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| MEETING: | Audit and Governance Committee |
| DATE: | Wednesday, 28 July 2021 |
| TIME: | 3.30 pm |
| VENUE: | Council Chamber, Barnsley Town Hall |

MINUTES

Present Councillors Loftis (Chair), Hunt and Richardson together with Independent Members - Ms K Armitage, Mr S Gill, Mr P Johnson and Mr M Marks

17. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

18. MINUTES

The minutes of the meeting held on the 2nd June, 2021, were taken as read and signed by the Chair as a correct record.

19. DRAFT 2020/21 STATEMENT OF ACCOUNTS

The Service Director Finance submitted a report presenting the 2020/21 Statement of Accounts, the Council's eleventh set of accounts prepared in accordance with International Financing Reporting Standards. Thanks were also extended to Mr P Johnson (Independent Member), who had been involved in discussions with the Service Director Finance and his Team during the preparation of the accounts, for the support, challenge and rigour he had brought to the process.

The Committee also received a presentation from Mr S Loach (Head of Finance) giving an introduction to the preparation of the accounts, the impact of Covid 19 on the Statement of Accounts, the key messages and explanations arising therefrom and outlining the next steps to be taken.

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 Structure
 - The narrative report
 - The 4 Core Statements
 - The Disclosure notes
 - The Technical annexes
- The Key Messages in relation to the Impact of Covid
 - The costs of the pandemic and the areas of spend. Particular reference was made to the fact that over £80m had been provided to businesses across Barnsley impacted by the pandemic. This expenditure had not, however, been included within the accounts as the Council was effectively acting as an agent on the government's behalf
 - The income losses
 - The overall impact on the financial position. Overall there had been a £3.1m overspend reported in line with expectations of which £2.9m

related to the Collection Fund (taxation losses) leaving a General Fund overspend of £0.2m. This overall overspend was to be addressed through taxation income compensation expected in 2021/22 and Section 31 Grants for reliefs awarded. There was also to be a re-prioritisation of reserves earmarked for planned new investment as agreed in the Covid 19 Financial Recovery Strategy. There had been no call on the Council's Minimum Working Balance which was retained at the increase of £20m

- The Balance Sheet (Net Worth) – particular reference was made in this respect to Property Plant and Equipment and to the long-term liabilities in relation to retirement benefit obligations. Arising out of this, specific mention was made to the total movement in Property Plant and Equipment and, in relation to Pension Liability, the two bases of valuation and the total movement in Pension liability. In this respect, specific mention was made to actuarial (Gains)/Losses and the changes in actuarial assumptions
- The Balance Sheet Reserves – with particular reference to the usable reserves in relation to the General fund and housing Revenue Account
- The next Steps – which involved a Public Inspection period running from the 28th July to the 8th September, 2021, the External Audit process from July to mid-October and the presentation to this Committee and to the Council of the ISA 260 report on the External Audit Findings

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 implications of the current increase in inflation was touched upon, however, the Service Director Finance commented that it was anticipated that this was a short term issue and rates would return to around 2%. Particular reference was made to the impact in terms of pensions and public sector pay
- In relation to the Key Performance against Core Outcomes, it was noted that the number of new houses built during 2020/21 was lower than the target. This was largely due to the impact of the pandemic on the construction industry. The target for the number of affordable homes had been exceeded. Further information on this would be provided
- In response to specific questioning, the Service Director Finance reported on the current position with regard to the wiping out of bad debts and to collection rates. He commented that many businesses had received business rate relief which meant that there were less debts to collect, however, he did have some concerns regarding the collection of Council Tax going forward
- Reference was made to the deficit on the SEN Budget, to the way in which this was displayed within the accounts and the reasons for this as well as the measures introduced to tackle that deficit
- There was a discussion of the total income losses which currently stood at £11.4m and the reasons for this were outlined. It was noted that of the £3.1m deficit, £2.9 related to Collection Fund (taxation losses) for which taxation income compensation was anticipated
- An explanation was provided of the way in which grants that were distributed to local businesses throughout the Covid pandemic were addressed within the

accounts. It was noted that the Government had worked on an estimate based on the business rate and it had become apparent that a number of Councils including Barnsley had been overpaid. These overpayments were to be repaid back to the Government

- In response to specific questioning, the Service Director Finance commented that the Pension Authority accounts were intrinsically linked to the Council's accounts. Until these were 'signed off' the Council was unable to sign off its own accounts
- Reference was made to the current position with regard to officers in receipt of an exit package being re-employed by the authority on either a full time, part time or consultancy basis. The Executive Director Core Services commented on the legal position in this respect. Re-employment would generally only occur if a particular individual had a set of skills that was in short supply and these skills were required for a particular piece of work. Further information would be provided in writing
- Reference was made to the re-valuation of assets, how this was undertaken, what factors were taken into account and to the role of External Audit in this process. Further information would be provided

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;
- (ii) that Mr P Johnson (Independent Member) be thanked for his personal support, challenge and rigour he had brought to the process during the preparation of the accounts; and
- (ii) that the work that has taken place to prepare the Authority's Draft 2020/21 Statement of Accounts on an International Financial Reporting Standards basis be noted.

20. CIPFA CONSULTATION ON THE PRUDENTIAL AND TREASURY MANAGEMENT CODES

The Service Director Finance submitted a report presenting the proposals on the CIPFA Prudential Code and the CIPFA Treasury Management Code changes proposed following the recent CIPFA consultation on both Codes.

The report indicated that the changes proposed would be taken forward and incorporated within the revised Codes that were due to be published in December 2021. It was noted that CIPFA expected Local Authorities to apply 'principles' from the publication date and implement a full adoption from 1st April, 2022. The report, in summarising the main issues arising from the consultation, aimed to prepare the Council and Committee for any changes to be introduced particularly in relation to training requirements and also outlined how the proposed changes would be addressed by Treasury Management Officers.

Appendices to the report provided the consultation responses to both Codes together with a summary for clients provided by the Link Group (the Council's Treasury Advisors).

The Service Director Finance commented that there was nothing within the proposals that gave him any cause for concern although there were some potential training issues which would be the subject of a report to a future meeting. He also reminded Members that the Committee had previously allocated two of its Members as Treasury Management spokespersons on the basis that this was a very technical area. This practice had, however, lapsed over time and Members were asked if they wanted to re-adopt this approach going forward as a result of this latest consultation/update. In response, Mr Johnston stated that this was a particular area of interest to him and he felt that we could add value to the process and to the Committee if so appointed.

In relation to the consultation on the Prudential Code and in response to questioning, there was a discussion of the implications of local authorities borrowing to finance acquisitions where obtaining commercial returns was the primary aim. Service Director Finance commented on Barnsley's position in this respect and he stated that this had not been something that the authority had ever entertained or was likely to consider.

RESOLVED:

- (i) that the issues arising from the CIPFA consultations be noted and the Council's approach to the proposed changes and how these would be addressed by Treasury Management Officers be endorsed; and
- (ii) that Mr P Johnson be nominated as the Committee's Treasury Management spokesperson.

21. ANNUAL GOVERNANCE STATEMENT (DRAFT) 2020/21

The Head of Internal Audit, Anti-Fraud and Assurance submitted a report presenting the Authority's draft Annual Governance Statement (AGS) 2020/21. A copy of the draft Statement was appended to the report.

The Committee noted that the AGS was a statutory requirement as defined in the Accounts and Audit Regulations 2015 and had been prepared following an annual governance review process as reported at a previous meeting.

An Action Plan had been prepared to capture issues raised through 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 Draft 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.

With regard to the Action Plan, reference was made to, and there was a discussion of, the need to improve compliance with the completion of annual forms (Declaration of Interest) and their subsequent availability and use. It was noted that a robust process was in place to ensure that Elected Member Declarations were collected and published in a timely manner and in compliance with the required regulations. In addition, appropriate arrangements were in place to ensure that staff declarations were completed correctly. Further work was required, however, to ensure that this

information was easily accessible and available and that managers knew how to access and use this information appropriately.

RESOLVED:

- (i) That the draft AGS, which reflects the governance arrangements in place and the actions arising from the annual governance review process be noted;
- (ii) That the final AGS be presented to the Committee at its meeting to be held on the 17th November, 2021 where the Final Accounts will be presented alongside the External Auditor's ISA 260 report and thereafter to the Council on the 25th November, 2021 for approval; and
- (iii) That the Committee receive updates on the progress of the actions identified in the AGS Action Plan at future meetings.

22. INTERNAL AUDIT COMMITTEE PROGRESS REPORT 2021/22

The Head of Internal Audit, Anti-Fraud and Assurance submitted a report providing a summary of the Internal Audit activity completed and the key issues arising from it for the period 1st April to 11th July, 2021.

The report, which was presented by Mrs S Bradley (Audit Manager), outlined, amongst other things:

- 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. It was reported that the Service was currently on track to deliver the planned number of days
- Eight audit reports had been finalised within the period and a summary of the assurances where applicable and the number and categorisation of agreed management actions was detailed
- Two reports had been issued that had a limited assurance opinion and management had proactively taken action to address the findings of these reviews on a timely basis
- Details were provided of the outcome of other Internal Audit activities undertaken in the period that had not resulted in the production of a specific assurance opinion together with details of other Internal Audit work undertaken and current status
- Work was ongoing with management on a monthly basis to monitor the general position with regard to the implementation of management actions and to establish the reasons behind any delays. There were no concerns to report
- There were no issues to report in relation to Internal Audit's performance against the agreed Performance Indicators
- Based on the audits reported in the period an overall reasonable assurance opinion was considered to be appropriate

In the ensuing discussion, the following matters were highlighted:

- Reference was made to the current position in relation to the Youth Justice Service which was one of the limited assurance reports. A request had been

made by the newly appointed Head of Early Start, Prevention and Sufficiency for a review following the identification of concerns around a small number of known instances of non-compliance with Contract Procurement Rules and Financial Regulations by the Service when procuring goods, services and works. The expenditure in the service was of a 'low level' value and appropriate action had been taken by management

- In response to specific questioning, information was provided about work in progress in relation to the following audits
 - Glassworks Contract and Performance Management – work was progressing on this review and it was anticipated that this would be completed to draft report stage by the end of August
 - Future Management arrangements – discussions had been held with the Head of Property and the Service Director Regeneration and Culture to scope out this review – the Council would be managing the Glassworks

RESOLVED:

- (i) that the issues arising from the completed internal audit work for the period along with the responses received from management be noted;
- (ii) that the assurance opinion on the adequacy and effectiveness of the Authority's Internal Control Framework based on the work of Internal Audit in the period to the 11th July, 2021 be noted;
- (iii) that the progress against the Internal Audit Plan for 2020/21 for the period to the 11th July, 2021 be noted; and
- (iv) that the performance of the Internal Audit Division for the period be noted.

23. STRATEGIC CONCERNS/RISK REGISTER - UPDATE AND PRESENTATION BY THE EXECUTIVE DIRECTOR CHILDREN'S SERVICES

The Head of Internal Audit, Anti-Fraud and Assurance submitted a report reminding Members that at the meeting in March 2021 it had been agreed that the Committee have a regular opportunity for a 'deep dive' of some of the strategic risks with the appropriate Executive Director in attendance to update and assure the Committee on the management of their risks.

Members were further reminded that the Strategic Risk Register contained 13 risks of which 1 had been classified as high (red rating), 10 had been classified as medium (amber rating) and 2 had been classified as low (green rating). A copy of the current Strategic Risks/Concerns as at July 2021 was appended to the report.

All strategic risks had a number of actions identified to minimise/mitigate the risks and all actions had review/completing dates, status updates, progress RAG ratings and identified Action Owners.

The risk register system particularly as it related to the two Strategic Risks of the Executive Director Children's Services was displayed using Power BI software. This software allowed risk holder to filter and drill down through reports and thereby track and manage risks and ensure that appropriate action was being taken.

Ms Mel Jon-Ross, Executive Director Children's Services attended to meeting and provided the Committee with a review of two strategic risks within her Service namely:

- Special Educational Needs and Disabilities (SEND)
- Potential Death of a Child/Safeguarding failure in Children's Services

Ms John-Ross gave details of the background to both these risks and to why they were included within the Strategic Risk Register. She outlined the other risk factors that had been identified that underpinned the Strategic Risks and detailed the actions taken to track and manage those risks making particular reference to the other departments and agencies involved as well as the partnership and other arrangements that were in place to support the service and manage the risks. In managing the risks, she commented on the overriding importance of ensuring that the service met people's individual needs.

In relation to SEND, it was noted that although a new set of controls was in place and the Oversight Board had been developed to ensure that issues identified in the Peer Review Challenge were in place, there remained a need to focus on whether the systems established would be able to support improvements at pace and to the satisfaction of Service users and reduce the need to send children out of area which was not only expensive but attracted poor satisfactions rates. This strategic risk was classified as a low risk (green).

In relation to the second strategic risk which was classified as a medium risk (amber), there was confidence that appropriate controls were in place to minimise the potential safeguarding failures, however, there was a need to continually appraise these and to be able to identify any changes which may weaken current levels of assurance.

Factors included:

- The impact of Covid 10 on families and workforce capacity which could increase workload pressures
- Increasing incidence of poverty which could impact on demands for services and lead to increases in caseloads
- Future financial settlements that could impact on service provision
- An awareness of pressures in the system such as increasing workload which could lead to a decrease in staff attendance at meetings
- The potential for huge reputational damage in the event of a failure of the system/arrangements

In relation to both strategic risks Ms John-Ross gave a detailed explanation of

- All the risks identified together with their classification/rating and the reasons for that
- How each risk was risk managed and by whom
- Examples of recent risk activity and risk mitigations included

Arising out of the ensuing discussion particular reference was then made to the following:

- The benefits that the new approach to risk management and the use of Power Bi brought, particularly in terms of check and challenge. The ability to review progress and identify future actions, was noted
- Particular reference was made to the work with client groups, partner organisation and other agencies and also to the way in which consultation was undertaken to assist in the development of strategies, policies and approaches to work.
- Reference was also made to the importance of ensuring that clients did not have to 'tell their story' multiple times and to the initiatives that had been introduced to enable this to be avoided
- Congratulations were extended at the success of the service being nominated for a Local Government Chronicle Award for a partnership approach involving the Early Start and Family Services and Barnsley Hospital
- There was a discussion of the monitoring of staff workloads in order to ensure consistency and adherence to good practice. Arising out of this, reference was also made to:
 - The increasing awareness of safeguarding needs and to the additional investment in the service which had allowed additional social workers to be appointed on a temporary basis rather than using agency staff
 - The ways in which long term demand could be reduced by investment in early help initiatives
 - The impact of changes in working arrangements and workloads due to Covid 19. It was noted that continuity of service had been maintained throughout the pandemic and reference was made to ways in which workload pressures were monitored both by the SMT but by the Safeguarding Board and the Trust. There was also a discussion of the increase of home-schooling throughout the pandemic, to the difficulties this brought both in terms of social and welfare needs but also to educational requirements. The ways in which this risk was managed was outlined
- Information was provided about the governance of the multi-agency arrangements and to the work of the Safeguarding Partnership in this respect

RESOLVED:

- (i) That the Risk Register and Strategic Concerns update be noted; and
- (ii) That Mel John-Ross, Executive Director Children's Services, be thanked for attending the meeting and for answering Members questions.

24. COMPLAINT AND REFERRAL TO THE LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN

The Service Director Regeneration and Culture submitted a report:

- Reviewing the process followed in addressing a complaint made by a resident and its subsequent referral to the Local Government and Social Care Ombudsman (LGSCO);
- detailing the decision made by the LGSCO Investigating Officer; and
- on the subsequent actions taken by the Council in response to the recommendations of the LGSCO.

A letter detailing the Ombudsman's findings was appended to the report.

The complaint related to decision to approve a variation to a planning application. Whilst the Ombudsman had found the Council followed the decision-making process correctly, it was felt that there was a fault in the way in which the Council kept and published its planning records.

The recommendations of the Ombudsman had been accepted and appropriate action was being taken to address the issues identified, to issue an apology and to pay compensation in the sum of £150 to the complainant.

The report included an Action Plan detailing the steps to be taken to address issues and by whom together with the timescales involved.

It was noted that the Ombudsman required the complaint and recommendations to be submitted to this Committee before the 30th September, 2021. This was also a requirement of the Committee's Terms of Reference given the nature of the complaint.

RESOLVED that the report and proposed Action Plan and associated deadlines to comply with the recommendations of the Ombudsman's report be noted and approved.

25. EXTERNAL AUDIT - FINAL AUDIT PLAN 2020/21

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

The report outlined factors impacting the Audit and the Audit Plan and particularly reference was made to the significant impact on the Council of the Covid 19 pandemic. In addition, ISA (UK) 540 (revised) Auditing Accounting Estimates and Related Disclosures included significant enhancements in respect of the audit risk assessment process for accounting estimates. This would require greater disclosure by the Council as well as additional work by the auditor. The Financial Reporting Council had also set out its expectation of improved financial reporting from organisation and the need for auditors to demonstrate increased scepticism and challenge and to undertake more robust testing. The External Auditors work in 2019/20 had highlighted areas where financial reporting in the public sector needed to be improved with a corresponding increase in audit procedures. They had also identified an increase in the complexity of financial transactions in the sector which required greater audit scrutiny.

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

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

The planning materiality had been determined to be £8.632m for the Group and £8.593m for the Council which equated to 1.5% of the gross expenditure on the cost of services in the previous year. The External Auditor would also continue to report uncorrected omissions and misstatements other than those that were 'clearly trivial' – the 'clearly trivial' threshold had been set at £430,000. Reference was also made to the way in which the materiality levels had been set.

The risk assessments regarding the arrangements to secure Value for Money had not identified any risks of significant weaknesses at this time but this would be kept under review as the audit progressed.

The planning work for 2020/21 had commenced in February 2021 and would be completed along with the interim audit during July. The final accounts audit would take place from late July to early November. The key deliverables were outlined in the Audit Plan and the Audit Findings report and the Annual Report on the VFM work. Revisions and updates to certain ISA (UK) which were applicable to the 2020/21 audit and beyond were reported in detail within Appendix A. The audit fee had been set at £180,218 (an increase from £144,718 in the previous year) but was subject to the Council meeting their requirements.

The report also detailed other matters within the External Auditor's responsibilities together with the progress made against prior year audit recommendations and the risk assessment against each item.

Details of the additional work to be undertaken were provided within the report.

There was a discussion of the role of the Committee under the Financial Reporting Council update ISA (UK) 540 (revised) and to how it could be demonstrated that Members had fulfilled this role. Thilina De Zoysa, representing the External Auditor, did not feel that this would be an issue. The Committee would be given oversight and would be able to check and challenge the methods and models used to make the accounting estimates and the risks related to them. In addition, the External Auditors had already enquired and held discussions with the Service Director Finance and his Team about the process for making accounting estimates, including the monitoring activities undertaken by management. This information would be shared with the Committee. This should enable the Committee to make a satisfactory evaluation of how the accounting estimates were made.

It was noted that as part of the planning risk assessment procedures, letters of enquiry had been sent to management in April 2021. The responses would be considered by this Committee at a subsequent meeting. In response to specific questioning, it was agreed the letters themselves could be shared with Members of the Committee. This information would give the Committee an insight into the assumptions made in relation to the estimates and risks related to them.

RESOLVED that the External Audit Plan 2020/21 be noted and, insofar as this Committee is concerned, the action to be taken be supported.

26. COVID - 19 - UPDATE BY THE EXECUTIVE DIRECTOR CORE SERVICES

The Executive Director Core Services gave a brief update on the current position with regard to the Covid 19 pandemic in Barnsley and to the action being taken by the Council to address issues identified.

It was noted that as the country had moved to step 4 of the roadmap to ease lockdown restrictions, the Council had agreed to take a significantly cautious approach.

Covid rates within the Borough were currently 800 per 100,000 of the population and there had been 1,900 positive cases within the last 7 days. This meant that Barnsley was currently 19th in the list of 'worst case areas' in the country but this was an improvement from 16th position in the previous week.

Case rates were beginning to fall but the levels were such that people were still being encouraged to be careful as the number of cases across the borough was continuing to cause disruption and people were having to self-isolate.

There had been a resultant impact on the delivery of services as a number of staff had been required to isolate following the receipt of a 'ping' from the NHS App. The Authority was, therefore, drawing up a 'critical workers' list (the finer details of which were still being worked upon) which would allow those who had been 'pinged' to still come into work provided that they had been given both Covid injections and tested negative on the day.

As a result of staff shortages, it had been necessary to suspend the green bin (garden waste) service and a close eye was being kept on all other services to identify potential problem areas.

Hospital admissions remained high but were being managed in the best possible way, however, school related infections had reduced last week due to the summer holidays.

In relation to vaccinations, it was reported that 85% of the population had received their first vaccination and 70% the second. The authority was continuing to try to target those not currently vaccinated in order to try to encourage take-up.

RESOLVED that the report be noted.

27. AUDIT COMMITTEE WORK PLAN

The Committee received a report providing the indicative work plan for the period June 2021 to June 2022.

RESOLVED that the core work plan for meetings of the Audit and Governance Committee be approved and reviewed on a regular basis.

28. EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED that the public and press be excluded from this meeting during the consideration of the following item in view of the likely disclosure of exempt

information as defined by Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

29. UPDATE ON THE GLASSWORKS PROJECT AND WIDER TOWN CENTRE IMPROVEMENTS

The Executive Director Place submitted a report which had been considered by the Cabinet at its meeting on the 30th June, 2021 providing an update on progress made with the Glassworks development including construction, leasing, highways scheme, centre management plan and signage. In addition, it highlighted and sought approval from Cabinet to scheme amendments in relation to the Glassworks and the wider town centre.

Any Members wishing to ask questions should submit them in writing so that definitive answers could be provided for the next meeting.

RESOLVED that the update report be noted.

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Chair