM = Weighted Average Time to Maturity

## **APPENDIX 4 - ECONOMIC COMMENTARY FROM LINK ASSET SERVICES**

### **Economic Background**

#### **UK**

After weak economic growth of only 0.2% in quarter one of 2018, growth picked up to 0.4% in quarter 2 and to a particularly strong 0.7% in quarter 3, before cooling off to 0.2% in the final quarter. Given all the uncertainties over Brexit, this weak growth in the final quarter was as to be expected. However, some recovery in the rate of growth is expected going forward. The annual growth in Q4 came in at 1.4% y/y confirming that the UK was the third fastest growing individual country in the G7 in quarter 4.

After the Monetary Policy Committee raised Bank Rate from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. If there were a disorderly exit, it is likely that Bank Rate would be cut to support growth. Nevertheless, the MPC does have concerns over the trend in wage inflation which peaked at a new post financial crisis high of 3.5%, (excluding bonuses), in the three months to December before falling marginally to 3.4% in the three months to January. British employers ramped up their hiring at the fastest pace in more than three years in the three months to January as the country's labour market defied the broader weakness in the overall economy as Brexit approached. The number of people in work surged by 222,000, helping to push down the unemployment rate to 3.9 percent, its lowest rate since 1975. Correspondingly, the total level of vacancies has risen to new highs.

As for CPI inflation itself, this has been on a falling trend, reaching 1.8% in January before rising marginally to 1.9% in February. However, in the February Bank of England Inflation Report, the latest forecast for inflation over both the two and three year time horizons remained marginally above the MPC's target of 2%.

The rise in wage inflation and fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 1.5%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

## BREXIT

The Conservative minority government has so far, (1.4.19), been unable to muster a majority in the Commons over its Brexit deal. The EU has set a deadline of April 12 for the House of Commons to propose what form of Brexit it would support. If another form of Brexit, other than the current deal, does get a majority by April 12, then it is likely there will need to be a long delay to Brexit to allow time for negotiations with the EU. It appears unlikely that there would be a Commons majority which would support a disorderly Brexit or revoking article 50, (cancelling Brexit). There would also need to be a long delay if there is no majority for any form of Brexit. If that were to happen, then it increases the chances of a general election in 2019; this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the strong rate of growth; this rose from 2.2%, (annualised rate) in quarter 1 to 4.2% in quarter 2, 3.5% in quarter 3 and then back to 2.2% in quarter 4. The annual rate came in at 2.9% for 2018, just below President Trump's aim for 3% growth. The strong growth in employment numbers has fed through to an upturn in wage inflation which hit 3.4% in February, a decade high point. However, CPI inflation overall fell to 1.5% in February, a two and a half year low, and looks to be likely to stay around that number in 2019 i.e. below the Fed's target of 2%. The Fed increased rates another 0.25% in December to between 2.25% and 2.50%, this being the fourth increase in 2018 and the ninth in the upward swing cycle. However, the Fed now appears to be edging towards a change of direction and admitting there may be a need to switch to taking action to cut rates over the next two years. Financial markets are now predicting two cuts of 25 bps by the end of 2020.



## EUROZONE

Growth was 0.4% in quarters 1 and 2, but then weakened to 0.2% in quarters 3 and 4 and is likely to be 0.1- 0.2% in quarter 1 of 2019. The annual rate of growth for 2018 was 1.8% but is expected to fall to possibly around half that rate in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which means that the central banks in the US, UK and EU have all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. However, with its refinancing rate already at 0.0% and the deposit rate at -0.4%, it has probably reached the bottom of cutting rates. At its March meeting it said that it expects to leave interest rates at their present levels “at least through the end of 2019”, but that is of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans.

## CHINA

Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

## JAPAN

Has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

## WORLD GROWTH

Equity markets are currently concerned about the synchronised general weakening of growth in the major economies of the world: they fear there could even be a recession looming up in the US, though this fear is probably overblown. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks.

## Interest Rate Forecast

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View												
	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.80%	1.00%	1.10%	1.20%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.90%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.10%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	1.90%	2.00%	2.10%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
10yr PWLB Rate	2.30%	2.40%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.00%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%

After the August 2018 increase in Bank Rate to 0.75%, the first above 0.5% since the financial crash, the MPC has put any further action on hold, probably until such time as the fog of Brexit might clear and there is some degree of certainty of what the UK will be heading into.

The above forecast and other comments in this report are based on a central assumption that there will be an agreement on a reasonable form of Brexit. In view of the current, (1 April 2019), lack of any majority in the House of Commons for one option for Brexit, the above forecasts will probably need revision to take account of the current impasse if that were to continue. This could mean that the start of increases in Bank Rate may need to be pushed back.

The balance of risks to the UK:

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

# Item 13

Report of the Service Director  
Governance, Member and Business  
Support.

Audit Committee – 22 July 2019

## **Governance, Member and Business Support Business Unit Progress Report**

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

- 1.1 To give an overview of the functions of the Governance, Member and Business Support Business Unit and related elements of the Annual Governance Statement process in line with the Audit Committee work programme

### **2. Functions of the Business Unit**

- 2.1 The business unit has a number of functions reporting to the Service Director, Governance, Member and Business Support:

- Council Governance (relating to decision-making processes and associated advice);
- Personal support for the Leader, Mayor and Cabinet Members;
- Wider Members' Services (mainly providing an interface with Council administration, for example: supplies and services; payment of allowances; booking and promotion of surgeries; maintenance of webpages);
- The Council's Business Support Function.

In addition the Service Director (Joint Authorities Governance Unit) is responsible for governance support to various sub-regional/ City Region bodies, funding for which is provided by the service bodies via Service Level Agreements. (This is an historic arrangement which dates back to the demise of the former South Yorkshire County Council and the creation of the South Yorkshire Joint Secretariat which operated between 1986 and 2015):

- South Yorkshire Fire and Rescue Authority; South Yorkshire Pensions Authority; The Sheffield City Region Combined Authority/Local Enterprise Partnership (meetings servicing only); The Border to Coast Pensions Partnership; The Doncaster Sheffield Airport Consultative Authority.
- 2.2 The core purpose of the Governance, Member and Business Support business unit is therefore:

- To provide advice and support for elected members, senior officers and representatives of partner organisations to fulfil their duties and meet their obligations, and support the range of governance structures that are in place to ensure effective decision making;
- Provide consistency and resilience in delivering core administrative functions to Council Directorates through its Business Support function.

2.3 In line with this, the business unit seeks to achieve the following outcomes:

- The effective implementation of decisions made within Council processes, free from the impact of legal challenge or delay;
- Awareness amongst elected members and senior officers of the legal constraints and requirements of decision making and the ability to maintain positive assurance of the process;
- Public awareness of how decision making processes operate and the ability to access decision making information with ease;
- Elected members who can perform all of their functions effectively.

### **3. Related Elements of the Annual Governance Statement**

3.1 The Business Unit has a role in ensuring assurance against the following elements of the Annual Governance Statement:

- Documenting the roles, responsibilities and delegated powers of the executive, non-executive, scrutiny and officer functions within the Council's Constitution;
- Keeping under review the effectiveness of the Council's decision making framework, including delegation arrangements;
- Arrangements to ensure compliance with relevant laws and regulations, internal policies and procedures.

3.2 The Service Director Governance, Member and Business Support takes responsibility for identifying the areas of the Constitution that need to be updated or amended following any changes internal or external to the Council. Invariably, this requires liaison with colleagues in other Business Units to ensure that key elements of their responsibilities are covered by this review process. This also helps to engage them more effectively in the requirements of the Constitution.

3.3 The Business Unit also operates the processes and procedures through which agenda and reports for formal Council meetings are published. These arrangements take into account the relevant legal framework in respect of timeliness of notices for meetings. The Unit also ensures compliance with further legal requirements, for example in relation to specific arrangements for Key Decisions and any decision taken by Cabinet in private, liaising with other

business units as required. This includes the production of related guidance and information, including Report Writing Guidelines and pro forma documentation.

#### **4 Other Issues Affecting Elected Members**

- 4.1 Emphasis continues to be placed on supporting Elected Members in support of the Council's Digital First agenda. Elected Members are encouraged to promote with their constituents the use of electronic methods of contacting the Council or interacting with services, acknowledging that this will not be easy for everyone to achieve. Members receive ongoing support in assisting with this initiative.
- 4.2 The Council has revised its approach to Scrutiny with wider Member participation expected. It is hoped that this will provide for robust, proportionate challenge which ultimately supports the decision making process.

#### **5. Conclusion / Recommendations**

- 5.1 This report is presented for information.

#### **6. Background papers**

- 6.1 Governance and Member Support business plan and Annual Governance Statement – Available for inspection, except where it contains exempt information, in the Business Unit, Town Hall, Barnsley, email [governance@barnsley.gov.uk](mailto:governance@barnsley.gov.uk) for more information.

**Report Author:** Martin McCarthy

**Date:** 8 July 2019.

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

	Mtg. No.	2	3	4	5	6	7	8	1
Committee Work Area	Contact / Author	22.07.19	11.09.19	30.10.19 (2.00 pm)	4.12.19	22.01.20	18.03.20	15.04.20	3.06.20
<b>Committee Arrangements</b>				<b>Workshop</b>					
Committee Work Programme	WW	X	X		X	X	X	X	X
Minutes/Actions Arising	WW	X	X		X	X	X	X	X
Review of Terms of Reference and Self-Assessment	RW/CHAIR			X(?)			X		
Training Review and Skills Assessment	RW/CHAIR			X(?)					
Review of Terms of Reference & Working Arrangements	ACF								
Draft Audit Committee Annual Report	RW/CHAIR				X				
Audit Committee Annual Report	RW/CHAIR						X		
<b>Internal Control and Governance Environment</b>									
Local Code of Corporate Governance	AF/AH								
Annual Governance Review Process and Timescales	AF/AH								
Draft Annual Governance Statement & Action Plan	AF/AH	X							
Final Annual Governance Statement	AF/AH	X							
AGS Action Plan Update	AF/AH				X				
Corporate Whistleblowing Update & Annual Report	RW					X			
Annual Fraud Report	RW	X							

	Mtg. No.	2	3	4	5	6	7	8	1
Committee Work Area	Contact / Author	22.07.19	11.09.19	30.10.19 (2.00 pm)	4.12.19	22.01.20	18.03.20	15.04.20	3.06.20
Corporate Fraud Team - Report	RW					X			
<b>Corporate Risk Management</b>									
Risk Management Policy & Strategy	AH							X	
Risk Management Update*	AH								
Risk Management Framework					X				
Annual Report	AH		X						
Strategic Risk Register Review	AH								
<b>Internal Audit</b>									
Internal Audit Charter (Annual)	RW						X		
Internal Audit Plan	RW						X		
Internal Audit Quarterly Report	RW	X			X				
Annual Review of the Effectiveness of Internal Audit	RW				X				
Internal Audit Annual Report	RW								X
<b>External Audit (Grant Thornton)</b>									
Annual Governance Report (ISA260 Report)	GT	X							
Audit Plan	GT					X			
Annual Fees Letter	GT		X						
Claims & Returns Annual Report	GT					X			



	Mtg. No.	2	3	4	5	6	7	8	1
Committee Work Area	Contact / Author	22.07.19	11.09.19	30.10.19 (2.00 pm)	4.12.19	22.01.20	18.03.20	15.04.20	3.06.20
External Audit Progress report & Technical Update	GT	X	X		X	X	X	X	X
<b>Financial Reporting and Accounts</b>									
Financial Regulations - Update	SL		X						
Budget Proposal Section 25 Report	NC						X		
Draft Statement of Accounts	NC							X	
Corporate Finance Summary	NC		X		X				
Corporate Finance and Performance Management & Capital Programme Update	NC		X		X		X		
Treasury Management Annual Report	IR	X							
Treasury Management Progress Report	IR/SW				X				
Treasury Mgt. Policy & Strategy Statement	IR						X		
<b>Other Corporate Functions contributing to overall assurance</b>									
Human Resources (annual)	AB/JH		X						
Business Improvement and Communication (annual)	MP		X (moved from 22.7.19)						
Health & Safety Resilience (6 monthly report – March Update – September	SD		X				X		

	Mtg. No.	2	3	4	5	6	7	8	1
<b>Committee Work Area</b>	<b>Contact / Author</b>	<b>22.07.19</b>	<b>11.09.19</b>	<b>30.10.19 (2.00 pm)</b>	<b>4.12.19</b>	<b>22.01.20</b>	<b>18.03.20</b>	<b>15.04.20</b>	<b>3.06.20</b>
Annual)									
Governance & Member support (annual)	MMc/WW	X (moved from 5/6/19)							X
Information Governance update	DR	X			X		X		
General Data Protection Regulations - Update	RW/SH	X (moved from 5/6/19)							X

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