

<b>MEETING:</b>	Audit and Governance Committee
<b>DATE:</b>	Wednesday, 28 October 2020
<b>TIME:</b>	2.00 pm
<b>VENUE:</b>	THIS MEETING WILL BE HELD VIRTUALLY

## MINUTES

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

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

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

### 2. MINUTES

The minutes of the meeting held on the 16<sup>th</sup> September, 2020 were taken as read and signed by the Chair as a correct record.

### 3. APPOINTMENT OF VICE CHAIR

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

### 4. ANNUAL GOVERNANCE STATEMENT 2019/20

The Chief Executive and Executive Director Core Services submitted a report presenting the Authority's 2019/20 Annual Governance Statement (AGS) as required by the Accounts and Audit Regulations 2015. The report requested the Committee to refer it to the Council for consideration and adoption as part of the process for approving the 2019/20 Statement of Accounts. A copy of the Statement was appended to the report.

The Head of Internal Audit, Assurance and Anti-Fraud gave a brief resume of the contents of the Statement and how the review had been undertaken. An Action Plan had been prepared to capture issues raised throughout the review process and this document would form the basis for the Committee monitoring throughout the Year. The Action Plan was appended as Appendix 1 to the Annual Governance Statement and outlined the items upon which further action was required. An update of the Action Plan would be submitted to the Committee throughout the year.

He reported that CIPFA Guidance for 2019/20 had recommended that the AGS should specifically reflect the impact that COVID-19 had had and whilst the greatest impact would fall within the current financial year, the AGS was signed at the point when the statement of accounts was signed off and, therefore, needed to reflect the most up to date position.

As the Committee was aware, a new approach to broader governance assurance was being developed which would support and integrate into the new risk management arrangements but would also embed the focus on governance that the recent Annual Governance Review introduced. The Committee would be kept informed of the development of the governance assurance framework which would provide members with a clearer focus across the Committee's wider governance remit.

Written responses to questions asked by Members of the Committee were provided as follows:

- The Council was working with the Sheffield City Region to come forward with a consistent approach to how funding for the movement into Tier 3 would be allocated. This included a discretionary business support scheme for those businesses not forced to close but still affected by the new restrictions. Further details would be provided for the Committee when these arrangements had been confirmed
- In relation to the need to ensure that procedures were in place to ensure that the Council responded to enquiries of the Local Government and Social Care Ombudsman (LGSCO) in a timely manner, it was reported that a detailed review had been undertaken of the arrangements to deal with customer complaints and requests for information. Key actions that were now in place included:
  - Daily management of the LGSCO mailbox
  - All LGSCO enquiries were formally logged and associated tasks tracked and managed through the SharePoint Online system
  - There was a timely issue of automatic system generated reminders to officers tasked with preparing responses
  - All LGSCO enquiries were co-ordinated, responses collated and issued by the appropriate officers
  - The relevant Head of Service and Service Director were copied into the initial SharePoint Online system generated task and to all reminders
  - A RAG rated process was built into the SharePoint Online System which then produced alerts as to potential delays before they arose
  - An Escalation process was also built into the system which alerted the relevant Head of Service and Service Director of the lack of appropriate response
  - A LGSCO dashboard was under development which would capture performance in this area by Directorate
  - Members of staff from the Corporate Programmes, Projects, Feedback and Improvement Team attended all Departmental Management Teams to discuss learning points from the LGSCO Annual Review letter and to impress the importance of meeting timescales. In addition, an internal Communications Plan had been developed and messages were to be circulated expressing that all responses (but not restricted to the LGSCO) should not be delayed
- The main reasons for the 5 cases referred to the Information Commissioner's Office were as follows:
  - 18/4/2019 – a concern had been raised by a member of the public, this was fully investigated by the Council. The outcome was not formally referred to the information Commissioner's Office as the data breach had been appropriately concluded

- 5/08/2019 – related to a Subject Access Request and information had been shared – a decision was awaited
- 25/10/19 – this related to a Data Breach. The Information Commissioner’s Office had stated that no further action was required in the light of the agreed action plan being fulfilled
- 4/9/2019 – this related to a Subject Access Request. Not all information had been provided to the Data Subject. The Information Commissioner’s Office had stated that no further action was required by the Council
- 17/12/2019 – related to a Data Breach. The Information Commissioner’s Office had recommended that the Council carry out regular audits to ensure that all staff were adhering to policies and procedures. Role specific data protection refresher training should be carried out bi-annually to ensure that all members of staff were aware of their obligations to ensure the security of the personal data they processed and stored
- In relation to hate crime, it was reported that this was monitored through the Community Tolerance and Respect Sub-Group of the Safer Barnsley Partnership and remained a key priority action within the delivery plan of that group. During the COVID pandemic, fluctuating levels of recorded hate crime and hate incidents dropping (in comparison) had been experienced initially but had increased more recently but not beyond levels experienced prior to the pandemic. One hate crime was obviously too many but the police undertook robust investigations of all hate incidents in order to determine the most appropriate course of action to deal with the offender and to support the victim. There was an increased risk due to COVID that community tensions would be exacerbated and where this happened, this could result in increased incidents and crimes of this type. Community cohesion had been recognised as an area of strategic focus and through the Tolerance and Respect Group work was progressing towards adapting the delivery plan to respond to this risk
- In response to questioning about the financial impact of fraud from businesses claiming Council COVID-19 funding when not entitled, it was reported that one clear case of fraud had been identified. The Council had subsequently recovered the full amount paid in error. A few other cases (less than 10) were being investigated to establish whether other fraud had been committed. As previously reported, there was no financial impact on the Council as these grants were funded by Central Government. Any fraudulent grants subsequently recovered, would be repaid to the Government accordingly
- In relation to potential deadline changes outlined within the Action Plan a result of entering COVID Tier 3, these would be kept under review. It was proposed that given the number and range of the improvement actions, an update would be presented on progress to each meeting of the Committee

**RECOMMENDED TO FULL COUNCIL ON THE 26<sup>th</sup> NOVEMBER, 2020** that the final Annual Governance Statement 2019/20 be approved and adopted.

## **5. REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2019/20**

The Committee considered a report of the External Auditor (Grant Thornton) which had been submitted in accordance with International Standard on Auditing 260, the

External Audit Governance Report 2019/20. Mr T DeZoysa (Engagement Manager) attended the meeting to present the report.

The report incorporated, amongst other things, the following:

- The Financial Statements, including the significant audit risks, findings from the group audit, area of audit focus and judgements and estimates, the Going Concern assumption and other responsibilities under the Code
- The current position with regard to COVID-19 and the impact on the financial statements and challenges
- The Value for Money Conclusion
- The Accounts production and audit process
- The current position with regard to the completion of the audit of the financial statements

Appendices to the report provided the following:

- The Action Plan to address issues identified
- The position with regard to the follow up of prior year recommendations
- The Audit Adjustments
- The audit fees charged for the audit and the provision of non-audit services
- The proposed audit opinion which would be confirmed following the receipt of the assurance from the Pension Fund Auditor – it was anticipated that the Group and Council would be provided with an unqualified/clean audit opinion with an Emphasis of Matter paragraph relating to the material uncertainty around the valuation of land and buildings as a direct impact of COVID-19 at the end of November following consideration by the Council on the 26<sup>th</sup> November, 2020

It was reported that the COVID-19 pandemic had significantly impacted on the normal operations of the Council from March 2020. Whilst this had not had a major impact on the financial outturn for 2019-20 the scale of the impact was being felt during 2020/21. The significant challenges and impact of this in relation to the increased costs, lost finance and preparation of the financial statements was outlined. The External Auditor had updated their risk assessment to consider the impact of the pandemic and an audit plan addendum had been issued on the 22<sup>nd</sup> April, 2020 which reported an additional financial statement risk in respect of COVID-19 and also highlighted the impact on their Value for Money approach.

In relation to the Financial Statements, the report summarised the key findings in relation to the 2019/20 external audit. This work had been completed remotely and one adjustment in relation to the Pension Fund liability had been identified although this did not impact on the Council's General Fund or useable reserves position. Further details of the audit recommendations were outlined within Appendix C. In addition, a small number of recommendations for management were detailed within Appendix A. Work was now substantially complete and there were no matters of which the External Auditors were aware would require modification of the audit opinion or material changes to the financial statements subject to a small number of outstanding matters as detailed.

The External Auditors had no concerns about the assumptions of the Council and there was no material uncertainty about the ability to continue as a going concern. In addition, they had agreed with the Council's assumptions with regard to the revised Medium-Term Financial Strategy which catered for the financial implications of the COVID-19 pandemic.

The External Auditor's Value for Money risk assessment had been updated to document their understanding of the Council's arrangements to ensure critical business continuity in the current environment. The VFM risks identified related to the Council's financial standing and the Glassworks project's governance and risk management arrangements and appropriate plans had been put in place to ameliorate those risks. It was pleasing to note, however, that no new VFM risks had been identified in relation to COVID-19.

The External Auditor had concluded that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources and it was anticipated that they would be issuing an unqualified VFM conclusion.

Finally, thanks were expressed to officers and members for their continuing help and co-operation throughout the audit work in what had been a particularly difficult time and at an earlier time than was required.

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

The following issues were referred to:

- There was a discussion of the principles of how the Committee operated particularly in relation to whether or not all members of the Committee should have access to all commercially sensitive information. Mr DeZoysa outlined the External Auditors role and the information required to enable them to make a judgement, to make a true and fair conclusion and to issue an audit opinion. He commented that no material omissions had been identified. In relation to the Glassworks a recommendation had been made to management that matters about the project should be reported and discussed within this Committee and indeed the Work Plan had identified that a report on this would be submitted to the December meeting. The extent of the information to be presented was something that needed to be discussed between Members and Officers. It was also noted that information of a commercially sensitive nature would be provided to members at the conclusion of this meeting
- In relation to information awaited from the Pension Scheme Auditors, an assessment would be made as to whether or not this would have an impact on the Council's accounts and pension liability before a final conclusion was issued

Written responses to questions asked by Members of the Committee were provided as follows:

- In response to requests about outstanding work:
  - it was reported that work on all areas mentioned as outstanding had been substantially completed at the time of the report (19<sup>th</sup> October,

- 2020) in order to propose the draft audit opinion detailed within Appendix E. Since that time, further outstanding areas had been completed particularly on pensions audit work, which was a significant risk within the audit plan, although the programme of work performed by the Pensions Authority Auditor had not yet been received. This was out of the control of the Council's External Auditor, but it was noted that this request had been submitted in March, 2020. It was anticipated that this information would be received by the end of October/early November, however, the difficulties that fellow auditors were experiencing was noted and acknowledged
- Working under unprecedented circumstances and remote auditing was a challenge for both the External Auditor and the Council equally. It was noted that this was one of the reasons an extension had been granted for the preparation of the accounts and auditing
  - With regard to matters in relation to Fraud, it was noted that, as mentioned within the statement of responsibilities, the overall responsibility for the prevention and detection of fraud was that of the Senior Management Team of the Authority. In accordance with the auditing standards, the External Auditor was required to ask questions and understand of how the Audit and Governance Committee gained assurances from Management in relation to fraud. These questions had been directed to the Chair of the Committee and were around how the Chair was satisfied that there were proper arrangements in place to prevent, detect and report fraud within the Authority. A copy of the letter together with the responses of the Chair had been circulated to all members of the Committee
  - The Committee's workplan included proposals to receive regular reports on the Glassworks project on an at least bi-monthly or more regular basis should the need arise
  - In response to the External Auditors recommendation in relation to budget setting and monitoring, questions were asked as to whether the current systems and procedures were sufficiently robust or could be improved:
    - the External Auditor reported that their work in 2019/20 indicated that there were indeed robust budget monitoring and reporting processes in place. Their recommendation was forward looking to continue the work in these unprecedented times, working with all stakeholders to provide accurate budgets and monitoring on a timely basis. The COVID-19 pandemic had brought significant challenges and financial pressures, not just for the Council but of the Local Government Sector as a whole. These additional COVID-19 pandemic challenges had not been in existence before March 2020. The recommendation was looking at actions going forward to address these challenges, whilst keeping Members fully informed
    - the Council's view was that the procedures were already in place to track the financial impact of COVID-19 response and recovery effort. This was monitored daily and reported to the Senior Management Team on a weekly basis with periodic updates being provided to Cabinet as part of the quarterly performance management cycle. A mitigation (financial recovery) plan was also in place to safeguard the Council's financial Standing
    - Any known ongoing impacts had been factored into the Council's updated Medium-Term Financial Strategy and budget 2021/22 budget proposition. This would be reported to the Senior Management Team,

- the Audit and Governance Committee and Cabinet as part of established budgetary procedures
  - The Council also continued to lobby the Government for a needs-based and sustainable funding package for the sector
- Information on the Glassworks project which was currently commercially sensitive, as previously reported, would be provided at the close of the meeting
- It was noted that the Council continued to review the systems in the market place to automate the Fixed Management System. Each system in the market place had its pros and cons. It should also be noted that the current system, whilst manual, was fit for purpose
- The External Auditor explained why it was not possible to formally conclude the audit and issue an audit certificate until work had been completed that was necessary to issue the Whole of Government Accounts (WGA) Component Assurance Statement.
  - This was the same situation as last year's audit opinion. In essence, the External Auditors could not issue the audit closure certificate (which was part of the audit process) with the audit opinion. The reason for that was that the WGA, which was an assurance piece of work, was a report to the National Audit Office rather than the audit under the ISA (UK). Performing the WGA work was part of the External Auditor's overall audit appointment
  - The National Audit Office prepared the WGA whilst Grant Thornton acted as the component auditor and followed group audit instructions from the National Audit Office on what to do. The Council prepared a data collection pack for the WGA set by the National Audit Office and all Authorities were provided with the same data collection pack. Grant Thornton reviewed that data to ensure that it was consistent with the numbers they had audited
  - The data pack included the same balance sheet, income and expenditure for the year ended 31<sup>st</sup> March 2020 that had been audited in the draft accounts, therefore, overall numbers were exactly the same as the 2019/20 draft accounts
  - There would be more analysis of inter authority/government debtors, creditors and loans so that the National Audit Office could eliminate those in the WGA consolidation process. Grant Thornton would check the accuracy and validity of these inter authority/government balances and transactions. However, they were all reconciled back to the Statement of Accounts that had been audited under ISA(UK) and for which an unqualified opinion with an Emphasis of Matter paragraph (as stated within Appendix E to the report) was proposed to be issued.
  - This was the reason Grant Thornton could issue the audit opinion of the financial statements of the Authority and Value for Money conclusion before work had been concluded on that assurance piece of work, however, technically they could not close the audit until work on the WGA had been completed

**RESOLVED** that the Committee place on record their thanks and appreciation for the hard work of the External Auditor and the Service Director Finance and his Team in this process; and

## **RECOMMENDED TO FULL COUNCIL ON THE 26<sup>th</sup> NOVEMBER, 2020:-**

- (i) That the External Auditor's (ISA 260) Report 2019/20 be approved;
- (ii) That the findings on the effectiveness of the Council's internal controls and the conclusions on the Council's arrangements for securing Value for Money be noted; and
- (iii) That the findings from the audit work in relation to the 2019/20 financial statements be noted.

### **6. AUDITED STATEMENT OF ACCOUNTS 2019/20**

Further to Minute 67 of the meeting held on the 25<sup>th</sup> June, 2020, the Service Director Finance submitted the revised audited Statement of Accounts for 2019/20 which incorporated all changes agreed with the auditor.

It was noted that the only significant change was in relation to the Council's pension deficit (on an accounting basis) as at the 31<sup>st</sup> March, 2020. The Council had received information from the actuary in early April to enable it to meet its statutory deadline in respect of submitting its draft statement of accounts. Contained within the suite of pensions information was the position for the Council's assumed proportion of the pension fund assets and, in particular, the performance of such assets during the year. It was further noted that the actuary used actual evidence up to the end of December with an estimate being made for the remainder of the financial year. Ordinarily the difference between the estimated position and what actually transpired was not materially different, however due to the COVID-19 pandemic there was a difference of a notional £6.930m reduction on the value of the Council's proportion of the pensions fund assets as at 31<sup>st</sup> March, 2020 which, therefore, increased the net liability.

It was reported that the adjustment detailed above had no effect on the useable reserves of the Council. The way in which the Council provided/budgeted for its future pensions obligations was based on the funding basis, which was different to the position in the statement of accounts, which was based on the prescribed accounting standards. The funding position, therefore, showed a relatively small deficit which the Council had plans to address over the medium term.

Arising out of the above and in response to questions about the triennial valuation position, the Service Director Finance explained that the information at 31<sup>st</sup> March, 2019 set the future funding rates for the three year period to 2023/24. The contributions of the Authority were set at approximately 2% higher than the previous future service rate but, combined with that, the deficit as reported previously of around £200m had almost been eliminated so in overall terms the Authority was contributing significantly less to the pension fund than it had previously.

Written responses to questions asked by Members of the Committee were provided as follows:

- It was noted that comments on the move to COVID Tier 3 would be included prior to publication as would minor drafting errors



- In relation to the Narrative Report/Executive Summary, it was noted that this would be published as a separate stand-alone document and be presented alongside the Statement of Accounts
- Questions raised in respect of the changes to the accounts since being previously submitted to Committee in June were referred to above
- Questions in relation to the Glassworks would be addressed at the close of the meeting given the commercial sensitivity around the issues raised. It was again pointed out that regular reports would be submitted to the Committee throughout the remaining build phase and beyond.

**RECOMMENDED TO FULL COUNCIL ON THE 26<sup>TH</sup> NOVEMBER, 2020** that the revised audited Statement of Accounts 2019/20 be approved.

**7. LETTER OF REPRESENTATION**

The Executive Director Core Services and Service Director Finance submitted the Letter of Representation which was to be sent to the External Auditor.

**RESOLVED** that the submission of the letter to the External Auditor be approved.

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Chair