

MEETING:	Audit and Governance Committee
DATE:	Wednesday, 29 July 2020
TIME:	4.00 pm
VENUE:	THIS MEETING WILL BE HELD VIRTUALLY

AGENDA

Procedural/Administrative Items

1. Declarations of Pecuniary and Non-Pecuniary Interest
2. Minutes (*Pages 3 - 26*)

To receive the minutes of the meetings held on the 3rd and 25th June, 2020.

Items for Discussion/Decision

3. Annual Report on Treasury Management Activities 2019/20 (*Pages 27 - 40*)

The Executive Director, Core Services and Service Director Finance (Section 151 Officer) will submit a joint report reviewing the Treasury Management activities carried out but the Council during 2019/20 in accordance with Statutory Guidance.

4. Local Code of Corporate Governance (*Pages 41 - 54*)

The Head of Internal Audit, Anti-Fraud and Assurance will submit a report seeking approval to the Local Code of Corporate Governance and for it to be published on the Council Website.

5. Internal Audit Annual Report 2019/20 (*Pages 55 - 72*)

The Head of Internal Audit, Anti-Fraud and Assurance will submit his annual report prepared in accordance with the updated Public Sector Internal Audit Standards providing his opinion on the overall adequacy and effectiveness of the Authority's Framework of Governance, Risk Management and Control based on the work undertaken by Internal Audit for 2019/20.

6. Internal Audit Progress Report - quarter ended 30th June, 2020 (*Pages 73 - 86*)

The Head of Internal Audit, Anti-Fraud and Assurance will submit a report summarising the Internal Audit activity completed, and the key issues arising from it, for the period 1st April to 30th June, 2020 and providing information regarding the performance of the Internal Audit function during that period.

7. Risk Management Update (*Pages 87 - 88*)

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

Items for Information

8. External Audit Progress Report and Sector Update - July 2020 (*Pages 89 - 102*)

The Council's External Auditor (Grant Thornton) will submit a report giving details about their work as at 20th July, 2020, providing an update of the impact Covid 19 has had on working arrangements, outlining the audit deliverables for 2019/20 together with a Sector Update summarising emerging national issues and developments.

9. Audit Committee Work Plan (*Pages 103 - 106*)

The Committee will receive the indicative work plan for the Committee for the period June 2020 to March 2021.

10. Exclusion of the Public and Press

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

11. Internal Audit Plan 2020/21 (*Pages 107 - 120*)

Further to Minute 65 of the meeting held on the 3rd June, 2020, the Head of Internal Audit, Anti-Fraud and Assurance will submit the revised Internal Audit Plan 2020/21.

Reason restricted:

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

To: Chair and Members of Audit and Governance Committee:-

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

Chief Executive

All Executive Directors

Shokat Lal, Executive Director Core Services

Neil Copley, Service Director Finance (Section 151 Officer)

Rob Winter, Head of Internal Audit and Corporate Anti-Fraud

Ian Rooth, Head of Financial Services

Alison Salt, Corporate Governance and Assurance Manager, Internal Audit Services

Michael Potter, Service Director Business Improvement and Communications

Council Governance Unit – 3 copies

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

Tuesday, 21 July 2020

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

MINUTES

Present 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

48. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

49. MINUTES

The minutes of the meeting held on the 22nd January, 2020 were taken as read and signed by the Chair as a correct record.

50. MR ANDREW FROSDICK

The Chair informed Members that Mr Andrew Frosdick, Executive Director Core Services, had retired from the Authority on Friday 29th May, 2020. He, together with Members of the Committee, asked to place on record their thanks and appreciation for his service to the Council and particularly for the advice and support provided at this Committee.

They wished him a long and happy retirement.

51. MR SHOKAT LAL - EXECUTIVE DIRECTOR CORE SERVICES

Mr Shokat Lal, the recently appointed Executive Director Core Services, was welcomed to this his first meeting of the Committee.

52. REVISIONS TO THE AUDIT COMMITTEE TERMS OF REFERENCE

The Executive Director Core Services submitted a report highlighting the amendments to the Committee's Terms of Reference that had been suggested following the review undertaken recently. It was reported that these had been approved by the Chief Executive in consultation with the Cabinet Spokesperson Core Services in accordance with the urgent action arrangements contained within the Constitution in the absence of a Council meeting.

RESOLVED:

- (i) That the report and the changes to the Committee's Terms of Reference be noted; and

- (ii) That part of the Committee's development session in October each year be devoted to a self-assessment review covering the Terms of Reference of the Committee.

53. INFORMATION GOVERNANCE, CYBER SECURITY AND DATA PROTECTION OFFICER UPDATE

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

Mr Winter reported on the following matters:

- The DPO Review that had been undertaken.
 - Good progress had been made generally and policies and guidance had been reviewed.
 - Important improvements in processes for incident management and Data Protection Impact Assessments had been made
 - Reference was made to the excellent work of the Information Governance Team
 - The Information Governance Board had been reconstituted
 - Other work to focus upon included a review of the training offer, a review of internal procedures for the handling of complex SAR's more effectively and the impact of Covid 19 and the subsequent change in working practices
- DPO Assurance Reviews
 - Annual work was in progress to review certain aspects of compliance with the Data Protection Act and General Data Protection Regulations. Areas to cover included:
 - Broad awareness assessment through a survey
 - Cyber and IT security considerations
 - Incident management
 - Contract provisions
 - A report on the reviews would be submitted to the Committee in due course
 - The Data Protection Officer/Head of Internal Audit, Anti-Fraud and Assurance was contributing to a number of Covid 19 related groups in order to ensure awareness of Data Protections matters

Mrs Hydon reported on the following:

- Information Governance
 - The Covid 19 Implications and Opportunities
 - Incidents before and during the Covid 19 pandemic

There had been no major adverse impacts from an Information Governance perspective. The type of work undertaken was outlined

- The Data Sharing Protocol had been completed in accordance with the legal requirements (which were outlined) and in discussion with partners – it was noted that further issues might be raised as part of the Council's recovery

phase so work was progressing on ensuring that the Data Sharing Framework was robust

- Achievements had been significant in relation to the paperless office and most employees no longer required paper records unless urgency dictated
- There had been significant reduction in printing due to home working and the move to a 'digital world'. This had been a significant achievement and employees were embracing the need to adopt technological solutions
- During the Covid 19 pandemic, the Service had ensured that full and robust processes were in place and the number of incidents had reduced. In relation to any incidents taking place, appropriate training was being provided and lessons learned were followed up and checked. In addition, constant reminders were issued to reduce the transportation of paper
- The number of instances of disclosure in error had also reduced in part due to the introduction of email encryption software
- Cyber Security
 - Covid 19 Implications and Homeworking – particular reference was made to the temporary arrangements in place and the assistance given to services and to schools. The number of phishing emails had not increased due to homeworking. Indeed, there had been just under a 50% reduction in the number of malicious and avoidable incidents reported, this was where controls had been put in place to stop other employees or Councillors clicking the same email
- The Redcar and Cleveland Incident – details of this incident hadn't been disclosed but appeared to relate to an infection by encryption malware that may have affected backup files. Further information was awaited but this would be used as a learning opportunity to strengthen Barnsley's own systems
- Public Services Network – accreditation had been achieved at the beginning of March for a further year and work was ongoing in order to try to achieve accreditation the following year
- Cyber Essentials Plus – it was hoped that certification could be achieved, and a further report would be submitted to the Committee in due course
- DSP Toolkit – the Council's Cyber Security Strategy had been approved by Cabinet on the 15th April 2020 and work was ongoing on future developments/enhancements
- Strategic developments – reference was made to the way in which the Service took a strategic lead and communicated strategies to, amongst other things:
 - avoid cyber-attack across the council
 - embed policy, training and best practice

In response to previous questioning, reference was made to the membership of the Information Governance Board which acted on behalf of the Senior Management Team by providing a strategic lead for how the Council discharged its information governance responsibilities. The work undertaken by the Board included the receipt of audits and assessments on issues such as PSN accreditation, Cyber Essentials Plus, Data Security and Protection Toolkit. It also investigated areas of non-compliance and approved and prioritised the annual Improvement Plan. The Board received reports on requests for information such as Freedom of Information, Data Protection and Environmental Information Regulations and advised on appropriate actions arising from those reports. It also commissioned specific pieces of work or reports through Task and Finish Groups.

In response to specific questioning, Mrs Hydon reported that the Council's back up data complied with all the legislative and accreditation requirements as detailed within the presentation.

RESOLVED that Rob Winter and Sara Hydon be thanked for their most informative and thought provoking presentation.

54. COVID 19 UPDATE

The Chief Executive gave an update on the action taken by the Authority in relation to the Covid 19 pandemic.

- Response arrangements

The Council's Business Continuity Planning had been based on national standards and delivered on two levels:

- Corporately in setting the overarching recovery priorities
- At a Service Level to consider vulnerabilities to business interruption to public, staff, premises, partners and suppliers

A full review of the approach adopted was to be undertaken in order to ensure that processes remained robust and captured lessons learned

- Risk Assessment – a separate strategic threat and risk assessment had previously been undertaken and a copy of this had been circulated to the Committee. This was a 'living document'. During the first 6 weeks of the crisis the Gold Team met daily but this had now been reduced to twice weekly based on the reduced 'threat' level
- Threats to Service Delivery
 - All Business Continuity Plans had been reviewed prior to lockdown which made it easier for some services to move from face to face to working from home. It was acknowledged, however, that for some this had been a challenge
 - The response phase had focused on maintaining services with a critical or high priority
 - Services most impacted had been those providing a front-line community service, those that needed to be reconfigured to deliver alternative services and those whose demands had increased due to the pandemic (adult social care).
 - There had been and remained a corporate programme of staff redeployment from less to more critical services
 - Non-essential services were focusing on priority activities with less critical activities curtailed or ceased. In this respect particular reference was made to the closure of Libraries and the reconfiguration of the Waste and Recycling Service. The way in which this activity was co-ordinated was outlined
- New Ways of Working – this had been challenging and had forced the authority to lean and adapt to new ways quickly. Some value had, however, been achieved and would be of lasting benefit to the Authority

- As part of the return to the new business as usual, services were reviewing service delivery and how this may differ to that of pre Covid
- The Smart Working Project would be reviewed in the light of the pandemic to reflect longer-term changes to ways of working
- There was to be a phased approach to premises re-occupancy and in the short-term homeworking would remain the default position in line with Government Guidance. Reference was made to the fantastic support offered by the IT service in enabling so many staff to work from home. It was likely that this approach would have major implications in the reduction of travel (to and from home and to meetings) and a long-term increase in virtual meetings. Reference was also made to the way in which certain services had adapted to changing demand during the lockdown and an example was given of the Libraries and Museums Services
- Maintaining Service Delivery
 - As previously outlined, the focus during the response phase had been on maintaining services with a critical of high priority. Non-essential services had been focussing on priority activities with less crucial activities curtailed or ceased
 - With the reduction in lockdown requirements, some Business Units were looking to recommence services. As part of the recovery process Business Units were considering and feeding into their recovery plans (cantered on the five recovery themes of humanitarian; business economy; building resilience; education, attainment and skills and infrastructure and the environment):
 - What had stopped?
 - What had started?
 - What positive changes wanted to be retained?
 - What changes needed further assessment or reversing?
- Financial Position
 - A summary of the Financial Impact and estimated costs of the Emergency Response were outlined which indicated that the estimated cost involved was approximately £22m
 - A summary of the Financial Impact of lost income was outlined and indicated potential significant losses of £19m
 - The total net impact, when factoring in the receipt of Government Grant of £18m, was around £23.4m. This was a major concern due to the ongoing impact beyond the current financial year. This matter was being kept under constant review given that the full final financial implications were not currently known

There was a discussion of the financial implications during which the following matters were raised:

- A moratorium had been imposed in relation to non-essential expenditure
- In line with Government Guidelines, no staff had been furloughed but had been redeployed where possible to support other services. Arising out of this, it was noted that the Council had been able to minimise costs as some key partners had furloughed some of their staff reducing costs passed back through to the Council as a result

- Reference was made to the expenditure and the rationale for that expenditure of around £9m to support Care Homes this was in line with Government Guidance to support care homes across the sector
- Reference was made to the finance allocated by Government to the Sheffield City Region to support, amongst other things, transport operators in maintaining services for Key Workers. Part of this allocation would have supported services within Barnsley

The Chief Executive then went on to report on the following:

- Impact on the Workforce
 - Those that were unable to work fell into two groups, those whose health meant they were at greater risk from Covid 19 and those whose role meant that a service could not be provided – school meals for example – both groups were being monitored
 - There was a corporate programme of staff redeployments from less to more critical services
 - There was a corporate approach to those in clinically vulnerable and clinically extremely vulnerable groups based on national guidance and the ways in which these were dealt with was outlined. Information was also provided about the number of staff involved and the ‘groups’ from which they came
- Fraudulent Activity
 - A Toolkit to reduce risk of fraud/error had been developed by the Government’s Counter Fraud Function. There had been a general acceptance that checks would be able to detect and recover irregular payments rather than investigate fraud for prosecution
 - There were likely to be problems with fraud investigations as Local Authorities had been encouraged to push monies out quickly rather than ask charge payers to apply in the normal way
 - The Head of Internal Audit, Anti-Fraud and Assurance reported on the work of the Council’s Anti-Fraud Team which, amongst other things, was undertaking post-event assurance to look for fraud. Reference was made to the National Fraud Initiative which had joined with Experian to undertake Bank Account validation and Active Company Checks. A report on all such activity would be reported to future meetings of the Committee
- Maintaining Resilience
 - The Council both individually and in conjunction with the South Yorkshire Local Resilience Forum (chaired by the Executive Director Place), guided by the National Risk Register of Civil Emergencies, was planning/preparing for a variety of incidents. Debriefing and lessons identified had already begun with a view to improving the understanding of risks and impacts
 - An ongoing Strategic Threat and Risk Assessment had been kept throughout the pandemic response phase and the ongoing transition to recover. This document had been and was being used to guide the strategic direction of the response and recovery

In the ensuing discussion, the following matters were highlighted:

- There was a detailed discussion about the impact on employment in the area and of how the authority would transition to the recovery phase.
 - The Chief Executive commented that from the start of the pandemic there had always been a focus on recovery.
 - It was noted that work was ongoing which included liaison and discussions with partners including the Sheffield City Region/Mayoral Authority particularly in relation to funding streams and opportunities.
 - Reference was made to the work with transport providers to ensure that services were maintained so that key workers could continue to get to and from work
 - It was important that all funding streams dovetailed in order to ensure that all opportunities were maximised and to this end information was provided about the work of Enterprising Barnsley, the ongoing work to revitalise the market and the principal towns initiative
- In response to questioning about the financial implications of the pandemic and the ways in which the Authority would deal with the deficit, the Service Director Finance commented that the deficit, to the extent that it materialised, would be mitigated by pausing new investments that were originally intended to be taken forward in the current financial year. This would ensure that the Council would deliver a balanced budget for the current financial year. The key concern, however, was for 2021/22 and beyond where there was uncertainty around future Government funding coupled with the likelihood that the cost of providing certain Council Services would increase exponentially as a result of the pandemic and the need for them to be provided in a 'socially distanced' way.

RESOLVED that the Chief Executive be thanked for her most informative and thought-provoking presentation.

55. GLASSWORKS - UPDATE

The Committee received a presentation from Mr D Shepherd, Service Director (Regeneration and Culture), updating the Committee on the current situation and progress being made in relation to the Glassworks Project.

(a) Construction Impact

- Activity began to slow down on site from mid March and on the 27th March, 2020 Henry Boot Construction decided to temporarily close the site due to:
 - Sub-Contractors closing
 - Operatives from outside the region being unable to find accommodation
 - Supply issues
 - Difficulties in adhering to the 2m socially distancing rule

(b) Construction Recovery

- Henry Boot Construction had been exemplary throughout the process and had recommend a phased return from the 6th April, 2020 in line with Government Guidance. In order to do this, they had:
 - Introduced social distancing measured for both vehicles and pedestrians
 - Introduced a signed and lined one-way system around the site

- Transformed a part of the completed block into a welfare facility in order to eat and maintain social distancing
- Introduced additional cleaning staff via Norse
- Introduced additional storage for materials in the basement
- Completed, in the last month, the acquisition of the Eastern Gateway for storage (which could also be used for welfare services as well should they wish)

(c) Impact on the Programme

- The current projection was that the construction was 6 weeks behind that originally anticipated
- Turner and Townsend had done some early modelling of the impact of the closure based on the initial 4 weeks delay and then at 3 months working at 50% capacity. The projected opening time was now anticipated to be Autumn 2021 but there was an ongoing review of programme dates
- There was a need to discuss with agreed tenants the impact in terms of construction. Henry Boot were, however, working at approximately 70-75% productivity (compared to pre Covid 19) so it was hoped that there would be a reduced impact on the timescales for programme

(d) Impact on Leasing

- Positively, pre Covid 19 deals were still progressing, however, there was likely to be an initial impact on the wider retail and leisure market. The Council was hoping, however, to be in position to announce further occupiers in the weeks ahead
- The current focus of operators was to protect existing businesses and reopen as soon as possible, hopefully by the 15th June, 2020
- The Council was to undertake a review of the leasing strategy. Leases would be reviewed in the coming months and there was a need to understand the impact of any delay on projected dates offered to tenants for their fit out. Positive discussions were progressing with tenants about the opening and the commitment to the Project. A report would be submitted to the September meeting

(e) Progress

- A drone footage video would be made available for members showing the current progress on the scheme

In the ensuing discussion the following matters were highlighted:

- As previously reported, there would be no additional costs to the Council due to any delay in completion of the project because of the Covid 19 pandemic
- Reference was made to the valuation of land and buildings and to the fact that this would be carried at cost because the project was under construction. Once completed the buildings (including various public realm works) would be brought into the accounts and valued appropriately once operational. Further details could be provided particularly in relation to those parts of the project that were currently in use. The External Auditor commented that the valuation of land and buildings was a key area of focus for their audit and would be referenced in his report later in the meeting. He reported also that he had met

the Service Director Finance and members of his Team on a number of occasions at which such matters had been discussed

- Reference was made to the Authority's Retail, Leisure and Hospitality Impact Assessment and on how this would be applied to this project. The Service Director (Regeneration and Culture) briefly outlined how this had been developed and provided details of its main elements. Given that the leisure and hospitality sector was a leading component of any economic upturn, it was important that this sector be given as much support as possible. This was then cross referenced to the Barnsley Economic Recovery Plan. A copy would be made available to all Members
- There was a discussion of the shortfall of yield against costs which was around £2m comprising an £8m annual cost and a £6m annual rental yield. No risks against the construction costs were envisaged
- No businesses or tenancy commitments had been lost within the Glassworks as a result of the Covid pandemic. A number of national businesses had gone out of business recently and this did have an impact as fewer businesses were looking for spaces in new schemes. However, a change was being seen in the types of businesses coming forward and over recent months and weeks there had been a resurgence in the number of local operators who were interested in taking up space

RESOLVED that David Shepherd be thanked for his most informative and thought provoking presentation.

56. ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2018/19

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

The Head of Internal Audit, Anti-Fraud and Assurance, who presented the report, indicated that the Action Plan covered two areas the progress on which was outlined in detail within the appendix to the report:

- The monitoring of the implementation of management actions identified by the Data Protection Officer to further improve compliance with the General Data Protection Regulations and embed good general data protection practice
- The delivery of the improvement action noted within the 2019 Peer Review findings specifically to address recommendations relating to governance and risk

He reported that in relation to the first item, all assurance reviews had been undertaken and completed and work was progressing on assurance reviews for 2020. In relation to the second, the Committee had received an update on the progress in the review of the risk management approach. He felt, therefore, that in terms of the 2018/19 Annual Governance Statement Action Plan all actions had now been taken and issues addressed.

RESOLVED that the progress being made against each item listed in the Annual Governance Statement Action Plan be noted.

57. ANNUAL GOVERNANCE REVIEW PROGRESS AND TIMESCALES

The Head of Internal Audit, Anti-Fraud and Assurance submitted a report providing an update on the proposed Annual Governance Review process to be adopted for the production of the Annual Governance Statement for 2019/20.

The report outlined the background to and the rationale for the new approach, the methodology to be adopted in undertaking the Annual Governance Review and for preparing the Annual Governance Statement together with the timescales for each component part of the process. It was also noted that the Plan would deal with the governance issues relating to the ongoing impact of Covid 19.

RESOLVED that the proposed changes to the Annual Governance Review process for 2019/20 and the timescales for the production of the first draft of the Annual Governance Statement be noted.

58. RISK MANAGEMENT UPDATE

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

The concept for the new approach was centred around the creation of a controls and governance assurance framework. This would create various governance domains which would be used as a basis for capturing the high-level controls expected to be in place and consistently complied with. These were outlined within Appendix1 to the report.

The new approach would also identify strategic, operational and project concerns, issues and areas of focus with the aim of ensuring that the 'risks' of the moment were captured and managed. This was quite a departure from the traditional risk approach and the reasons for this were outlined. The new approach also aimed to ensure that senior management had focus on the underlying organisations infrastructure.

Work had commenced in January 2020 following the appointment of the new Corporate Governance and Assurance Manager and the report went on to outline the action taken to date which included, amongst other things, the development of a supporting system to facilitate this new approach.

It was acknowledged that the change in culture required would take time to be fully embedded and further work in creating the governance domains would commence within the next few weeks. At this stage and particularly in the context of the Covid 19 pandemic it was not practical to set a specific timescale. This was, however, a priority that had secured the Senior Management Team commitment and further reports on progress would be submitted to future meetings of this Committee.

RESOLVED that the update report and the direction of travel be noted and that further reports be submitted to future meetings of the Committee including the Draft Risk Management Strategy and Policy together with the revised Strategic Register.

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

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

In 2019/20 the Team had a total budgeted plan of 578 days. Preventative anti-fraud work undertaken totalled 157 days, reactive investigations totalled 395 days and a further 20 days had been allocated to Internal Audit work and external clients.

The 200/21 operational work programme had been developed to ensure the resources of the Team were utilised in an efficient, effective and accountable way and the work programme would be reviewed continually to reflect fraud trends, emerging risks and general workload.

The report provided a summary of activity together with the outcome, including the monetary value of successful investigations, in relation to corporate pro-active counter fraud activity and reactive investigation work undertaken during the year with specific reference to the following:

- Acknowledging and preventing fraud
- Data matching exercises undertaken in relation to the National Fraud Initiative including the involvement with an HMRC pilot which matched HMRC and NFI data to identify fraud
- The review of the Council's Anti-Fraud and Corruption Policy and support to counter fraud polices
- Reactive Fraud work
- Corporate investigations
- Council Tax Support investigations
- Council Tax fraudulent liability claims
- Allegations of non-domestic rates fraud
- Insurance claim fraud checks
- Right to Buy fraud prevention
- Housing Tenancy Fraud
- Blue Badge misuse/abuse

The report then outlined the key features of the 2020/21 Plan together with information on how the Team was supporting the Council's response to the Covid 19 pandemic.

The Head of Internal Audit, Anti-Fraud and Assurance commented on the successful performance of the Team. Whilst this comprised only three staff members, when things went wrong and the Authority suffered error or fraud, the Team had the necessary capability and expertise to tackle issues and seek appropriate actions and response.

Particular mention was made to the operation of the Blue Badge scheme and in response to specific questioning Ms Race (Principal Auditor) outlined the action taken to prevent fraudulent use particularly by families of the deceased. She stressed, however, that the majority of badges were returned as required in such

circumstances. Information was also provided about prosecutions that had been instigated in relation to the scheme.

RESOLVED:

- (i) That the progress made in the development of effective arrangements and measures to minimise the risk of fraud and corruption be noted;
- (ii) That the Corporate Anti-Fraud Team Plan 2020/21 be approved acknowledging the need for the Head of Internal Audit, Anti-Fraud and Assurance to exercise his professional judgement during the year to apply the plan flexibly, allowing for planned proactive or detective days to be diverted to reactive investigation work as required;
- (iii) That further regular monitoring reports be submitted in order to demonstrate progress made against the Plan including information where the Plan has materially varied from the original Plan; and
- (iv) That the embedding of a culture of zero tolerance and high levels of awareness regarding fraud and corruption be supported.

60. INTERIM INTERNAL AUDIT ANNUAL REPORT 2019/20

The Head of Internal Audit, Anti-Fraud and Assurance submitted his interim annual report on the adequacy and effectiveness of the Authority's Internal Control Arrangements based on the work of Internal Audit for 2019/20 which 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, projects and work currently in progress and agreed management actions.

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 reasonable (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. The opinion provided was an indicative interim opinion due to a number of planned pieces of work relating to 2019/20 that were currently being finalised. An update would be given to a future meeting of the Committee to coincide with the consideration of the Annual Governance Statement.

It was important that all Senior Managers remained alert to and focussed on maintaining an appropriate, risk-based and effective framework of controls as the Council entered the recovery stage of Covid 19 and also as work continued towards the Barnsley 2030 vision.

The key results from all completed audits had been reported previously within the Internal Audit progress reports and these were summarised in this report. Throughout the year the Committee had also been made aware of progress in the implementation of audit report recommendations.

The current draft Audit Plan for 2020/21 focussed on supporting management to consider the approach to controls in the context of the impact of Covid 19.

In the ensuing discussion, the following matters were highlighted:

- It was noted that assurance opinions had been given for 8 reports issued during the year and a further five were expected within the next few weeks
- Of the 62 recommendations/implications raised, four had been deemed to be fundamental/high. Three of these had been raised in the SAP Concur Expenses report and one had been raised in the Systems Fit For Purpose Report. Two of these recommendations had future recommendation dates and two were currently being followed up with management in accordance with the agreed protocol
- Reference was made to the Core Procurement Compliance Review particularly as it related to NPS. It was noted that the Council worked with the local subsidiary in Barnsley. An explanation was provided of Barnsley's involvement with this company. A report on the outcome of this review was anticipated shortly the results of which would be reported to the next Audit Committee
- The Head of Internal Audit, Anti-Fraud and Assurance accepted that statistically whilst eight reports had been issued during the year, the work of Internal Audit had to be viewed alongside the other pieces of work which they were required to undertake some of which could involve a considerable number of audit days. In his response he made reference to the type of work in which the Service had been involved both of a reactive and proactive nature. All of these contributed to his audit opinion and he was satisfied that the Service was able to identify and deal with significant issues
- It was difficult to give comparisons of reports issued with previous years as many aspects of work were unique in nature

RESOLVED:-

- (i) that the assurance opinion provided by the Head of Internal Audit, Anti-Fraud and Assurance on the adequacy and effectiveness of the Authority's framework of governance, risk management and control be noted; and
- (ii) that the key issues arising from the work of Internal Audit in the context of the Annual Governance Statement be noted.

61. INTERNAL AUDIT CHARTER

The Head of Internal Audit, Anti-Fraud and Assurance submitted a report prefacing the Internal Audit Charter 2018-20 which had been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS) and which provided a reminder of the key aspects of the Internal Audit Function and gave assurance regarding how the Internal Audit Function was resourced, managed, organised and delivered its responsibilities.

The Charter reflected the current working arrangements but also the aspirations and developments necessary to ensure continuous improvement. It would be made available to all employees via the Council's Intranet site.

The Internal Audit Team also provided services to the South Yorkshire Pensions Authority, Berneslai Homes, South Yorkshire Police and Crime Commissioner, South Yorkshire Police and Northern College. It was noted, however, that from 1st April, 2020 the Service no longer provided an Internal Audit service to the South Yorkshire Fire and Rescue Authority.

It was reported that the PSIAS required the Head of Internal Audit to prepare and maintain a Quality Assurance and Improvement Programme. Part of this requirement was that an external quality assessment had to be commissioned at least once every five years. This had been planned for later in the year, however, this had now been postponed until 2021.

The Charter, which was appended to the report, would have a fundamental review later in the year and would be brought back to a subsequent meeting of this Committee.

RESOLVED that, being satisfied that Charter meets the requirements of the Public Sector Internal Audit Standards and adequately represents and describes the required function to provide this Committee and Senior Management with a professional service, the Internal Audit Charter, be approved.

62. AUDIT SCOPE AND ADDITIONAL WORK 2019-20

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

Mr G Mills, representing the External Auditor, referred to the following:

- The liaison arrangements in place with the Service Director Finance and his Team particularly in the light of the implications of Covid 19. He commented that the Authority had entered the Covid period in a relatively strong position compared to some other Councils. Discussions were, however, progressing in terms of the action being taken to address the potential deficit and ongoing financial implications. Work was taking longer than normal largely because of social distancing and remote working arrangements

- There were changes to the timetable for the accounts. These had to be submitted to External Audit by 31st August, 2020 although the Finance Team were working to an earlier deadline of 27th June. In addition, the audit of accounts was required to be complete by 31st November but Grant Thornton were working to a mid October deadline
- Reference was made to challenges in respect of property valuation, as mentioned earlier in the meeting and at the previous meeting. Discussions were progressing with the Director of Finance and his Team
- Other things to consider were the recoverability of debtors or receivables and discussions had taken place with the Finance Team who were currently undertaking work in this area
- The audit regulators had been very clear that lockdown was not to be seen as an excuse to have a let up in the drive to continually increase audit quality
- The rationale for the increase in audit fees was outlined

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

- The items included in the Audit Plan, supplemented by the additional work now being undertaken, had been stress tested as a result of the Covid 19 pandemic and the Committee could take some reassurance from this
- With regard to the Pension Assets/Deficit, given the volatility around certain markets (aviation and hospitality for example) questions were asked about the possible diminution in equities. The Service Director Finance did not feel that there would be any impact on the value of the Pension Fund deficit reported in the 2019/20 accounts. His concern would be for the current year and beyond, however, in relation to the South Yorkshire Pension Fund, an equity protection scheme was in place which, in essence, was an insurance policy to protect against shocks in the equities market. He was, however, in ongoing dialogue with the Pensions Authority regarding overall funding levels and the impact on deficit recovery moving forward. From an External Audit perspective, the Pension Fund accounting entries were previously a significant risk and this was a key area of focus for the audit. The External Auditor then outlined the way in which this audit work was being undertaken. He made reference to the use of an auditor expert, PWC, who audited all Pension Funds and Deloitte who were the auditors of the South Yorkshire Pension fund. The outcome of reviews/investigations would be discussed as part of the Barnsley External Audit work with the Service Director Finance and any findings would be included within the ISO 260 report submitted in late September/early October
- The Service Director would follow up queries as to whether or not the Equities Insurance Policy included a force majeure clause enabling the insurance company to decline to pay out any claims. It was felt that this was unlikely

RESOLVED that the letter and report be received and the action being taken and the increase in fees be noted.

63. AUDIT COMMITTEE WORK PLAN

The Committee received the indicative work plan for the Committee for the period June 2020 to March 2021.

It was noted that the next meeting of the Committee was scheduled to be held on Monday 27th July, 2020, however, as the timetable for the Final Accounts and Annual Governance Statement had changed, it was suggested that the meeting revert to a Wednesday.

RESOLVED:

- (i) that the core work plan for meetings of the Audit Committee be approved and reviewed on a regular basis; and
- (ii) that the next meeting of the Committee be held on Wednesday 29th July, 2020.

64. EXCLUSION OF THE PUBLIC AND PRESS

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

65. INDICATIVE INTERNAL AUDIT PLAN 2020/21

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

The Plan outlined the rationale and process for setting the Plan, the Risk Management considerations and how Internal Audit resources were calculated and deployed. It required a further review with Senior Management in order to ensure that it was focussed on priority areas and was aligned to the Internal Audit resources available for the remainder of the financial year.

In addition, it was also reported that the planned restructure of the Service, following the departure of an Audit Manager towards the end of 2019/20, had been delayed due to Covid 19 and resources were having to be prioritised to the pandemic at this time. This would impact on the resources available for a temporary period until the revised structure had been approved and implemented, hopefully by December/January.

Members attention was drawn to key aspects of the Indicative Plan as outlined within Paragraph 3.1 of the report now submitted and it was noted that the Plan and its priorities would be subject to ongoing review throughout the year.

The Head of Internal Audit, Anti-Fraud and Assurance commented on a recent security breach he had been informed about within one of the Council's partner organisations. This had been identified at an early stage and remedial action had been taken.

RESOLVED:-

- (i) That the revised indicative Internal Audit Plan 2020/21 be approved in principle acknowledging the need for the Head of Internal Audit, Anti-Fraud and Assurance to complete further consultations with Senior Management; and
- (ii) That a further update on the proposed final Internal Audit Plan for 2020/21 be submitted for approval at the meeting to be held on the 29th July, 2020.

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Chair

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MEETING:	Audit and Governance Committee
DATE:	Thursday, 25 June 2020
TIME:	4.00 pm
VENUE:	THIS MEETING WILL BE HELD VIRTUALLY

MINUTES

Present 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

66. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

67. DRAFT 2019/20 STATEMENT OF ACCOUNTS

The Service Director Finance submitted a report presenting the 2019/20 Statement of Accounts, the Council's tenth set of accounts prepared in accordance with International Financing 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 and the impact of Covid 19 including
 - The legislative drivers
 - The International Financial Reporting Standards
 - The particular impact of Covid 19 in relation to the preparation of the Accounts, the timeframe changes required under the Accounts and Audit (Coronavirus) Amendment Act 2020, the use of estimates and logistics
- 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
- 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 2019/20 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 through to mid October following which the External Auditors would submit their ISO 260 Report on their findings to this Committee

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:

- The Service Director Finance reported that the overspend on Looked After Children had been anticipated at the beginning of the year. This was not due to an underestimation in demand as this had been estimated quite closely and the number of placements had been fairly consistent for a number of years. The increase in costs was largely in relation to the complexity of the cases presented. Government grant had been received in the sum of £1m in the last financial year the concern was, however, moving forward and the state of public finances and whether or not the Government would continue to provide these funds
- It was noted that Public Health had an underspend throughout the year of £3m of which £1m had been allocated to continue with public health priorities in future years
- There had been a significant underspend in the Adults and Communities budget and to a large extent this had been forecast due to the early delivery of planned efficiencies from previous years. In addition, the demand for services had not been as significant as had been anticipated and there had also been increased income received from the Health Service
- It was noted that the Council held a level of general HRA reserves as a contingency for unforeseen events. This totalled £7m which had been increased during 2019/20 from £5m which the Service Director Finance felt was appropriate and more than sufficient to meet any risks encountered
- The Head of Finance commented on the level of insurance cover both held internally and held with the Council's brokers. This was regularly reviewed and adapted accordingly if required.
 - The major insurance policies were due for renewal this year and an increase in premium was anticipated in view of the Covid pandemic. This situation was being monitored.
 - To offer some protection, however, the Authority had ensured that all Government Guidelines were followed including ensuring that the public were widely communicated with in terms of social distancing and the appropriate use of PPE he therefore felt that there should be no major concerns in terms of potential insurance claims
- In response to specific questioning, the Service Director Finance commented that he anticipated that the collection of Council Tax would be a major risk. He stated that he was now the Chair of the Yorkshire and Humber Director of Finance Association and every one of the 21 Authorities across the region was concerned about Council Tax and Council Tax collection. The issues were, however, two fold. There had been a huge increase in the number of

Universal Credit Claimants as a result of the Covid 19 impact on employment and the economy. This meant that thousands of households who had been anticipated would have been paying Council Tax in full were no longer liable and, therefore, a significant income had been lost from the tax base. In addition, many households were suffering general financial hardship and were unable to keep up with Council Tax payments. These issues were likely to create an ongoing risk into 2020/21 dependent upon the timing of the financial recovery

- The Service Director Finance anticipated a significant financial shortfall of around £20m in the current financial year largely associated with the costs of dealing with the emergency response combined with the income losses referred to above which were not offset by the government grant received. Hopefully this might change but currently there was an anticipated shortfall in 2020/21 but plans were in place to deal with this including a general moratorium on spending and planned investments in the current financial year had all of which been put on hold. It was anticipated that these proposals would be enough to ensure that there were sufficient funds to meet planned budgetary expenditure. In terms of the reserves this was a similar picture to the HRA as the emergency reserves had been increased from £15m to £20m which was felt to be appropriate to the risks
- It was noted that there wasn't a large dedicated Team preparing the accounts but the approach was to supplement the resources by using the wider Business Unit, together with Procurement and Benefits and Taxation Teams and other colleagues to support work on the financial statements
- The Council had sophisticated systems in place to pull the accounts together, but this relied on the people delivering front line services appropriately and effectively receipting goods and services and ensuring that payments were attributed to the correct financial year. These staff had, during the current climate, been allocated to different tasks and this had meant that there had had to be a number of manual interventions in what would usually have been an automated process. The Service Director Finance was, however, satisfied that this had been undertaken appropriately
- It was noted that the External audit work was to commence next week. A number of planning meetings were held between the Finance Team and External Audit colleagues and this year there had been significantly more than in previous years. To date there had been no disagreements about the approach taken in relation to the preparation of the accounts
- It was noted that 19 Performance Indicator targets had been missed by more than 10% and a report on this could be brought to a future meeting of the Committee. Indeed, a link to that report was included within the Statement of Accounts if Members wished to access it that way
- In relation to the Governments Business Support Grant it was noted that the £40m distributed had now been reimbursed. Some of the money had been distributed prior to the receipt of the grant from the Government which had caused some cash flow issues but these were not considered to be significant and the Government's view was that these costs had been more than covered via other grants that had been issued to the authority. It should be noted that these grants did not cover all the costs and income losses being experienced
- It was not anticipated that current situation would impact on the Council's current borrowing plans or levels of debt and there were no plans to undertake additional borrowing as a result of the pandemic

- The Strategic Finance Manager commented on the actuarial gains/losses on the Pension assets/liabilities which were as a direct result of the changes of the assumptions of the actuary in regard to the CPI rate, pension increases coupled with life expectancy increasing. This had resulted in a decrease in the expected future liabilities
- Arising out of the above, reference was made to the need to provide a narrative to explain the actuarial gains/losses on the Pension assets/liabilities
- Further information could be provided on the governance arrangements of the Joint Ventures referred to within the Statement of Accounts. In general terms, each one of these had their own governance arrangements in place and quite often Elected Members and Officers were represented thereon. In addition, Client Liaison Boards existed within the Council to ensure that the Joint Ventures were performance managed appropriately. The Service Director Finance was confident that the governance arrangements were robust and the Finance Service involvement ensured that the authority was protected, as far as was possible, from any potential risk
- The Council had provided substantial funding in a timely manner to the Care Sector throughout the pandemic and this had been acknowledged by that sector. The ways in which this funding had been utilised was outlined
- The Strategic Finance Manager commented that there were no charges for leases of buildings to Academy Trusts on school buildings that they occupied and controlled. The Council would revalue the assets at the end of the lease period once they transferred back to the ownership of the authority. The Academy Trusts were expected to record the value of the leased assets on their charity accounts and revalue regularly in accordance with normal accounting principles and policies
- The Director of Finance accepted the need to amend the narrative of the performance section and include a link to the Councils Threat and Risk Assessment particularly in relation to the Glassworks and the public realm regeneration
- The Committee would be kept informed of any post balance sheet events. If there were any material issues arising these would be included within the Statement of Accounts. Any adjustments would be seen within the External Auditors final report but if anything of significance was identified before then, the Committee would be informed
- The Head of Internal Audit, Anti-Fraud and Assurance had been asked to prepare a report on governance and the internal control arrangements within the context of the Council's response to the Covid pandemic. This report would be submitted to this Committee in due course. It was likely that any issues identified would be picked up within the Annual Governance Statement
- The Strategic Finance Manager commented on the valuation of assets particularly in relation to the Glassworks and public realm regeneration works. It was noted that works that were completed were valued at current value as they became operative. Those works which were incomplete were valued as an asset under construction at cost
- It was noted that general repairs and maintenance on the highway network was charged to the income and expenditure account whilst major infrastructure works were classed as Capital Expenditure
- The Group accounts including the consolidation of the Bernesali Homes account and the Pension scheme deficit were included within the pack of documents submitted. This also included the full Berneslai Homes Pension

Fund deficit. This was not being treated as a contingent liability and was recorded as a Council liability within the Group

- Information in relation to the breakdown of the re-valuation of the Library and the Markets could be provided. Arising out of this there was a discussion of the property portfolio valuations which it was noted was under constant review to the end of the audit of the accounts. If there were any material changes these would be picked up as part of the post balance sheet events previously referred to. Members were also reminded that for the first time ever, the External Auditor had appointed their own external valuer
- In response to specific questioning, the Service Director Finance commented that the Authority had not been subject to any Ministerial Directives
- The Service Director Finance briefly commented on the arrangements in place to complete the audit given that most staff, including the staff of the External Auditor, were working remotely. It was felt that this would not have a significant impact given that such approaches had been adopted, albeit to a lesser degree, in previous few years

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 a changed and restricted timeframe; and
- (ii) that the work that has taken place to prepare the Authority's Draft 2019/20 Statement of Accounts on an International Financial Reporting Standards basis be noted.

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Chair

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Item 3

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 2019/20

1. Purpose of Report

1.1 This report reviews the treasury management activities carried out by the Council during 2019/20, in accordance with statutory guidance.

1.2 In broad terms it covers the following:

- The overarching strategy for 2019/20;
- An economic summary for the year;
- An update on the Council's borrowing and investment activities; and
- The Council's Prudential and Treasury Indicators.

2. Recommendations

2.1 It is recommended that Members:

- **Note the latest expectations for interest rates (as outlined in section 4);**
- **Note the activities undertaken during the year to support the Council's borrowing and investment strategies (as outlined in sections 5-6), and**
- **Note the Prudential and Treasury Indicators set out in Appendix 1.**
- **Approve the proposed (temporary) increase in investment limits outlined in paragraph 6.3.**

3. Overarching Strategy for 2019/20

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 current borrowing strategy is focused on reducing the Council's exposure to interest rate risk, whilst maintaining an appropriate under-borrowed position in order to keep its financing costs as low as possible.

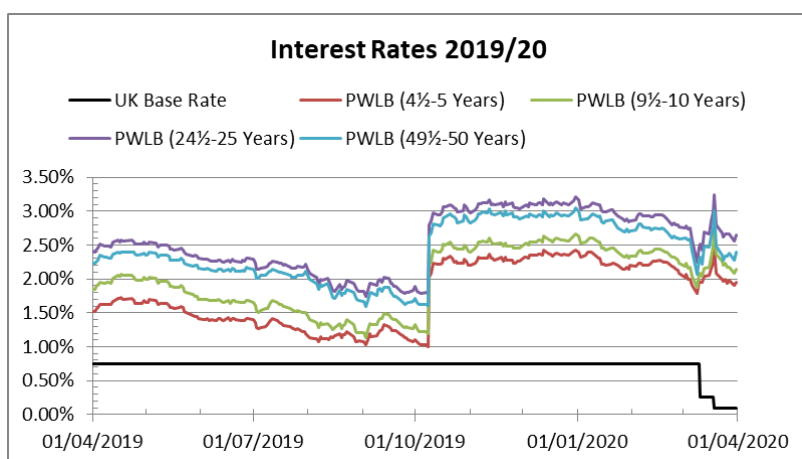
3.3 The current investment strategy seeks to minimise credit risk and maintain sufficient liquid funds in order to meet the Council's ongoing spending commitments. As such the pursuit of higher investment returns is a secondary objective.

4. Economic Summary

Highlights:

- A general downward trend in PWLB* borrowing rates over the first two quarters;
- A 1% increase in margin on all new PWLB loans from October;
- A temporary spike in interest rates during March in response to the Covid crisis;
- A slight upward movement expected for PWLB rates over the next year or two.

- 4.1 Interest rates are a key driver of the Council's treasury management activities and as such are monitored by officers on a regular basis.
- 4.2 As shown below there was a general downward trend in PWLB borrowing rates over the first two quarters of 2019/20; however, in early October HM Treasury announced a 1% increase in margin for new loans in an attempt to discourage local authorities from borrowing to invest in commercial property.
- 4.3 In mid-March there was a significant spike in interest rates in response to the Covid 19 crisis, as many investors moved away from riskier products into Government bonds, however toward the end of march they started to ease back to more normal levels.



- 4.4 The Council's treasury advisors expect a slight upward movement in PWLB rates over the next year or two due to a prolonged period of recovery following the Covid 19 pandemic (see table below):

	Latest Interest Rate Projections (Link Asset Services)				
	Latest	Jun-20	Sep-20	Dec-20	Mar-21
UK Base Rate	0.10%	0.10%	0.10%	0.10%	0.10%
PWLB Certainty (50 Years)	2.14%	2.30%	2.30%	2.30%	2.40%

- 4.5 In the Spring budget, the Chancellor introduced a certainty rate for Housing Revenue Account borrowing which effectively reduced the 1% increase in October. Government are also consulting with local authorities on the future lending terms of the PWLB with a view to reducing some margins towards previous levels.

5. Borrowing Activity

Highlights:

- A closing Capital Financing Requirement (CFR) of £787 Million (up £25 Million from the original estimate);
- £100 Million of fixed-rate borrowing undertaken during the year (up £52 Million from the original estimate);
- Just 22% of the Council's borrowing requirement exposed to interest rate risk as at 31st March (well within the target of 30%);
- An additional fixed-rate borrowing requirement of £37 Million anticipated by the end of 2021/22 (subject to further review).

5.1 As outlined previously (see paragraph 3.2) the Council's borrowing strategy is to actively reduce its exposure to interest rate risk, whilst maintaining a small under-borrowed* position to keep its financing costs to a minimum.

5.2 The table below shows the Council's under-borrowed position as at 31st March and how this compares to the original estimate:

	2019/20 Estimate (£M)	2019/20 Actual (£M)	Variance (£M)
Opening CFR (exc. PFI Schemes / finance leases**)	719.107	714.211	(4.896)
Increase from in-year capital investment	50.664	76.552	25.888
Amounts set aside to repay debt	(7.749)	(4.167)	3.582
Closing CFR	762.022	786.596	24.574
External borrowing	(618.478)	(670.841)	(52.363)
Under-borrowed position	143.544	115.755	(27.789)

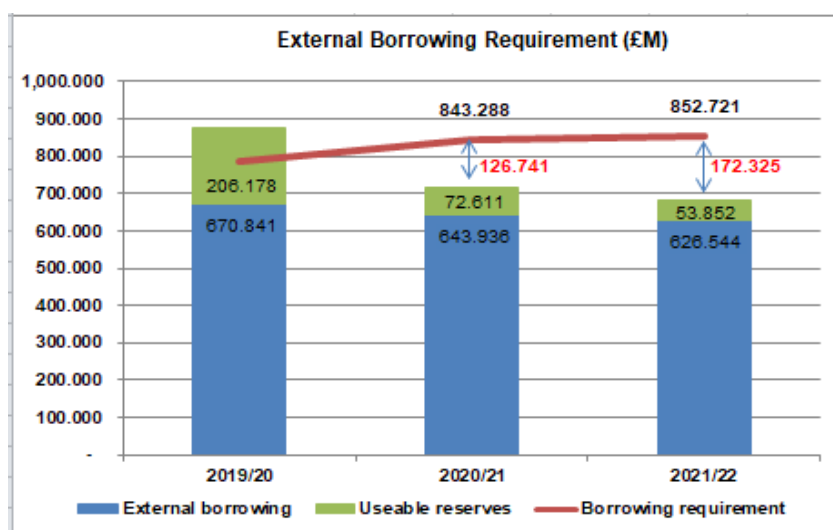
5.3 Despite an increase in capital investment funded from borrowing (due to rephasing of plans and new schemes approved during the year), the Council's under-borrowed position was £28M lower than budgeted for, this followed £100M of new fixed-rate borrowing taken out during the year in an effort to de-risk the Council's debt portfolio during a period of increased economic uncertainty.

5.4 As a result only 22% of the Council's borrowing requirement is now exposed to interest rate risk (based on its short term and variable LOBO loans and its under-borrowed position) - well below the target of 30%.

5.5 The chart below shows the Council's projected borrowing requirement over the next 2 years and the cash available to support this from external borrowing and useable reserves. A breakdown of this borrowing requirement has been provided in the table underneath:

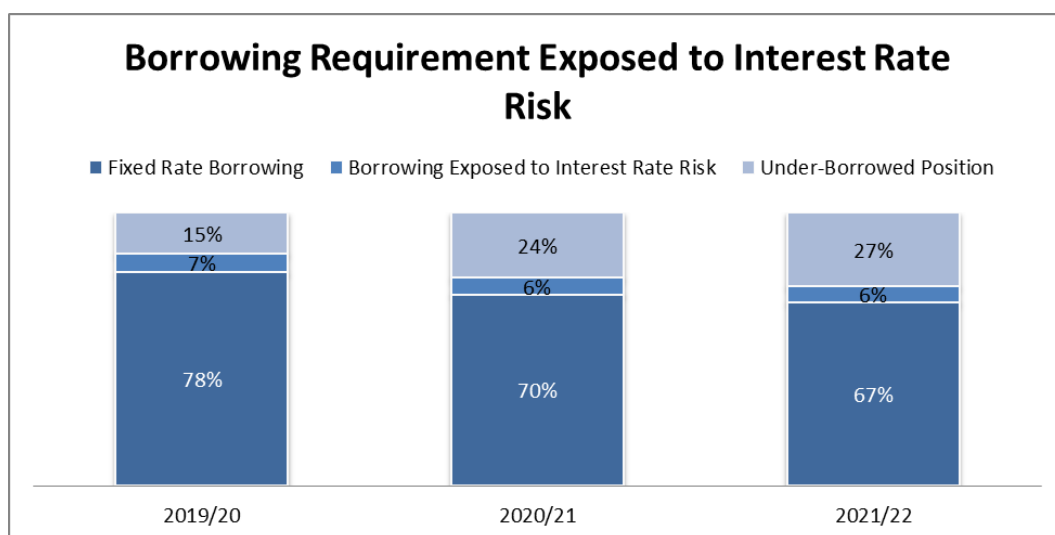
* Refers to the temporary use of internal cash resources (e.g. earmarked reserves or grants received in advance of expenditure) to support its borrowing requirement.

** Excluded on the basis that each arrangement contains its own borrowing facility therefore the Council is not required to borrow separately.



Projected external borrowing requirement 2020/21 - 2021/22		£M
Planned capital investment		74.911
Maturing loans / reduced support from useable reserves		106.142
Amounts set aside to repay debt		(8.728)
Total		172.325

- 5.6 As mentioned previously, the Council has committed to maintaining its exposure to interest rate risk within 30% of its borrowing requirement. To deliver against this strategy, it is anticipated that the Council will need to fix out an additional £37M by 2021/22. The remainder could be funded through temporary borrowing or internal cash resources (see chart below):



- 5.7 Based on these projections and previous activity, there is very little requirement for any additional fixed-rate borrowing in the next financial year to meet the target. The Council's capital programme is also being reviewed as a result of the COVID 19 spending moratorium which may reduce or delay its projected borrowing requirement. This may prompt some changes to the Council's borrowing targets which will be reported in Q1.

5.8 In light of the above, officers will continue to assess the borrowing options below as set out in the Council's borrowing strategy:

- **Deferred loans** - following the recent hike in PWLB rates, there may be an opportunity for the Council to borrow at 0.20%-0.30% below current long term PWLB rates without the additional cost of carry or credit risk. The Council has secured £40M to date and is continuing to work with its advisors in order to identify any further potential lenders.
- **Market loans** - as with deferred loans, there may be an opportunity for the Council to borrow from private lenders at rates below the PWLB.
- **Municipal Bonds Agency (MBA)** - the MBA was established in 2014 with the intention of providing an alternative source of funding to the PWLB. The MBA has recently made its first bond issue for Lancashire CC and are looking to generate interest for a further pooled bond issue over the coming weeks. Barnsley has been a leading authority in promoting the MBA and has already committed to the next bond issue subject to 'due diligence' tests.
- **Local authority loans** - the Council could look to borrow from other local authorities over 1-5 years at 1.00%-1.20% below long term PWLB rates. The Council secured a total of £20M during 2019/20 therefore the current priority is for longer-term borrowing.
- **PWLB borrowing** - PWLB rates are still reasonably low despite the recent rate hike, and therefore remains a suitable option for the Council to consider. However there is a possibility that the margin will be reduced following the latest consultation, therefore it is recommended that PWLB borrowing is minimised from the PWLB until the outcome of the consultation is known.

6. Investment Activity

Highlights:

- *A net decrease in investment balances of £63 Million during the year, as a result of the Council's capital programme and day to day expenditure;*
- *Security and liquidity remained the key priorities, with the majority of new investments placed in secure Money Market Funds and instant access accounts;*
- *A temporary increase in investment limits applied to ensure sufficient liquidity during the Covid crisis (proposed until September).*

6.1 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.

6.2 To reflect this strategy, the majority of new funds were placed in secure Money Market Funds, instant access accounts (see Appendix 2 for further details) and short terms deposits with reputable banks/ other local authorities.

6.3 In March a temporary increase in investment limits was applied to ensure sufficient liquidity during the Covid crisis (see table below). Under

Government's instruction and guidance, the Council has awarded funds in excess of £70M to local businesses and suppliers. Whilst the majority of these payments were Government funded, many were processed in advance of such funding. It was crucial therefore that the Council had sufficient cash available to cover these payments as they became due. It is proposed that this limit is extended until September subject to further review during the summer:

Institution	Minimum Long Term Rating (Fitch or Equivalent)	Previous Limit	Revised Temporary Limit
Barclays Bank PLC (The Council's own bank)	A	£10M	£50M

6.4 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. There are a number of requirements that must be satisfied to meet LVNAV funds but to date the Authority has met these.
2. **IFRS 9 Financial Instruments** - this new accounting standard introduced in 2018/19 changed the way that certain investments were categorised and valued, including the recognition of any potential losses on investment through its General Fund revenue account. Due to the low-risk strategy that the Council has adopted, the risk of credit loss in relation to its treasury investments is deemed immaterial, however to date changes have meant a reduction in fair value of equity investments of £0.3M (no impact on the general fund) and a loss allowance in relation to historic third-party loans of £1.4M (in the context of the Covid crisis). Officers will continue to review this position on a regular basis and ensure that sufficient consideration is given to credit risk for any new loans agreed going forwards.
3. **Local Authority Creditworthiness** - over the past two years a number of local authorities have been in the spotlight which has raised the question as to whether they are a safe investment. Whilst there are no issues foreseen from a credit perspective (there are regulations in place to avoid local authorities going bankrupt), officers recognise the reputational risk associated with such investments and will take this into consideration when deciding where to invest the Council's surplus cash.

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

- 7.1 The Council's capital financing budget underspent by around £1.1M in year owing to an increase in investment income (as a result of the long term borrowing undertaken over the past 12-18 months) and the use of deferred funding (saving on cost of carry of around £0.8M). This underspend is expected to reduce significantly in future years as a result of the recent increase in fixed rate borrowing.
- 7.2 The Council has operated within the prudential and treasury indicators set out in the agreed strategy and in compliance with its Treasury Management

Practices (see Appendix 1 for more details). However as referred to in paragraph 6.3, a temporary increase in investment limits was applied in March in order to effectively manage the Council's cash flows during the Covid outbreak.

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 2019/20.

10. Employee Implications

- 10.1 None arising from this report.

11. Regulatory Framework & Risk Assessment

- 11.1 The Council has adopted the statutory guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Ministry of Housing, Communities and Local Government (MHCLG), which seeks to ensure that its capital expenditure and borrowing are 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 is subject to annual inspection from the Council's Internal Audit function, and Treasury Management risks are identified and monitored as part of the Council's overall approach to managing risk. 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 2019/20

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.

	2018/19 Actual (£M)	2019/20 Estimate (£M)	2019/20 Actual (£M)
General Fund	67.751	83.146	115.105
HRA	25.656	35.860	25.858
Total Capital Expenditure	93.407	119.006	140.963

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.

	2018/19 Actual (£M)	2019/20 Estimate (£M)	2019/20 Actual (£M)
General Fund	442.477	498.431	514.804
HRA	271.734	263.591	271.734
Other Long Term Liabilities	237.332	238.949	236.751
Total CFR	951.543	1,000.971	1,023.289

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).

	2018/19 Actual (£M)	2019/20 Estimate (£M)	2019/20 Actual (£M)
General Fund Borrowing	394.474	409.877	434.740
HRA Borrowing	265.701	208.601	236.101
Total External Borrowing	660.175	618.478	670.841
Other Long Term Liabilities	215.395	208.205	209.810
Total Debt	875.570	826.683	880.651

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.

	2019/20 Limit (£M)	2019/20 Actual (£M)	Compliant?
Average Debt compared to Operational Boundary	1,000.971	869.863	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.

	2019/20 Limit (£M)	2019/20 Actual (£M)	Compliant?
Maximum Debt compared to Authorised Limit	1,030.971	900.649	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.

General Fund (GF)	2019/20 Limit (%)	Actual 31/03/2020 (%)	Compliant?
Upper Limit on Fixed Interest Rate Exposure	100	94	YES
Upper Limit on Variable Interest Rate Exposure	15	6*	YES

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

HRA	2019/20 Limit (%)	Actual 31/03/2020 (%)	Compliant?
Upper Limit on Fixed Interest Rate Exposure	100	87	YES
Upper Limit on Variable Interest Rate Exposure	20	13	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.

Maturity Period - GF	2019/20 Limit (%)	Actual 31/03/2020 (%)	Compliant?
Less than 12 months	0-50	6	YES
12 months to 2 years	0-25	4	
2 years to 5 years	0-25	10	
5 years to 10 years	0-25	6	
10 years to 20 years	0-75	5	
20 years to 30 years	0-75	9	
30 years to 40 years	0-75	21	
40 years to 50 years	0-75	39	

Maturity Period - HRA	2019/20 Limit (%)	Actual 31/03/2020 (%)	Compliant?
Less than 12 months	0-25	1	YES
12 months to 2 years	0-25	1	
2 years to 5 years	0-25	8	
5 years to 10 years	0-25	5	
10 years to 20 years	0-75	4	
20 years to 30 years	0-75	15	
30 years to 40 years	0-75	54	
40 years to 50 years	0-75	12	

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.

	2018/19 Actual (%)	2019/20 Estimate (%)	2019/20 Actual (%)
General Fund	23	23*	24
HRA	35	45	44

* 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.

	2019/20 Limit (£M)	2019/20 Actual (£M)	Compliant?
Sums Invested > 365 days	20	0	YES

APPENDIX 2 - MOVEMENT ON EXTERNAL BORROWING / INVESTMENTS

Movement on External Borrowing

As shown below there was a net increase of £11M on the Council's borrowing portfolio during the year, comprising £124M of new borrowing and £114M of principal repaid.

New borrowing included:

- £40M of new borrowing from the PWLB in response to the interest rate volatility that occurred during quarter 4;
- £40M of deferred funding from PBB which was secured in order to cover the Council's maturing PWLB loans, and
- £20M of new borrowing from other local authorities to provide certainty over the medium term whilst taking advantage of sub-PWLB rates.

	Balance on 01/04/2019 (£M)	New Borrowing (£M)	Principal Repaid (£M)	Balance on 31/03/2020 (£M)	Net Movement (£M)
PWLB borrowing	573.713	40.000	(88.333)	525.380	(48.333)
Other long term loans	55.000	40.000	-	95.000	40.000
Temporary loans	2.004	23.830	(24.830)	1.004	(1.000)
Longer term local authority loans	29.457	20.000	-	49.457	20.000
Total external borrowing	660.174	123.830	(113.164)	670.841	10.667

Movement on Investments

As shown below, there was a net decrease of £63M on the Council's investment portfolio during the year, comprising £730M of new investments and £793M of principal redeemed.

This included a net reduction in short term deposits of £100M as officers sought to cover the Council's capital programme and day to day expenditure. In addition, officers made a significant shift towards more liquid investments in March in order to manage the Council's cash flows during the Covid outbreak:

	Balance on 01/04/2019 (£M)	New Investments (£M)	Principal Redeemed (£M)	Balance on 31/03/2020 (£M)	Net Movement (£M)
Short term deposits	156.500	173.000	(272.500)	57.000	(99.500)
Money Market Funds / instant access accounts	38.080	557.000	(520.080)	75.000	36.920
Total investments	194.580	730.000	(792.580)	132.000	(62.580)

Further details regarding the Council's borrowing and investment portfolios are available on request.

APPENDIX 3 - LOAN PORTFOLIO AS AT 31/03/2020

Summary as at 31/03/2020:

	Balance (£M)	Average Rate (%)
PWLB borrowing	525.380	3.39
Other long term loans	95.000	3.83
Temporary loans	1.004	1.00
Longer term local authority loans	49.457	1.24
Total external borrowing	670.841	3.52

New long term borrowing in year:

Date	Category	Service	Balance (£M)	Term (Y)	Rate (%)
11/03/2020	PWLB	GF	10.000	31.0	2.21
23/03/2020			10.000	10.0	2.59
23/03/2020		HRA	20.000	40.0	1.98
20/11/2019	Other long term loans	GF	20.000	28.5	2.65
03/03/2020			20.000	27.5	2.50
05/11/2019	Longer term local authority loans		5.000	2.0	1.45
15/11/2019			5.000	3.0	1.60
12/12/2019			5.000	2.0	1.40
17/12/2019			2.500	4.0	2.00
13/01/2020			2.500	4.0	2.00
Total			100.000	23.9 (avg)	2.23 (avg)

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Item 4

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

AUDIT COMMITTEE – 29 July 2020

Local Code of Corporate Governance

1. Purpose of this report

- 1.1 To consider the revised Local Code of Corporate Governance attached as Appendix One to this report.

2. Recommendation

- 2.1 **The Audit Committee is asked to consider and approve the Local Code of Corporate Governance and its publication on the BMBC website.**

3. Background information

- 3.1 The Local Code of Corporate Governance is the overall statement of the Council's corporate governance principles and commitments.
- 3.2 Whilst there is no legal or statutory requirement for a Council to have a Local Code of Corporate Governance, it is good practice to have one and publish it to demonstrate the Council's commitment to high standards of corporate governance.
- 3.3 The existing Local Code of Corporate Governance published on the Council's website is dated 2016/17 and the links and references within it are now largely out of date. The document is not easy to read, it is repetitive and difficult to find as it is embedded within an Audit Committee Report dated March 2017.
- 3.4 The Local Code of Corporate Governance has therefore been reviewed and revised and the intention is that it will be published as part of a developing suite of governance documents which will include the Annual Governance Review Process and the Annual Governance Statement.
- 3.5 The Code has been prepared in accordance with the CIPFA publication "Delivering Good Governance in Local Government: Framework" (2016) – which sets out the standards for local authority governance in the UK
- 3.6 Sections 1 - 4 of the Code outline:
- An introduction to delivering good governance
 - How this is monitored and reviewed

- A signed certification of the Code by the Leader of the Council and the Chief Executive – acknowledging their commitment to the Code and the Councils governance arrangements
- An overview of the governance structure and responsibilities across Barnsley Council

3.7 Appendix A of the Local Code of Corporate Governance focuses on the 7 principles of corporate governance and alongside each principle details of Barnsley's commitment to achieving good governance in practice are outlined.

Appendices:

Appendix One – Local Code of Corporate Governance

Officer Contact: Corporate Governance and Assurance Manager

Email: alisonsalt@barnsley.gov.uk

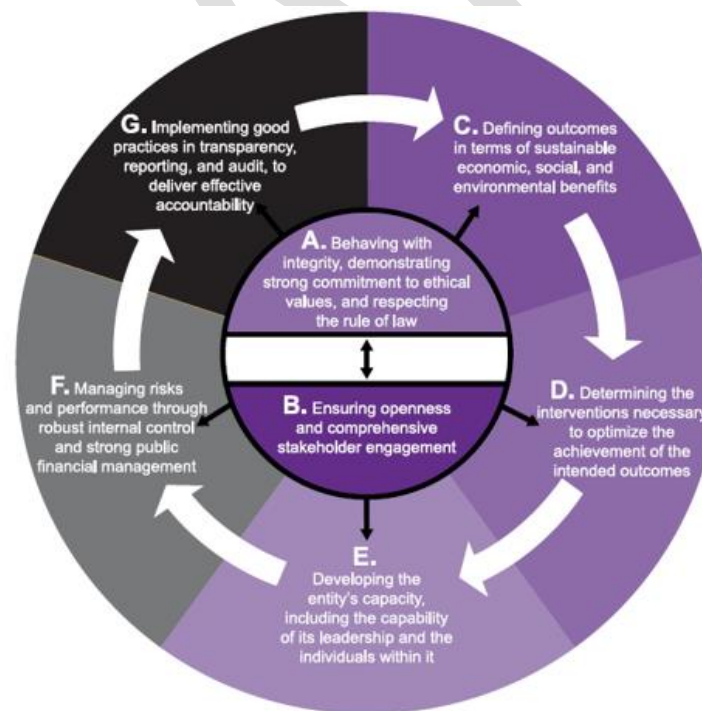
Date: 14 July 2020

1. Introduction to Delivering Good Governance

1.1 The Council is committed to ensuring good governance principles and management practices are adopted in all business activities to ensure public trust. This Code of Corporate Governance provides a public statement that sets out the way in which the Council will meet and demonstrate that commitment. It includes the political arrangements, administrative systems, policies and processes as well as the culture and values that underpin arrangements for the effective:

- Allocation of resources in accordance with agreed policies and priorities
- Sound, transparent and inclusive decision making
- Management of the organisation, performance and accountability for the use of those resources in order to achieve the desired outcomes for service users and communities

1.2 “Delivering Good Governance in Local Government: Framework” (2016) published by CIPFA provides guidance on the standards for local authority governance in the UK. This Framework sets out seven core principles of governance as detailed in the diagram below, and illustrates that good governance is dynamic and involves continuous evaluation and review.



- 1.3 Barnsley Council has adopted these principles of good governance and developed its Code of Corporate Governance to reflect its responsibilities. This Code sets out the key systems, policies and procedures that comprise the Council's Governance Framework.
- 1.4 The Council's key governance areas are reviewed annually to provide assurances with regards effectiveness as part of the preparation of the annual governance statement.
- 1.5 The Council recognises that establishing and maintaining a culture of good governance is as important as putting in place a framework of policies and procedures. The Council expects members and officers to uphold the highest standards of ethics, conduct and behaviour and to act with openness, integrity and accountability in carrying out their duties.
- 1.6 This Code aims to ensure that the Council is doing the right things, in the right way. Further information regarding each of the seven core principles and the behaviours and actions that demonstrate good governance in practice are detailed at Appendix A.

2. Monitoring and Review

- 2.1 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires an authority to conduct a review of the effectiveness of its systems of internal control and include a statement on the review with any published Statement of Accounts. This is known as the Annual Governance Statement.
- 2.2 As such the Council will monitor its governance arrangements for their effectiveness in practice and will review them on a continuing basis to ensure that they are up to date and working effectively. The Council's Governance Assurance Framework sets out in more detail how the Council will seek assurance on its adherence to the principles of governance.
- 2.3 On an annual basis the Leader of the Council and the Chief Executive will publish an Annual Governance Statement, which will:
- Assess how the Council has complied with the Code of Corporate Governance
 - Provide an opinion of the effectiveness of the Council's arrangements
 - Provide details of how continual improvement in the systems of governance will be achieved.

3. Certification

- 3.1 We hereby certify our commitment to this Code of Corporate Governance and will ensure that the Council continues to review, evaluate and develop the Council's governance arrangements to ensure continuous improvement of the Council's systems.

Leader of the Council

Chief Executive

Date:

Date:

4. Governance Structure and Responsibilities

Function	Responsibilities
The Council	<ul style="list-style-type: none"> Comprises 63 Elected Members covering the 21 wards of the Borough of Barnsley Approves the Corporate Plan, Policy and Budgetary Framework Approves the Constitution Appoints Committees and Sub-Committees
The Mayor	<ul style="list-style-type: none"> Is the ceremonial figurehead of the Council Is the person in charge of managing debate at full Council meetings Is a non-political role Is voted for every year by Council
Cabinet	<ul style="list-style-type: none"> Comprises of the Leader and 7 other Elected Members The main decision-making function of the Council Develops the Council's strategic vision Decides how best to use the financial resources available and which services to provide
Area Councils	<ul style="list-style-type: none"> 6 Area Councils Elected Members take responsibility for local planning, decision making and performance monitoring of local services Manage devolved budgets proportionate to size of the area
Overview and Scrutiny Committee	<ul style="list-style-type: none"> Elected Members can scrutinise the overall performance of services in the Borough Monitors the strategic performance of the Council Holds the Council's own services to account Investigates and holds to account other agencies providing services on the Council's behalf Can call-in when appropriate specific Cabinet decisions for further consideration
Audit Committee	<ul style="list-style-type: none"> Provides independent assurance to the Council on the adequacy and effectiveness of the governance, internal control risk management arrangements Oversees the work of Internal and External Audit Considers and recommends for approval the Code of Corporate Governance, Annual Governance Statement and the Statement of Accounts
Other Regulatory Committees	<ul style="list-style-type: none"> Planning Regulatory Board – considers applications for planning permission and similar issues, as well as public rights of way – taking account of national and local planning policies and relevant legislation General Licensing Regulatory Board – is responsible for the licensing of taxis (private and hackney carriages, drivers and vehicles) amusement venues and other similar types of premises and activities – taking account of national and

Function	Responsibilities
	<p>local policies and relevant legislation</p> <ul style="list-style-type: none"> Statutory Licensing Regulatory Board – is responsible for licenses for liquor and entertainment premises as set out in the licensing Act 2003.
Head of Paid Service (Chief Executive)	<ul style="list-style-type: none"> Overall corporate management and operational responsibility for the Council (including overall management responsibility for all employees) The provision of professional advice to all parties in the decision-making process and, responsibility for a system of record keeping for all the Council's decisions. Representing the Council on partnership and external bodies. Determines how the Council's functions are discharged, the number and grade of Officers required to discharge the functions and how Officers are organised into an overall operational structure.
Section 151 Officer (Service Director – Finance)	<ul style="list-style-type: none"> Accountable for developing and maintaining the Council's financial management and accounting framework Ensuring lawfulness and financial prudence of decision making and the administration of financial affairs Providing advice to all Councillors on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues, and will support and advise Councillors and Officers in their respective roles Contributes to the effective corporate management and governance of the Council
Monitoring Officer (Service Director – Governance, Member Services and Business Support)	<ul style="list-style-type: none"> Monitoring, reviewing and maintaining the Constitution Ensuring lawfulness and fairness of decision making Advising whether decisions are within the budget and policy framework Providing advice to all Councillors on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues Contribute to the effective corporate management and governance of the Council
Senior Management Team	<ul style="list-style-type: none"> Implements the policy and budgetary framework set out by the Council and provides advice to the Council on the development of future policy and budgetary issues Oversees the delivery of the Council's Corporate Plan and the implementation of Council policies
Service Directors	<ul style="list-style-type: none"> Responsible for developing, maintaining and implementing the Council's governance risk and control framework Responsible for the operational management and delivery of Council services and functions. Contribute to the effective corporate management and governance of the Council
Head of Internal Audit, Anti-Fraud and Assurance	<ul style="list-style-type: none"> Provides independent assurance and opinion on the adequacy and effectiveness of the Council's risk management, assurance and control framework. Through the Internal Audit Service delivers and Annual Programme of risk-based audit activity, including counter fraud

Function	Responsibilities
	and investigation activity and makes recommendations for the improvement in the management of risk and control.
Boards and Partnerships	<p>Various Boards operate to manage specific areas of the Council's responsibilities discharged through working with other organisations and agencies under specific delegated procedures.</p> <ul style="list-style-type: none"> • The key Boards and Partnerships are: <ul style="list-style-type: none"> ➤ Barnsley Safeguarding Children Partnership ➤ Barnsley Safeguarding Adults Board ➤ One Barnsley Board ➤ Health and Wellbeing Board ➤ Barnsley Economic Partnership ➤ Safer Barnsley Partnership ➤ Stronger Communities Partnership ➤ BDR Waste Management Partnership – Joint Waste Board
External Advice, Guidance and Inspection	<p>The Council receives independent advice, guidance and inspection activity from a number of national bodies.</p> <ul style="list-style-type: none"> • These bodies include: <ul style="list-style-type: none"> ➤ Local Government Ombudsman ➤ Care Quality Commission (CQC) ➤ OFSTED ➤ the Information Commissioner ➤ the Council's External Auditor

Code of Corporate Governance

Principles	Sub-principles	
Acting in the public interest requires a commitment to and effective arrangements for:		Barnsley's commitment to achieving good governance in practice includes:
A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.	<ul style="list-style-type: none"> Behaving with integrity Demonstrating strong commitment to ethical values Respecting the rule of law 	<p>The Council('s):</p> <ul style="list-style-type: none"> Constitution, Policy Framework and HR Policies creates the conditions to enable Members and Officers to demonstrate a strong commitment to the rule of law, adhering to relevant laws and regulations which allows them to utilise powers for the benefit of the community Constitution outlines the roles and responsibilities of Members and Statutory Officers (Head of Paid Services, Monitoring Officer and Section 151 Officer) in line with legislative and regulatory requirements Ethical framework (Code of Conduct, Declaration of Interests) is built on the Seven Principles of Public Life and sets out the standards of behaviour, conduct and values the Council expects of its Members, Officers and those who work with the Council. This together with promoting the framework ensures that high standards of conduct are maintained and where appropriate safeguards are put in place, and action taken where breaches occur. <ul style="list-style-type: none"> Organisational values of integrity, collaboration and commitment are communicated through the Corporate Plan and its supporting policies and procedures Policy framework identifies the key policies and strategies that ensure effective delivery of the Councils Corporate Plan, ensuring compliance with statutory duties/responsibilities <ul style="list-style-type: none"> Policy and strategy guidance ensures that the policy development process gives due consideration to key aspects such as sustainable economic, social and environmental benefits and the long term view Council policies are considered and approved by Members Effective procurement arrangements are embedded to enable the Council to demonstrate good practice, ethical values, compliance with legislation, realise value for money and public accountability: Robust Anti-Fraud and Corruption Policies are in place to minimise the risk of loss, fraud, theft or bribery impacting upon the resources available to the Council and protect the public purse. Confidential Reporting (Whistleblowing) Policy demonstrates our commitment to review/investigate matters that may compromise the Council's values or integrity. Corporate training and induction programmes ensure that Members are offered, and Officers receive appropriate training to assist them in effectively executing their duties and understand the standards of behaviour expected of them Decision making processes ensure that legal and ethical implications are fully considered

Principles	Sub-principles	
Acting in the public interest requires a commitment to and effective arrangements for:		Barnsley's commitment to achieving good governance in practice includes:
B. Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> • Openness • Engaging comprehensively with institutional stakeholders • Engaging with individual citizens and service users effectively 	<p>The Council:</p> <ul style="list-style-type: none"> • Has adopted a Scheme of Delegation with the intention of giving a clear transparent, effective and accountable decision-making process • Will effectively evidence and record all decisions made in connection with the discharge of its functions and publish these appropriately <ul style="list-style-type: none"> ○ This is achieved through the adoption of a standard reporting format in relation to Cabinet reports, which ensures all relevant information is provided to enable transparent decision making ○ The award of contracts are appropriately documented and the Council will maintain and publish a Contracts Register ○ All payments to suppliers over £500 are published on a monthly basis • Wishes to retain the ability to work in an agile manner using a range of partnership delivery models to ensure outcomes are achieved in the most efficient and effective ways possible <ul style="list-style-type: none"> ○ Partnership framework will ensure that there is clarity around what constitutes appropriate governance for different types of partnership working. This in turn will ensure accountability, both in terms of achieving outcomes, but also in terms of corporate governance and managing risks • Is committed to engaging with the community and other stakeholders on key matters affecting the Council. Our Consultation and Engagement Policy, defines the types of issues we will consult and engage on, how this will be undertaken and how we will utilise the feedback received <ul style="list-style-type: none"> ○ A survey with residents will be completed every two years so that we can access an up to date summary of the views of the citizens on the Borough, their neighbourhood and the delivery of public services ○ Will use various forums and groups to consult/involve communities and services users (formal and informal) to obtain their views and experiences to help determine the most appropriate and effective interventions and course of action ○ Communications Strategy sets out the plan for improving communication across the Council with employees, partners, residents and other stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear ○ Encourages, collects and evaluates the views and experiences of communities, citizens, service users and organisations of different backgrounds • Recognises and values the diversity of our communities and our workforce. We are committed to providing inclusive services that meet the needs of all our service users and to ensuring that we are an inclusive employer – this is supported by our Equality and Inclusion Policy and Strategy • Has a Corporate Plan that puts customers at the heart of what we do, considers new innovative ways of delivering sustainable services and seeks to ensure more people get involved locally

Principles	Sub-principles	
Acting in the public interest requires a commitment to and effective arrangements for:		Barnsley's commitment to achieving good governance in practice includes:
C. Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> Defining outcomes Sustainable economic, social and environmental benefits 	<p>The Council:</p> <ul style="list-style-type: none"> Maintains a Corporate Plan which is supported by a Corporate Programme of delivery and individual Service Plans which outline its ambitions and promises to our residents and shows how the Council will use its resources to deliver these. We have an outcome-based approach to service planning and performance management Maintains a Medium-Term Financial Strategy (MTFS) which supports the delivery of the Council's key outcomes and underpins the development of individual business and service delivery plans Ensures it considers the impact of its decisions in terms of economic, social and environmental consequences – all decision-making reports must include analysis of issues such as financial implications, health and safety, consultations, risk management, equality and inclusion and social inclusion Produce a Local Plan, in accordance with legislation and national policy that sets the overall strategic direction for the Borough for up to the next 15 years Will work with Sheffield City Region Mayoral Combined Authority to prepare and maintain a joint strategic plan in accordance with legislation and national policy for South Yorkshire and wider region.
D. Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> Determining interventions Planning interventions Optimising achievement or intended outcomes 	<p>The Council:</p> <ul style="list-style-type: none"> Operates a planning and control cycle covering strategic and operational plans, ensuring that key priorities/outcomes are identified, and delivery plans are in place to achieve the desired outcomes Ensures that forward plans, key decisions and reports allow for effective scrutiny and challenge Decision Making Guide and templates for reports ensures that all relevant implications are considered and consulted upon to effectively achieve the intended objectives and outcomes, and that there is a rigorous analysis of the options available: Has a Consultation and Engagement Policy which sets out the Council's commitment to consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available Has a Comments, Compliments and Complaints Policy which recognises that customer feedback is a valuable resource for improving the experience of customers and shaping the design and delivery of our services Has a Business Continuity and Emergency Resilience framework which ensures the resilience of the organisation to any eventuality and to help ensure continuity of service to its key customers. Emergency Planning processes are in place to allow a response to an external incident as part of the Authority's duties under the Civil Contingencies Act 2004.

Principles	Sub-principles	
Acting in the public interest requires a commitment to and effective arrangements for:		Barnsley's commitment to achieving good governance in practice includes:
E. Developing the entity's capacity including the capability or its leadership and the individuals within it	<ul style="list-style-type: none"> • Developing the entity's capacity • Developing the capability of the entity's leadership and other individuals 	<p>The Council:</p> <ul style="list-style-type: none"> • Leader and Chief Executive have clearly defined/distinctive leadership roles: <ul style="list-style-type: none"> ◦ The Chief Executive leads in implementing strategy and managing the delivery of services and other outputs set by Members ◦ The Leader gives appropriate overall direction and policy to the Council, and works with other authorities to help shape and influence National Policy • Constitution sets out the protocols on Member relations to ensure that elected and appointed leaders negotiate with each other regarding their respective roles and that a shared understanding of roles and objectives is maintained • Constitution and supporting delegations specify the types of decisions that are delegated and those that are reserved for the collective decision making of the Cabinet or full Council • Has a Digital First initiative that provides Members and Officers with efficient systems and technology that support them in performing their role and delivering against the Council's Corporate Plan • Has an Asset Management Framework that ensures that all of the Council's assets are compliant, sustainable, fit for purpose and support the delivery of Council services and strategic objectives • Has a Workforce Strategy that ensures the Council has a workforce which can deliver against the Corporate Plan, and that it has the right behaviours which reflect the Council's ambitions and values: <ul style="list-style-type: none"> ◦ Holds employee to account for their performance and behaviour through a performance management process ◦ Training and development programmes for both Members and Officers ensures they have the appropriate skills and knowledge to support them in fulfilling their roles and responsibilities, and that they remain up to date with current best practice and statutory requirements ◦ Leadership and Management Training Programmes ◦ Wellbeing initiatives, targeted interventions and Occupational Health arrangements help to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing
F. Managing risks and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> • Managing risk • Managing performance • Robust internal control • Managing data • Strong public financial management 	<p>The Council:</p> <ul style="list-style-type: none"> • Has a Risk Management Policy and Strategy that recognises that risk management is an integral part of the operation of the Council and must be considered in all aspects of decision making. • Has a Health and Safety Policy supported by a strategy and management framework that seeks to ensure compliance with the law and ensure the risks associated with the Health and Safety of those engaging in Council activities are appropriately managed, regularly reviewed and investigations completed where incidents occur. • Operates a Safeguarding Policy, strategy and procedures that actively promote safeguarding to prevent harm and reduce the risk of abuse, neglect or exploitation to adults with care and support needs and children at risk • Performance Management Framework includes a suite of outcomes-based performance information which

Principles	Sub-principles	
Acting in the public interest requires a commitment to and effective arrangements for:		Barnsley's commitment to achieving good governance in practice includes:
		<p>demonstrates how the Council is achieving the ambitions detailed within the Corporate Plan and how its services are performing:</p> <ul style="list-style-type: none"> ○ Performance is regularly reviewed by Senior Officers and Members to monitor the effectiveness of the Council's arrangements, and where appropriate the Council will benchmark its activities with others. ○ Managers regularly review and validate the quality and accuracy of performance data ○ Internal Audit regularly review and audit the quality and accuracy of data as part of each audit review • Has project management procedures are in place to enable delivery, allow challenge, seek improvements and make effective decisions to ensure achievement of targeted outcomes • Through Boards and other meetings, creates a platform for Members and Senior Officers to challenge and discuss key issues before, during and after decisions are made, thus encouraging effective and constructive challenge and debate <ul style="list-style-type: none"> ○ Cabinet reports are circulated to key officers and undergo a series of reviews, revisions and comments prior to finalising to ensure all relevant matters are considered • Has Senior Managers who are responsible for putting into place an appropriate internal control environment to manage the risks facing the delivery of the services and functions they are responsible for • Maintains an effective internal audit service – in line with the Public Sector Internal Audit Standards and CIPFA's Guide on the Role of the Head of Internal Audit: <ul style="list-style-type: none"> ○ Produces an Annual Report providing an opinion on the Council's adequacy and effectiveness in relation to governance, risk management and control • Maintains an effective Audit Committee which provides a source of effective assurance regarding arrangements for managing risk, fraud and maintaining an effective control environment and governance arrangements: <ul style="list-style-type: none"> ○ Reflects the political composition of the Council ○ Includes a majority of independent members with knowledge and understanding of audit and governance processes ○ Operates in compliance with CIPFA guidance on effective audit committees • Has an anti-fraud and corruption framework that ensures effective Counter Fraud and corruption arrangements are embedded across the Council promoting a zero-tolerance approach: <ul style="list-style-type: none"> ○ Has a dedicated Corporate Anti-Fraud Team to provide advice and investigate suspected fraud or wrongdoing ○ The Council participates in the National Fraud Initiative • Information Governance is strategically managed by the Information Governance Board which oversees and monitors matters such as compliance with the Data Protection Act 2018 / GDPR, Freedom of Information Act and cyber security issues. It also monitors suspected or identified breaches of personal data <ul style="list-style-type: none"> ○ The Council's Information Governance policy framework sets out a commitment for the safe collection, storage, use and sharing of data, underpinned by processes and developed procedures to safeguard personal data ○ The Council's ICT and Information Security Standards provide guidance on the arrangements that must be

Principles	Sub-principles	
Acting in the public interest requires a commitment to and effective arrangements for:		Barnsley's commitment to achieving good governance in practice includes:
		<p>in place to ensure personal data is kept protected and secure</p> <ul style="list-style-type: none"> ○ Effective information sharing arrangements are in place and operate effectively when sharing data with other bodies in accordance with the Data Protection Act, GDPR and the Council's Information Management Policy ○ Has a designated Data Protection Officer who operates independently of senior management • Ensures that effective financial management arrangements are embedded across the Council, which support the short, medium- and long-term achievement of the Council's ambitions and service provision: <ul style="list-style-type: none"> ○ Medium- and Long-Term Financial Strategy and budget setting processes align resources to the organisation's objectives ○ Budget development and management framework enables the Council to review and adjust its budget during the financial year to make the most effective use of resources in delivering the Council's policies and objectives
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability	<ul style="list-style-type: none"> • Implementing good practices in transparency • Implementing good practices in reporting • Assurance and effective accountability 	<p>The Council:</p> <ul style="list-style-type: none"> • Has a Publication Scheme which describes the kinds of information available, where this can be found and provides guidance about how to access personal information and submit a Freedom of Information request • Maintains a Forward Plan to provide transparency and access to information regarding future decisions • Reports for the public and stakeholders are written and communicated in a fair, balanced and understandable style, appropriate to the intended audience and ensuring that they are easy to access and understand • Completes and provides the annual financial statements in accordance with statutory best practice guidance • Reviews its governance arrangements publicly in line with its Code of Corporate Governance and associated Assurance Framework, and publishes its results in an Annual Governance Statement • Recommendations for corrective action made by Internal and External Audit and other regulatory bodies are monitored to ensure that they are acted upon and progress is reported to the Audit and Governance Committee

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Item 5

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

AUDIT COMMITTEE – 29th JULY 2020

INTERNAL AUDIT ANNUAL REPORT 2019/20

Executive Summary

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

AUDIT COMMITTEE – 29th JULY 2020

INTERNAL AUDIT ANNUAL REPORT 2019/20

1. Purpose of Report

- 1.1 This annual report has been prepared adopting recommended practice contained within the updated Public Sector Internal Audit Standards (PSIAS) which came into effect on the 1st April 2017. These Standards require the Head of Internal Audit (HoIA) to report to the appropriate Member body, the Audit Committee, providing his opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control based on the work undertaken by Internal Audit.
- 1.2 In order to comply with these Standards the report provides:-
- i. an opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control;
 - ii. summary of the audit work undertaken to formulate the opinion;
 - iii. details of key control issues identified which can be used to inform the Annual Governance Statement (AGS); and
 - iv. the extent to which the work of other review or audit bodies has been relied upon.

2. Recommendations

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

3. Introduction / Background

- 3.1 In accordance with statutory best practice provided by the PSIAS, there is a requirement that the Head of Internal Audit (HoIA) prepares an annual report to the appropriate member body providing, amongst other things, an opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control based on the audit work undertaken. For the Authority, the appropriate member body is the Audit Committee.
- 3.2 The Accounts and Audit Regulations require all councils to publish an Annual Governance Statement (AGS) providing a narrative on the Council's internal

control, risk management and governance framework, the results of the annual review process and detailing any actions to be taken in respect of any identified weaknesses. The AGS will address all aspects of corporate governance including internal control and risk management arrangements, in addition to financial controls.

- 3.3 This report provides a summary of key issues arising from the work of Internal Audit covered in the 2019/20 audit plan, which contributes to the overall assurance opinion the HoIA is able to give the Audit Committee.
- 3.4 Although providing an important and significant contribution to the assurances the Audit Committee needs in its consideration of the AGS, this report forms only part of the assurance framework. The Audit Committee will receive the draft Annual Governance Statement (AGS) for 2019/20. The Audit Committee is therefore encouraged to consider this annual report in the context of broad controls assurance.
- 3.5 The financial budget for the Internal Audit Team is clearly set covering the period 1st April to 31st March each year and a plan of the days and where they are planned to be delivered is prepared similarly. However, the actual delivery of internal audit work and the constant review and revision of coverage is on a more rolling basis. In order to align the annual Internal Audit report to the AGS and the signing of the Statement of Accounts it is more appropriate that the Head of Internal Audit's opinion is provided reflecting all the work undertaken that relates/covers the financial year at the point of the approval of the AGS and Accounts. This inevitably includes work actually undertaken in the current financial year but that relates to the 2019/20 financial year.

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

- 4.1 The Audit Committee has received Internal Audit progress reports throughout the audit year. In each of these reports a reasonable assurance opinion had been given reflecting an overall satisfactory level of internal controls and their application.
- 4.2 Taking the whole year into account and the audits completed, it is appropriate to give an overall **reasonable** (positive) assurance opinion for the year. The information supporting this opinion is provided below.
- 4.3 Whilst the overall opinion is positive, there are some key issues arising from Internal Audit work in the year that senior management should consider. In general terms these continue to relate to the significant pressures in most areas of the Council, the general impact of managing the implications of changed structures and new and changed systems. Such changes, whilst inevitable in the circumstances of limited resources, need to be recognised by management as having implications on the ability to maintain reasonable and effective controls in some areas of activity.
- 4.4 It is important that senior managers remain alert to, and focussed on, maintaining an appropriate, risk-based and effective framework of controls as the Council enters the recovery stage of the Covid 19 period and also

continues to work towards Barnsley 2030. The audit work undertaken and planned for the current year has sought to take into account the change in risk appetite necessary to embrace and implement such significant change. Although the overall assurance opinion is **reasonable**, it is essential that senior management retain a focus on embedding new and revised operational and governance arrangements (including the innovative service delivery methods that have arisen in response to Covid 19).

- 4.5 To highlight this issue, a number of senior managers asked for Internal Audit input during the year to provide support and assurances that the control framework in certain areas was effective. This Internal Audit support was requested to highlight key control, governance and risk issues and assist management in how best to deal with them. Of key importance of course is the consideration and management of the identified and accepted risks moving forward.
- 4.6 It should be noted that the audit work completed has in the main identified weaknesses in the framework and application of controls that increases the risk of the failure to meet operational objectives. The failure to then address control weaknesses through the timely implementation of agreed management actions clearly adds to this risk.
- 4.7 Section 6 of this report provides more detail regarding the results of the audit work. In summary, 62% of the completed audits resulted in a substantial or reasonable assurance opinion compared with 73% in 2018/19 and 60% in 2017/18.
- 4.8 Within the Internal Audit progress reports a number of key issues were drawn to the Committee's attention. These are summarised in Section 6.
- 4.9 The results of the core system reviews for the 2019/20 financial year are given in paragraph 6.14.
- 4.10 Generally, the audit work in the year has found areas where controls remain good and only relatively minor issues have been raised. Five "Limited" assurance opinions have been provided in 2019/20 compared to four in 2018/19.
- 4.11 Although audit work aims to cover a broad range of services, systems and areas of Council activity, it needs to be recognised that Internal Audit coverage cannot guarantee to detect all errors, systems or control weaknesses or indeed identify all of the opportunities for improvements in management arrangements that might exist. Accordingly the assurance opinion provided is based on reasonable coverage, as resources allow, and cannot be regarded as absolute assurance. Equally, there is a responsibility of senior managers through the annual governance statement process to provide assurances to the Chief Executive regarding the application and effectiveness of the internal control and governance framework in their operational or functional areas.

- 4.12 To remind the Committee, Internal Audit assurance opinions are classified within a range of four options, two positive and two negative. The table below shows in broad terms the basis for the different opinions applied.

	Level	Control Adequacy	Control Application
POSITIVE OPINIONS	Substantial Assurance	A robust framework of controls exists that is likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Reasonable Assurance	A sufficient framework of key controls exists that is likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
NEGATIVE OPINIONS	Limited Assurance	A risk exists of objectives not being achieved due to the absence of key controls in the system.	Significant breakdown in the application of key controls.
	No Assurance	A significant risk exists of objectives not being achieved due to the absence of controls in the system.	Fundamental breakdown in the application of all or most controls.

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

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

- 5.1 Internal Audit aim to utilise a risk-based approach to planning its work. This approach seeks to ensure that the key risks facing the Authority are covered where appropriate by Internal Audit work. The audit planning process and details of the 2019/20 audit plan were considered by the Audit Committee at its March meeting.
- 5.2 The Audit Committee has received Internal Audit progress reports that incorporate the results of audit work and management's response on a continuous basis. A summary of the Internal Audit reports for 2019/20 is at Appendix 1.
- 5.3 At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for Audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency. Over the last couple of years there has been a notable increase in the number of these adjustments which is indicative of the rapidly changing control environment and structure of the Council. Details of audit work which has been deferred, deleted or requests for specific pieces of work have been reported within the Internal Audit progress reports.

- 5.4 It should also be noted that Internal Audit work is variable both in its nature and timing. The risk-based approach ensures the highest priority work is undertaken. As with all plans, the audit plan was determined at a particular time (March 2019) utilising information available and has been subject to significant changes in certain areas arising from requests for internal audit input. The Audit Committee should be assured that within the finite resources available to Internal Audit, the key audit risks identified have either received audit attention during the year or are reflected in the audit plan for 2020/21.
- 5.5 The position at the time of drafting this report for core internal audit days relating to the 2019/20 plan shows a slight under delivery of 25 days, or 1%, of the original provision.

Position as at 12th July 2020 – Audit Days Delivered Relating to 2019/20 Plan

Directorate	Original 2019/20 Plan days	Revised 2019/20 Plan days	Actual days (% of revised days)
Communities	102	90	81 (90%)
People	128	101	102 (101%)
Place	88	113	104 (92%)
Public Health	11	19	19 (100%)
Core Services	407	449	482 (107%)
Council Wide	205	159	149 (94%)
Corporate	177	187	195 (104%)
Barnsley MBC	1,118	1,118	1,132 (101%)
Corporate Anti-Fraud Team	572	572	524 (92%)
Barnsley MBC Internal Audit Total	1,690	1,690	1,656 (98%)
HolA role as Head of Assurance	0	1	10 (1,000%)
HolA role as DPO	50	50	51 (102%)
DPO Assurance	45	45	45 (100%)
Sub Total	95	96	106 (110%)
External Clients	1,215	1,215	1,213 (99.9%)
Total Chargeable Planned Days	3,000	3,000	2,975 (99%)

- 5.6 Within the resources there remains a significant amount of time needed to respond to requests for providing advice, support to services, innovation and initiatives, changes, projects and programmes, corporate change projects and general work that does not result in a specific report. Approximately half of operational audit time is spent on work that generates a specific report. Details of the non-report work have been provided through the progress reports, but in summary have covered the following:
- Grant verification
 - Charity Accounts sign-off
 - Requests for service reviews on an advisory basis
 - Review of Contract Procedure Rules
 - General advice to services in relation to controls, risk and governance
 - Policy review and advice

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

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

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

6.1 Internal Audit has completed 13 individual reviews of aspects of the Authority's internal control framework during 2019/20 that resulted in a formal report. These 13 audits sought to identify, test and review various controls to ensure management were meeting their responsibilities to establish and adhere to appropriate systems of internal control. It should be noted that at the time of this report, one review is at draft report stage with a scheduled meeting with management to discuss and agree the report content (positive assurance opinion provided). Details are referenced within the work in progress section (appendix 3).

6.2 A summary of the assurance opinions given for the 13 reports issued are shown below together with a comparison to 2018/19 and 2017/18.

Assurance Opinion		2019/20 Completed		2018/19		2017/18	
		No	%	No.	%	No.	%
Positive Opinions	Substantial	0	0%	4	27%	2	10%
	Reasonable/adequate	8	62%	7	46%	10	50%
Negative Opinions	Limited	5	38%	4	27%	8	40%
	No	0	0%	0	0%	0	0%
TOTAL		13	100%	15	100%	20	100%

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

- 6.3 Across the various completed pieces of work to date 108 recommendations/implications were raised. These are summarised below:

	No.	%	No.	%	No.	%
Recommendation Category	2019/20		2018/19		2017/18	
Fundamental/ High	6	6%	1	1%	3	2%
Significant/ Medium	64	59%	48	51%	59	54%
Merits Attention/ Low	38	35%	46	48%	48	44%
Total	108	100%	95	100%	110	100%

- 6.4 Of the 6 fundamental/ high recommendations:
- 3 were raised in the SAP Concur Expenses report;
 - 1 was raised in the Systems Fit For Purpose report (Governance arrangements with regards to IS Service Delivery), and;
 - 2 were raised in the Procurement Compliance Reports.

In respect of the six fundamental/high recommendations above, 1 has been implemented and five have future agreed implementation dates.

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

- 6.5 Details of the key issues arising from these reviews have been presented to the Audit Committee in the Internal Audit progress reports. These findings have arisen across audit reviews ranging from specific establishments to areas of governance.
- 6.6 In addition to the formal audit reports attracting an assurance opinion other reports have been issued in an advisory/consultancy context. A number of these reports are the product of significant Internal Audit input over many months in some cases. These reports also contribute to the overall assurance opinion. Such input enables Internal Audit to assist management as initiatives or projects or reviews are progressing, thus helping establish effective controls and governance from the outset. The major advisory reports have covered:
- Family Centres;
 - Glassworks Phase 2 Governance;
 - SEND Decision Making;
 - Public Health Quality Assurance.

- 6.7 As stated in the Internal Audit progress reports it is important to note that the identification of control weaknesses does not necessarily indicate that any loss or inefficiency has actually occurred. Weaknesses indicate an increased *potential/risk* that losses or inefficiencies could occur.
- 6.8 An important part of Internal Audit's assessment of controls is undertaken through the annual reviews of the core financial systems of the Authority. This work is considered by External Audit who have regard to Internal Audit's work to assist in their opinion on the financial systems for their audit of the Accounts.
- 6.9 The core system reviews in relation to 2019/20 have been completed. The necessary timing of these reviews is extremely challenging in coinciding with the preparation of the draft accounts. It is appropriate to highlight the excellent co-operation once again received from Financial Services. A separate section on the core system reviews is given below.
- 6.10 In relation to specific establishments or other minor systems, controls are tested at a lower level to ensure the detailed operation of systems and procedures, and the use of assets and resources are effective.
- 6.11 During the year, all audit report management actions were followed-up in accordance with the current follow-up protocol. As reported through the Internal Audit progress reports, the percentage of management actions implemented by the agreed dates had improved during the year but this has been impacted upon on the lead up the financial year end in response to the Covid 19 pandemic and this understandably being management's priority at that time. Please refer to Appendix 4 for a breakdown of the current status of all agreed management actions, where the original agreed target implementation date was during the 2019/20 financial year.
- 6.12 The Audit Committee has continued to monitor this situation. Senior management are aware of their responsibilities to implement agreed recommendations/actions to ensure any control, risk or governance weaknesses identified through internal audit work are corrected. The Senior Management Team receives regular monitoring reports regarding the implementation of recommendations and escalates action accordingly. Clearly, any significant delay in implementation or non-implementation weakens the overall control environment.
- 6.13 In common with the general theme highlighted previously, Internal Audit has found that in many cases the delay in the implementation of recommendations has been as a direct consequence of the significant demands placed on senior management over the year and particularly towards year-end with the impact of reacting to Covid 19. A follow-up exercise has recently been undertaken, enabling the Audit Committee to be provided with an updated position.

Core System Reviews 2019/20

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

6.15 The assurance opinions given for each of them are shown in the table below:-

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

* Historically this formed part of the Main Accounting review.

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

Summary of Control Issues

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

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

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

7. Local Area Implications

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

8. Consultations

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

9. Compatibility with European Convention on Human Rights

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

10. Reduction of Crime and Disorder

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

11. Risk Management Considerations

11.1 Whilst there are no specific risks emanating as a result of this report there are a range of risk issues worthy of consideration and note.

- 11.2 The Audit Committee has received a detailed report on the audit plan including the basis of the plan and the utilisation of risk information. This is a critical aspect of the audit function and seeks to ensure audit resources are targeted at the areas of the Council's business where the most significant risks have been identified.
- 11.3 There is a risk to the Authority as a whole should the Internal Audit function not be effective. This would undermine the internal control, risk and governance arrangements of the Authority and fail to provide the Audit Committee with sufficient independent information upon which to base their assurance views upon. The provision of detailed Internal Audit progress reports during the year, plus this annual report and the report on the QAIP should act as mitigation in ensuring the Audit Committee is in a position to constantly keep the audit function under review.
- 11.4 There is a risk to the control and governance of the Authority if management fail to implement their agreed actions to address the implications identified during Internal audit work. In mitigation Internal Audit has introduced a more rigorous 'follow-up' process to ensure the most significant issues are implemented. This is reported to the Audit Committee within the quarterly and annual reports.

12. Employee Implications

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

13. Financial Implications

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

14. Appendices

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

15. Background Papers

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

Officer Contact: Rob Winter CPFA
Head of Internal Audit, Anti-Fraud and Assurance
Telephone No: 01226 773241
Date: 17th July 2020

Summary of Internal Audit Reports 2019/20

Directorate- Audit Assignment	Assurance Opinion	Number of recommendations/ implications raised:			Total	Agreed
		High/ Fundamental	Medium/ Significant	Low/ Merits Attention		
People – Commissioning of Residential Placements and Fostering	Limited	0	5	7	12	12
Communities – IT Project and Programme Management	Reasonable	0	2	3	5	5
Core – Apprenticeship Levy	Reasonable	0	5	2	7	7
Place – Principal Towns	Reasonable	0	6	2	8	8
Communities – Homelessness	Reasonable	0	4	2	6	6
Core – Systems Fit for Purpose Corporate Governance Arrangements	Limited	1	7	1	9	9
Core – SAP Concur Expenses	Limited	3	5	2	10	10
Core – Fixed Asset Register	Reasonable	0	5	0	5	5
Core – Procurement Compliance Review (BMBC)	Limited	1	10	11	22	22
Core – Procurement Compliance Review (NPS)	Limited	1	11	5	17	17
Core – Main Accounting Journals	Reasonable	0	1	2	3	3
Core – Policy into Practice – Honoraria & Agency Staff	Reasonable	0	2	1	3	3
Core – Main Financial Systems Payroll (underpayments and overpayments)	Reasonable	0	1	0	1	1
Total		6	64	38	108	108

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

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

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

Work in Progress as at 12th July 2020

Directorate & Audit Assignment	Status / Comment
Core – DPO Arrangements Compliance	Draft Report Issued. Post Audit Meeting Scheduled with Management.

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

Recommendation/ Implication Categorisation	Original Target Date in 2019/20	Completed	Not yet completed – Revised date agreed	Not yet completed – Awaiting management update
Communities				
Fundamental/High	2	2	0	0
Significant/ Medium	18	17	1	0
TOTAL	20	19 (95%)	1 (5%)	0
Place				
Fundamental/High	2	2	0	0
Significant/ Medium	7	7	0	0
TOTAL	9	9 (100%)	0	0
People (excl. Maintained Schools)				
Fundamental/High	7	7	0	0
Significant/ Medium	14	4	10	0
TOTAL	21	11 (52%)	10 (48%)	0
Maintained Schools				
Fundamental/High	0	0	0	0
Significant/ Medium	0	0	0	0
TOTAL	0	0	0	0
Core				
Fundamental/High	4	2	2	0
Significant/ Medium	26	21	5	0
TOTAL	30	23 (77%)	7 (23%)	0
Public Health				
Fundamental/High	0	0	0	0
Significant/ Medium	0	0	0	0
TOTAL	0	0	0	0
OVERALL TOTAL	80	62	18	0
%	100%	78%	22%	0%

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Item 6

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

AUDIT COMMITTEE – 29th JULY 2020

INTERNAL AUDIT PROGRESS REPORT 2020/21

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 1st April 2020 to 30th June 2020.
- 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, and;**
 - iii. **noting the progress against the Internal Audit plan for 2020/21 for the period.**

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 and agreed with the Audit Sponsor and Designated Operational Lead. 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

- 6.1 In the conduct of audit work and investigations particularly, Internal Audit operates under the provisions of the Data Protection Act 2018, 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, Anti-Fraud and Assurance

Telephone No: 01226 773241

Date: 17th July 2020

Barnsley Metropolitan Borough Council

Internal Audit Progress Report

Audit Committee

29th July 2020

INTERNAL AUDIT PROGRESS REPORT 2019/20

1st April to 30th June 2020

Purpose of this report

This report has been prepared to inform the Committee on the Internal Audit activity for the period 1st April to 30th June 2020, 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.

2020/21 Internal Audit Plan Progress

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

Position as at 30th June 2020 – Audit Days Delivered

Directorate	Original 2020/21 Plan days	Revised 2020/21 Plan days	Actual days (% of revised days)
Adults & Communities	68	68	6.1 (9%)
Childrens Services	166	166	10.7 (6%)
Core Services	386	386	140.1 (36%)
Corporate	133	133	104.3 (78%)
Council Wide	140	140	43.2 (31%)
Place	167	167	8.7 (5%)
Public Health	48	48	6.7 (14%)
General Contingency	26	26	N/A
Barnsley MBC	1,134	1,134	319.8 (28%)
Corporate Anti-Fraud Team	600	600	151 (25%)
Barnsley MBC Internal Audit Total	1,734	1,734	470.8 (27%)

HolA role as Head of Assurance	210	210	48.7 (23%)
HolA role as DPO	35	35	7 (20%)
Sub Total	245	245	55.7 (23%)

External Clients	1,043	1,043	190.1 (18%)
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Total Chargeable Planned Days	3,022	3,022	716.6 (24%)
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NB – Core includes all unplanned Covid19 related assurance work.
Corporate includes days where the Team have supported other services (i.e. redeployment).

Position as at 30th June 2020 – Plan Assignments

Directorate	2020/21 plan assignments*	Assignments expected to be completed to date	Actual assignments completed
Adults & Communities	4	0	0
Childrens Services	6	0	0
Core Services	18	6	5
Place	9	0	0
Public Health	2	0	0
Total	39	6	5

* Incl. c/fwd from 2019/20.

NB – excludes advisory, grants etc where no report required.

The variance of 1 assignment completed is due to a report being at draft report stage (see work in progress at page 6). A meeting is scheduled with officers to discuss the outcomes and finalise the report.

Changes to the 2020/21 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.

The plan has been finalised during the period, following meetings with individual DMTs to re-prioritise audit resources to ensure focussing on priority areas (following assessment of the impact of Covid19).

Final Internal Audit reports issued

We have finalised 5 audit reports in the period. The following table provides a summary of assurances, where applicable, and the number and categorisation of agreed management actions included in these reports:

Directorate- Audit Assignment	Assurance Opinion	Number of Management Actions Agreed:			Total	Agreed
		High	Medium	Low		
Core: Policy into Practice - Honoraria & Agency Staff	Reasonable	0	2	1	3	3
Core: Procurement Compliance (BMBC)	Limited	1	10	11	22	22
Core: Procurement Compliance (NPS Barnsley Ltd)	Limited	1	11	5	17	17

Directorate- Audit Assignment	Assurance Opinion	Number of Management Actions Agreed:			Total	Agreed
		High	Medium	Low		
Core: Payroll (under and overpayments)	Reasonable	0	1	0	1	1
Core: Main Accounting (Journals)	Reasonable	0	1	2	3	3
Total		2	25	19	46	46

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 2 audit reports issued during the period that had a limited assurance opinion (included in the above table). These both relate to procurement compliance reviews, in respect of the Council and NPS Barnsley Ltd.

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

Audit Work Completed	Details	Contribution to Assurance
Communities: Troubled Families – Quarterly validation	Grant claim validation.	The work contributes to assurance in respect of financial management.
Core/Place: Glassworks Board Attendance	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).	The work contributes to assurance in respect to contract management, governance and financial management.
CPR Working Group	Phase 2 review of the Council's Contract Procedure Rules to consider and incorporate (where applicable) additional feedback received from stakeholders as part of the initial consultation process following the completion of CPR Phase 1 review.	The work ensures that the Council's CPRs facilitate compliance with legislative, regulatory and regulatory requirements. In addition, ensures that they are streamlined to ensure that the needs of the organisation are met whilst operating within the legal framework.
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 allowing for the more timely update and / or removal of access permissions and also the proactive monitoring and management of SOD conflicts.

Audit Work Completed	Details	Contribution to Assurance
Core – SAP Success Factors	To continue to support the project throughout its design and implementation.	The work contributes to assurance in respect to contract management, governance and financial management.
Core - SMART working and Managers Toolkit	To develop the audit and assurance elements of the managers toolkit and also to attend the Working Group meetings to provide check and challenge to the process.	This work supports the Council in its objective of increased SMART working arrangements.
Childrens Services - SEND – Decision Making	A check and challenge approach to the project in terms of improvement plans and inspection readiness.	The work contributes to assurance in respect of governance and financial management.
Place - URBACT Grant - External Assessment	Supported the project team through the external audit by European Auditors (E&Y) of the Tech Revolution claim.	This work informed the European Auditors of compliance with their T&Cs and also Council policies.

Other Internal Audit work undertaken

Audit Activity	Description
Follow-up of Recommendations	Regular work undertaken to follow-up recommendations / agreed management actions made.
Attendance at Steering / Working Groups	<ul style="list-style-type: none"> • Information Governance Board • Commissioning, Procurement & Contracts Working Group • Housing Property Repairs & Improvement Board • Digital Leadership Team • Capital Programme Oversight Board • SharePoint Board • Public Health Quality & Governance Group
Liaison, Planning and Feedback	Meeting and corresponding with Service and Executive Directors and Heads of Service regarding the review of the annual plan, 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
Core - GDPR/SIRO Compliance Arrangements			✓
Core - DPO - Cybersecurity		✓	
Core – DPO – GDPR Awareness (Survey)		✓	
Core - Covid 19 - Emergency Funding Plan Assurance		✓	
Core - Covid 19 - Moratorium Assurance		✓	
Core - Covid 19 - Recovery Strategy and Plan		✓	
Core - Preventing Illegal Working		✓	
A&C - Shared Lives - process review	✓		
A&C - Relationship Governance – BCVS	✓		
A&C - Assisted Living Service	✓		
Core - DPO - Data Sharing	✓		
Childrens - Elected Home Educated (EHE) Children	✓		
Childrens - Attendance- Fixed Penalty Notices (FPNs)	✓		
Childrens - Take up of Two Year Old Entitlement	✓		
Place - UAT - SAP and new PRIP Rates	✓		

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. Internal Audit continues to issue a detailed monthly status update to Service Directors and to Executive Directors on a quarterly. This is in addition to the performance reports currently presented to SMT.

The following table shows the status of internal audit management actions by Directorate where the original target implementation date was due for completion during the period:

Recommendation/ Implication Categorisation	Original Target Date in Period	Completed	Not yet completed – Revised date agreed	Not yet completed – Awaiting management update
Adults & Communities				
Fundamental/High	0	0	0	0
Significant/ Medium	3	3	0	0
TOTAL	3	3	0	0
Place				
Fundamental/High	0	0	0	0
Significant/ Medium	1	1	0	0
TOTAL	1	1	0	0
Childrens Services (excl. Maintained Schools)				
Fundamental/High	6	6	0	0
Significant/ Medium	1	1	0	0
TOTAL	7	7	0	0
Maintained Schools				
Fundamental/High	0	0	0	0
Significant/ Medium	0	0	0	0
TOTAL	0	0	0	0
Core				
Fundamental/High	0	0	0	0
Significant/ Medium	15	13	2	0
TOTAL	15	13	2	0
Public Health				
Fundamental/High	0	0	0	0
Significant/ Medium	0	0	0	0
TOTAL	0	0	0	0
OVERALL TOTAL	26	24	2	0
%	100%	92%	8%	0

Internal Audit performance indicators and performance feedback for 2020/21

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

Ref.	Indicator	Frequency of Report	Target 2020/21	This Period (Q1)	Year to Date
1.	<u>Customer Perspective:</u>				
1.1	Percentage of questionnaires received noted "good" or "very good" relating to work concluding with an audit report.	Quarterly	95%	100% (5 responses received)	100% (5 responses received)
2.	<u>Business Process Perspective:</u>				
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report.	Quarterly	80%	100%	100%
2.2	Percentage of chargeable time against total available.	Quarterly	73%	70%	70%
2.3	Average number of days lost through sickness per FTE	Quarterly	6 days	0.7 day	0.7 day
3.	<u>Continuous Improvement Perspective:</u>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
4.	<u>Financial Perspective:</u>				
4.1	Total Internal Audit costs v budget.	Quarterly	Within Budget	Yes	Yes

Head of Internal Audit's Internal Control Assurance Opinion

The Head of Internal Audit, Corporate Anti-Fraud and Assurance 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 **reasonable** 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	Reasonable			

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
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Sharon Bradley	Audit Manager	Tel: 01226 773187 Mobile: 07795 305846 Email: SharonBradley@barnsley.gov.uk

KEY TO INTERNAL AUDIT ASSURANCE GRADINGS AND CLASSIFICATION OF MANAGEMENT ACTIONS

1. Classification of Management Actions

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

2. Assurance Opinions

	Level	Control Adequacy	Control Application
POSITIVE OPINIONS	Substantial	Robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Reasonable	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.
NEGATIVE OPINIONS	Limited	Risk exists of objectives not being achieved due to the absence of key controls in the system.	Significant breakdown in the application of key controls.
	No	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 7

Report of the Executive Director Core Services

AUDIT AND GOVERNANCE COMMITTEE – 29th JULY 2020

RISK MANAGEMENT UPDATE

1. Purpose of the Report

- 1.1 This brief report updates the Committee on the development of the new approach to risk management across the Council.

2. Recommendations

- 2.1 **It is recommended that the Committee notes the update and is assured that the approach and progress have the continued commitment from senior management.**

3. Current Position

- 3.1 As the Committee is aware, a new approach to how the Council identifies and manages its risks (concerns and issues) has been agreed by the Senior Management Team (SMT) and has received previous reports, the last update being at the June meeting.
- 3.2 Work is continuing, particularly around the development of a 'system' that will support the new approach. This is being developed 'in-house' utilising the functionality of the Council's document management system, SharePoint.
- 3.3 The planned workshop with SMT is scheduled for mid-August which will allow the system to be developed further to a point where it can be demonstrated.
- 3.4 Whilst progress on this may appear protracted, the annual governance review process has provided assurance that Business Units are maintaining their risk registers and considering key risks as part of the normal management meetings, most significantly in managing the issues arising from the Covid-19 pandemic
- 3.5 The pandemic has understandably also impacted upon the capacity and priority of key individuals, and notably SMT, to progress the new risk management approach. The Committee should be assured however that this remains an important priority for SMT.

- 3.6 The new system will be demonstrated to the Committee in due course alongside the emerging new strategic risk register. The overall risk management strategy, policy and supporting procedures will also be presented to the Committee for approval.
- 3.7 Again, as stated previously, it is not possible to commit to a timescale for the various stages of development and implementation whilst there remains significant work regarding the pandemic recovery and renewal. The Committee will receive further updates as required.

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

Audit Progress Report and Sector Update

Barnsley Metropolitan Borough Council
Year ending 31 March 2020

20 July 2020

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Introduction



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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either Gareth or Thilina.

Progress as at 20 July 2020

Financial Statements Audit

We undertook our initial planning for the 2019-20 audit in January 2020, and our interim audit in February to March 2020. We began our work on your draft financial statements in July.

In January we issued a detailed Audit Plan, setting out our proposed approach to the audit of the Council's 2019-20 financial statements.

We will report our work in the Audit Findings (ISA2600 Report) and aim to give our opinion on the Statement of Accounts in October 2020.

Covid-19

In addition to the audit risks communicated to those charged with governance in our Audit Plan on 22 January 2020, the Covid-19 pandemic led us to update our planning risk assessment and reconsider our audit and value for money approach to reflect the unprecedented global response. On 22 April we issued an addendum to our Audit Plan, setting out a new significant financial statement risk in relation to Covid-19.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that: "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body 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 three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our value for money initial risk assessment with significant risks were reported to those charged with governance in our Audit Plan on 22 January 2020.

We will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion in October 2020.

New Audit Code for 2020-21 onwards:

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020-21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation is now underway and runs until 2 September 2020. It can be accessed through the NAO website:

<https://www.nao.org.uk/code-audit-practice/agn-03-vfm-consultation/>

Progress at July 2020 (Cont.)

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). In response to the impact of the Covid-19 pandemic, the DWP has moved the reporting deadline back to 31 January 2021 from 30 November 2020. We will report our findings to the Audit Committee in January 2021.

We certify the Council's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2019-20 claim is due to be completed in advance of the 30 November deadline.

We also certify the Council's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government. (MHCLG). We have yet to receive from MHCLG guidance for the certification work for the 2019-20 return.

Meetings

We have held a series of very useful and informative meetings with the Chief Executive and Service Director for Finance (Chief Finance Officer) since February 2020, covering various topics including challenges arising from Covid-19 pandemic and other Council priorities. We will continue to have this dialogue with senior management during these unrepresented times for the Council. We continue to liaise with finance staff regarding emerging accounting developments and to ensure the audit process is smooth and effective, despite the challenges of remote working.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

COVID-19 Update

Impact on working arrangements:

- following the government's announcement on Monday 16 March 2020, we closed our Grant Thornton offices for the foreseeable future and your audit team are now working from home
- we expect to be working remotely during your accounts audit. Although there are some audit tasks which are best undertaken in person, we will be able to complete the majority of the audit remotely. This is however likely to make the audit process longer. We continue to work closely with your finance team to make this different way of working as efficient as possible.
- there may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of COVID-19.

Impact on accounts and audit opinions:

There are a number of key issues which we would continually consider as part of the year end audit, currently on going:

- impact on reserves and financial health and whether the Council needs to provide additional disclosures that draw attention to Going Concern or asset valuations
- valuation of Land and Buildings and assumptions made by valuers, particularly in respect of carrying value to current value assessment as part of the 5 year rolling valuation methodology
- impact on collectability of debts outside the public sector and assumptions made in bad debt provisions.
- impact on post-balance sheets events. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed
- disclosure of impact in the Narrative Report
- disclosure of critical judgements and material estimation uncertainties
- impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation
- considerations in respect of service continuity and disaster planning arrangements
- impact on reporting to those charged with governance and signing arrangements.

Changes to reporting requirements:

- the Secretary of State announced that for the 2019-20 accounting period he would be extending the period for publication of principal authority accounts to 30 August 2020.
- The Council provided us with their draft accounts on 30 June 2020 and our audit commenced on 6 July 2020
- The revised target date for audited financial statements is now 30 November 2020. However, in discussions with the Council's finance team, we are aiming to complete and conclude our audit in October.
- IFRS 16 implementation has been delayed by 1 year to 1 April 2021. IAS 8 disclosures in respect of new accounting standards which have been issued but are not yet effective are still required for IFRS 16 (Leases) even though implementation is deferred to 2021-22.

Audit Deliverables

2019-20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2019-20.	April 2019	Complete
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.	January 2020	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2020	Complete.
Audit Plan Addendum We issued an updated Audit Plan to highlight the impact of Covid-19 on our audit approach. This was presented to the Audit Committee at the beginning of June.	April 2020	Complete
Audit Findings (ISA260) Report The Audit Findings Report is expected to be shared with management and members of the Audit Committee in October.	October 2020	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	By 30 November 2020	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	December 2020	Not yet due

Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

In-depth insight into the impact of Covid-19 on financial reporting in the local government sector – Grant Thornton

In June Grant Thornton published a report to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, the report identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. The report also included a number of useful links to other resources.

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The report considered:

- Operational challenges and the related financial reporting/regulatory impact
- Government support schemes – considering the accounting implications
- Significant financial reporting issues to consider
- Other sector issues and practicalities to consider
- Impact on audit work/external scrutiny process
- Engagement with experts

We shared the report with your officers and discussed relevant issues with them in a timely manner.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008-09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Nondomestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way.



The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2020/impact-of-covid19-on-financial-reporting-local-government-sector.pdf>

Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that “aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government’s response to COVID-19.”

The NAO report notes “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The NAO comment “This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

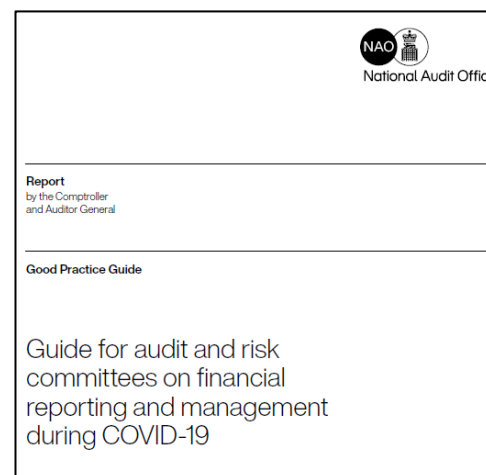
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period.”

The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>



Kickstarting Housing – Grant Thornton and Localis

In July Grant Thornton Head of Local Government, Paul Dossett, wrote an essay, included as part of a collection in the Localis report – “Building for renewal: kickstarting the C19 housing recovery”.

Paul asked “So how do we address “the housing crisis” in the context of an existential threat to the British economy? Just as importantly, how do we ensure our key workers, our new heroes of the Thursday night applause, are front and centre of such a response. Paul suggested that the housing response needs to move away from the piecemeal towards a comprehensive and strategic response, with five key pillars with the key worker demographic at its heart:

- **Public housebuilding.** This will involve more borrowing, but we need a bold and ambitious target to build at least one million new public sector properties at social rents by 2025. This should involve a comprehensive and deep partnership between Homes England and local authorities and underpinned by a need to minimise the carbon footprint.

- **Private sector housing needs a rocket boost** with massive Government supported investment in modern methods of construction and consideration of required workforce needed to meet capacity. This needs to go hand in hand with a major recruitment drive into all facets of the housing industries. This should include national and local training initiatives to support workers from the service sectors who are very likely to lose their jobs because of the pandemic.

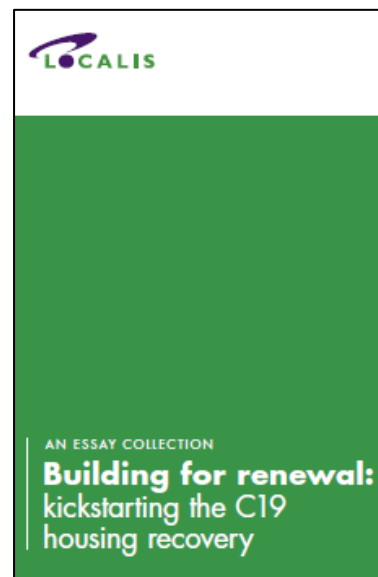
- **Strategic authorities based on existing local government footprints** across the country to remove the inconsistent patchwork quilt of current arrangements so that there is consistency between local, county and national strategic priorities. They should be legally tasked and funded for development of comprehensive infrastructure plans to support housing initiatives in their areas with a strong remit for improving public transport, supporting green energy initiatives and developing public realms which create a sense of community and belonging.

- **Building on existing initiatives to improve security of tenure and quality of accommodation,** a new partnership is needed between landlord and tenants that provides a consistent national/regional footing to ensure that housing is a shared community responsibility. This should, like the response to the pandemic, be part of a shared community narrative based on state, business and local people.

- Putting key workers at the heart of the Housing strategy. The country appears to have discovered the importance of key workers. The people that keep the country running and whose contribution is never usually recognised financially or in terms of social esteem. There are several existing key worker accommodation initiatives, but they are local and piecemeal. We need a comprehensive strategy which focuses on key worker needs, including quality of accommodation, affordable mortgages/ rents, proximity to workplaces and above all , a sense of priority on the housing ladder for those who keep the country running in good times and bad and are the best of us in every sense.

Paul concluded “Housing is a basic need and if key workers feel valued in their place in housing priorities, we will have made a giant step forward.

Key workers are not the only group in need of help of course. Utilising the momentum behind keyworkers that their role in COVID-19 has brought into focus, could help kickstart housing initiatives that help all those in need.”



The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/homes-fit-for-heroes-affordable-housing-for-all/>

CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the COVID-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny 'events' in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the COVID-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities' formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA's thinking on scrutiny's role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA's website:

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>

Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard.

PSAA note that the report “draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31 July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams”.

Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price:quality ratio.

The report notes that “PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme”.



The full report can be obtained from the PSAA website:

<https://www.psaa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>

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

	Mtg. No.	1	2	3	4		5	6	7
Committee Work Area	Contact / Author	3.06.20	29.07.20*	16.09.20*	28.10.20* (2pm start)	Oct/Nov - Extra Mtg for the A/cs / AGS?	02.12.20*	20.01.21	17.03.21
Committee Arrangements					Workshop				
Committee Work Programme	AS	X	X	X		X	X	X	X
Minutes/Actions Arising	WW	X	X	X		X	X	X	X
Review of Terms of Reference	MMc/AS	X			X		X		X
Self-Assessment Review	AS/CHAIR				X		X		
Internal Control and Governance Environment									
Local Code of Corporate Governance (Draft / Final)	MMc/AS		X	X					
Annual Governance Review Process and Timescales	MMc/AS	X							X
Draft/Final Annual Governance Statement & Action Plan	MMc/AS		X	X		X?			
AGS Action Plan Update	MMc/RW	X					X		
Corporate Whistleblowing Update & Annual Report	SL/RW							X	
Anti-Fraud									
Annual Fraud Report	RW	X							
Corporate Fraud Team - Report	RW			X					X
Corporate Risk Management									
Risk Management Update	RW/AS	X	X						
Risk Management Policy & Strategy	RW/AS			X					
Annual Report	RW/AS			X					
Strategic Risk Register **	RW/AS			X				X	
Internal Audit									
Internal Audit Charter (Annual)	RW	X							X
Internal Audit Plan	RW	X	X						X

	Mtg. No.	1	2	3	4		5	6	7
Committee Work Area	Contact / Author	3.06.20	29.07.20*	16.09.20*	28.10.20* (2pm start)	Oct/Nov - Extra Mtg for the A/cs / AGS?	02.12.20*	20.01.21	17.03.21
Internal Audit Quarterly Report	RW		X				X	X	
Internal Audit Annual Report (Interim / Final)	RW	X	X						
Annual Review of the Effectiveness of Internal Audit	RW						X		
External Audit (Grant Thornton)									
Annual Governance Report (ISA260 Report)	GT			X?		X?			
Audit Plan	GT							X	
Annual Fees Letter	GT			X					
Claims & Returns Annual Report	GT							X	
External Audit Progress report & Technical Update	GT	X	X	X			X	X	X
Financial Reporting and Accounts									
Financial Regulations - Update	S Loach			X					
Budget Proposal Section 25 Report	NC								X
Statement of Accounts (Draft / Final)	NC			X		X?			
Corporate Finance and Performance Management & Capital Programme Update	NC			X			X		X
Treasury Management Annual Report	IR/Stuart Wilson		X						
Treasury Management Progress Report	IR/Stuart Wilson						X		
Treasury Management Policy & Strategy Statement	IR/Stuart Wilson								X

	Mtg. No.	1	2	3	4		5	6	7
Committee Work Area	Contact / Author	3.06.20	29.07.20*	16.09.20*	28.10.20* (2pm start)	Oct/Nov - Extra Mtg for the A/cs / AGS?	02.12.20*	20.01.21	17.03.21
Other Corporate Functions contributing to overall assurance programme to be determined:									
Update on Glassworks	DS	X							
Update on Covid-19 Response	?	X							
Information Governance and Cyber Security update (twice yearly)	SJH	X							
DPO Update (twice yearly)	RW	X							
Human Resources (annual)	MP/JH			X					
Business Continuity/Emergency Resilience and Health & Safety Resilience(Annual***)	MP/SD				X				
Procurement (Annual)	NC/CA								
Performance Management (Annual)	MP/MR							X	
Asset Management (Annual)	DS/DS								
Ethical Framework (Annual)	AF/SL								
Equality and Inclusion (Annual)	MP/HD							X	
Partnerships (Annual)	MP								
Insurance Claims (Annual)	NC				X				
Ombudsman and Complaints (Annual)	MP/KL			X					

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

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

*** Report to October meeting in 2020 only – thereafter September annually

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

Document is Restricted

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