

MEETING:	Audit and Governance Committee
DATE:	Wednesday 14 September 2022
TIME:	2.00 pm
VENUE:	Council Chamber, Barnsley Town Hall

MINUTES

Present Councillors Lofts (Chair), Barnard and Hunt together with Independent Members - Ms K Armitage, Mr G Bandy, Mr P Johnson and Mr M Marks

32. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

33. MINUTES

The minutes of the meeting held on the 27 July were taken as read and signed by the Chair as a correct record.

34. WORK PROGRAMME UPDATE REPORT AND WORK PROGRAMME

The Corporate Governance & Assurance Manager submitted a report which detailed the updates to the 2022-23 work programme, with the work programme appended. It was noted that three items had been removed from the 14th September meeting:

- Financial Regulations – these are undergoing a final round of consultation with subject matter experts and would be re-scheduled for presentation to the November meeting of the committee
- Glasswork's update – the strategic risks being considered in the September meeting would be covering Glassworks and Inclusive Economy so there was no requirement to have a separate item on Glasswork's update.
- AGS Action Plan – this item would be programmed for future meetings once the final AGS had been approved in November.

The Committee was also informed that an additional item, the Annual Report of the Audit and Governance Committee, had been added for the 16th November 2022 meeting.

RESOLVED that the updated work plan be noted.

35. CORPORATE FRAUD TEAM UPDATE REPORT

The Head of Internal Audit, Anti-Fraud and Assurance submitted a report providing an account of the work of the Corporate Anti-Fraud Team for the period 1st April 2022 to 31st August 2022.

The key highlights of the report were noted as:

- The corporate fraud team now had a full complement of four staff.
- The team continued to receive alerts from the National Anti-Fraud Network (NAFN), which is noted as a key resource for Local Authorities issuing immediate alerts and intelligence around fraud attempts. The team continued to receive bulletins from NAFN and directed these to the relevant parts of the Council.
- In regard to the National Fraud Initiative, new data would be forthcoming in January. Previous data matches on single person discount fraud found errors of over £20,000. This is money that is put back into the Council.
- Reactive fraud work was undertaken on insurance claims and Right to Buy applications. Applicants were aware of anti-fraud checks during the process which had acted as a deterrent. All application forms had a fair processing notice, making reference to data matching checks being undertaken.
- Preventative fraud work was also a key area of work. National themes such as the Cost-of-Living crisis meant economic difficulties may force people to take dishonest action, which could trigger an increase in public sector incidents such as seen in other Local Authorities. Cybercrime was another threat that remained prevalent and serious.

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

- The Council had continued to work with the banking system to utilise payment safety checks to avoid fraud via electronic payments. Historically, this had not been the way the Council had operated with banks, and this had been a key piece of learning.
- Self-Assessment (fraud vulnerability) documents for individual Business Units were not designed to go into immense detail on every fraud scenario, rather raise awareness with managers of where they were vulnerable to risk, such as procurement and payment to vendors. The self-assessment also aimed to raise awareness around contract management, good supervision and recruitment and HR fraud. There was particular concern as an example about a recent trend in recruitment fraud from the falsification of qualification certificates obtained from people posting them on LinkedIn. The process had reaffirmed managers were acutely aware of fraud risk, but this exercise had sharpened practice and would be an increased focus in the annual governance review process.
- Fraud surrounding Covid business support grants and the furlough scheme was a national issue. Data matching in reference to this was submitted to the NFI, however feedback would not be provided by borough as this was a nationwide investigation rather than a local one.

RESOLVED

- (i) That the Audit Committee noted the progress report covering the period 1st April to 31st August 2022;
- (ii) That the Audit Committee continues to receive regular progress reports on internal and external fraud investigated by the Corporate Anti-Fraud Team;
- (iii) That Members be provided with the outcome of Covid Grants Investigations at a national level when available; and

- (iv) That Members be provided with Fraud Risk Vulnerability Self- Assessment document once finalised for information.

36. STRATEGIC RISK REGISTER

The Head of Internal Audit, Anti-Fraud and Assurance submitted a report that introduced the next scheduled strategic risks for the Audit and Governance Committee meeting.

It was noted that the Strategic Risk Register was recently reviewed by SMT and continued to contain 15 risks. 6 risks were classified as high (red response rating), 9 risks were classified as medium (amber rating). No risks were classified as low (green rating).

The Executive Director- Growth & Sustainability attended the meeting to provide the Committee with a review of the following strategic risks:

- Glassworks
- Inclusive Economy

The Executive Director made particular reference to the following:

- The Glassworks had performed extremely well in regard to footfall. 1.82 million visitors were record in Q1 which was a record for the borough, highlighting that the Glassworks had become a product people value. Planned activity such as events had a positive impact on footfall, and the team would look to rearrange the 1st anniversary celebrations after the national period of mourning.
- The Glassworks had two amber RAG rated actions (Action 4 and Action 6).
- Action 4 had been mitigated by the assurance of an effective centre management plan; the Glassworks Board had monthly meetings which were reported through the Service Director. Robust check and challenge was provided from the Section 151 officer. Footfall is monitored monthly and reported quarterly.
- Action 6 was related to engagement with CineWorld. The Executive Director had recently spoke with the Vice President of Operations and was assured by this conversation and the significant investment CineWorld had contributed to their Barnsley offering.
- Concerns around the Cost-of-Living crisis and inflationary pressures continued to be a key area of concern for the inclusive economy. It was paramount that residents and businesses received the correct information and advice, and the Enterprising Barnsley team and Skills Service had engaged in particularly outstanding work surrounding this.
- The Inclusive Economy Board meet every two months. The Council received good check and challenge from the private sector chair, and had worked on such issues as managing unemployment, economic inactivity in Principal Towns and focused work on the good growth and better job strategies.

- Inclusive economy had one amber RAG rated action (Action 3). Enterprising Barnsley had engaged in work with both business and residents. The Government had not yet released details on the energy cap policy for businesses, it was hoped that this would be forthcoming so local businesses could receive the timely information and guidance.

The following discussion ensued:

- It was noted that CineWorld was a global business and had filed Chapter 11 proceedings in the US rather than liquidation proceedings in the UK, meaning that business as usual would commence in regard to UK assets. CineWorld had invested a significant amount into their Barnsley asset with Barnsley being the biggest town in Europe not to have this type of multiplex offering, therefore the Council was confident that CineWorld's regional offer remained strong.
- Tenants of the Glassworks maintained responsibility for their own energy bills, therefore rising energy costs would be carried by retailers and business that had tenancy agreements in the Glassworks. Communal areas energy bills continued to be covered by the service charge which would be reviewed periodically.
- Footfall in the town is tracked with cameras via Springboard. Footfall is also tracked within the Principal Towns which builds a Borough-wide picture.

RESOLVED that Strategic Risk Register report be noted.

37. INTERNAL AUDIT ANNUAL REPORT 2021-22 (FINAL)

The Head of Internal Audit, Anti-Fraud and Assurance submitted his finalised Annual Report in accordance with the Public Sector Internal Audit Standards. The report provided his opinion on the overall adequacy and effectiveness of the Authority's Framework of Governance, Risk and Internal Control based on the work undertaken by Internal Audit for 2021/22.

The key points of the report remained the same as the interim report, which was presented to the Committee on 27th July, and sought to reiterate the positive (reasonable) assurance opinion.

The Head of Internal Audit, Anti-Fraud and Assurance was assured that Internal Audit continued to operate in an independent manner, and there was an ongoing culture of the organisation to embrace challenge and openness.

The audit plan for 2022-23 was focussed on supporting management to consider the approach to controls in the context of the achievement of strategic objectives and priorities, and the major change and transformation programme ahead.

In the ensuing discussion, it was noted that the outstanding management action in relation to Children's Services had been updated.

RESOLVED

- (i) That the 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 (AGS) be noted.

38. INTERNAL AUDIT EFFECTIVENESS REPORT

The Head of Internal Audit, Anti-Fraud and Assurance submitted a report detailing the current position in terms of implementation of the agreed actions reported to the Committee at its September 2021 meeting, following the External Quality Assessment (EQA) undertaken by CIPFA in July 2021.

The requirement to have an EQA and to maintain a Quality Assurance and Improvement Programme (QAIP) for the Internal Audit function is required by the Public Sector Internal Audit Standards 2017 (PSIAS).

Since the previous QAIP/EQA report in September 2021, progress in continuous improvement activity included:

- The annual report for each client organisation now included a separate annual assurance opinion for the governance, risk, and control elements.
- The Terms of Reference template had been updated to confirm the circulation list for draft and final reports.
- The requirement to have a framework upon which an IT specialist auditor could be commissioned had been considered. There would not be requirement for a specialist IT auditor within the current financial year plans, but this would be kept under review.
- A re-structure of the service was implemented on 1st June 2022. This would provide for succession planning, should key officers leave the organisation.

RESOLVED

- (i) That the proposed QAIP Framework which sets out how it would meet the requirements set out in the PSIAS is noted; and
- (ii) That the Committee should receive an annual update report on the delivery of the QAIP.

39. EXTERNAL AUDIT PROGRESS REPORT/UPDATE (VERBAL REPORT)

G Mills (representing the External Auditor) was welcomed to the meeting virtually, and made particular reference to the following:

- The 21/22 audit was progressing and was on track to meet the statutory deadline in November. The External Auditor continued to have a good level of engagement with Senior Officers at the Council. It was reported that there was a national issue in reporting public sector infrastructure assets which could

impact the November accounts sign off. Members were assured that any delays would be reported to the Committee. The Department of Levelling Up would be issuing a statutory instrument to remedy this issue, however it could be that this is not available until December.

- The FRC (Financial Reporting Council) inspection of the VFM (Value for Money) audit final report was not yet ready. In the close down meeting, Grant Thornton received a grade 2 (good file with limited improvements required), praise was received for the good practice and quality of the report that had been submitted to the Committee previously. Improvements included documentation and the audit file itself. This inspection provided a good level of assurance from an independent regulator.
- PSAA (Public Sector Audit Appointments) had awarded the vast majority of Local Authority audit contracts which were to commence in 2023- 24 for a period of five years. Grant Thornton had secured a significant contract, continuing to be a market leading presence in the sector. Grant Thornton and the Council would learn of their Local Authority / external auditor allocations by Christmas, it was not yet known if GT would continue as auditor to Barnsley.

Neil Copley (Service Director Financial Services) reported that a consultation for future audit fees would be fed through the Committee.

RESOLVED that the update and report be noted.

40. CORPORATE FINANCE, PERFORMANCE MANAGEMENT AND CAPITAL UPDATE

The Executive Director – Core Services and Service Director – Finance (Section 151 Officer) submitted a report which contained the financial performance of the Authority during the first quarter ended 30th June 2022 and assessed the implications against the Council’s Medium-Term Financial Strategy (MTFS).

It was reported that a forecast for a year-end overspend of in the region of £13.7M comprised of the exceptional items referenced as part of setting the 22/23 budget (£10.9M), together with unanticipated overspends across several Council departments which had arisen during the quarter (£2.8M).

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

- The Council was confident that it would keep the overspend at agreed levels to ensure that the Council’s plans as set out in the MTFS would be kept in place. It was explained that the £10.9M was an overspend that the Council had already anticipated for, whereas the £2.8M was an additional overspend in this quarter that was not previously forecasted. Gross forecasts were used in detailed financial planning, whereas the purpose of the MTFS was contemplation and building transformation into the Council plan therefore gross figures were not presented. Directorates such as Children’s Services were experiencing pressures that were mirrored nationwide and therefore it was difficult to ascertain unanticipated costs in this area. The Government had not announced additional funding for Local Authorities however it could be the case that the new administration would explore this. In future planning, the aim would be to look at the full year impact on underspending and balance.

- In regard to the SEAM project funding, it was explained that the funds are separate from the MTFS and therefore no further additional financial risk is attached to this project, and it would not be a net drain on the Council. Members were advised that a report on the costs of the SEAM project and the different funding revenues involved could be brought to the Committee at a later date.
- The Executive Director - Core Services provided assurance from a Senior Management Team perspective that the MTFS was one of the two biggest agenda items alongside the Cost-of-Living Crisis. Executive Directors would draw up action plans to mitigate these overspends as far as was possible, which would be submitted to Cabinet as part of the Q2 performance management update.
- The council tax collection rate remained good, and the assumption was that this would continue for the rest of the year. However, the Council would like to meet its stretch targets for both Council Tax and Business Rates and would therefore continue to monitor both closely.
- Improvements to the energy efficiency ratings of Berneslai Homes properties via the Housing Energy Efficiency Programme (HEEP) are funded through the Housing Revenue Account. The Housing Revenue Account is a ring-fenced account of certain defined transactions relating to Local Authority housing within the General Fund and therefore would not impact the Council's MTFS. The HEEP is a national government requirement in which homes need to be brought up to standard by 2030, with an estimated £58M cost for Barnsley Council stock.
- Project Capital Spending was reported to be £4m for three months and £15m for nine months which was based on evidence from Q1. The Council would manage any financial risk surrounding this.
- Members were informed that when writing off historic debts, the Council only write off debts when they are not economically viable to collect.
- Questions arose regarding agency costs and their contribution to the overspend compared to the previous year. The data would be collated, and this information would be provided to the committee.

RESOLVED

- (i) That the Corporate Finance Report Q1 be noted
- (ii) That information regarding SEAM project funding be provided to the Committee; and
- (iii) That the Committee be provided with information on agency costs.

41. LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN ANNUAL REVIEW LETTER 2022

The Executive Director - Core Services submitted a report on the Local Government and Social Care Ombudsman Annual Review Letter 2022, with the Local Government and Social Care Ombudsman letter appended to the agenda.

Whilst this was a public document and had already been published by the LGSCO, it was brought to the specific attention of the Audit and Governance Committee as part of the independent assurance role the Committee has.

Claire Dobby, Customer Resolution Manager, was welcomed to the meeting and presented the report.

Council performance (based on a total of 13 investigations for the period 1 April 2021 to 31 March 2022) for complaints upheld was 69%, which was an improvement on last year's position of 83%, but it was appreciated that the number of complaints received was higher. Compliance with actions received by the Ombudsman remained at 100%. Satisfactory remedy, in which the number of cases that the Ombudsman considers to be resolved and remedied satisfactorily by the Council before reaching them, remained at 0%. Additional support measures had been put in place to support remedy and resolution however it was too soon to see the impact of those measures.

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

- It was noted that the Local Authority average nationwide for satisfactory remedy was around 11%. The Ombudsman do issue remedy guidance which is used and shared with the services who are responsible for investigating complaints. Previous Ombudsman reports that may have a similar subject matter are also available online for services to access. It was hoped that with the additional support measures that have been implemented that an improvement in performance could be recorded moving forwards.
- The Complaints Resolution team had recently been restructured with the newly formed team having additional resources in the service.
- The Executive Director - Core Services reported that within the SMT Annual Report, it was recognised that complex complaints remained a challenge, for example Adult Social Care complaints contain a high number of stakeholders. These kinds of complaints are resource intensive and required significant work to remedy. It was noted that in terms of performance standards, the time taken to remedy complaints was good.

RESOLVED that the Local Government and Social Care Ombudsman Annual Review Letter 2022 be noted.

42. ELECTION REVIEW (VERBAL UPDATE)

The Executive Director - Core Services gave a verbal update on the Elections Review. Peter Clark, Elections Manager was in attendance to answer any specific Member questions.

The Committee was informed that in the May 2022 Local Elections a serious breach was found in respect of the Royston count. The Association of Electoral Administrators was commissioned by the Returning Officer to complete an investigation which had now been completed. The Electoral Commission, candidates and elections agents were also informed, and the Elections Manager completed an end-to-end review on the effectiveness of current polling station and count arrangements.

It was noted that the Returning Officer would like to present the report to the Committee and therefore would attend the meeting in November.

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

- The Election Review will be included in the final Annual Governance Statement.
- The report was produced by the Association of Electoral Administrators at the beginning of July. The actions contained in the report all relate to the forthcoming May 2023 Local Elections, therefore the Committee would receive the report in a timely matter on 16th November 2022.

RESOLVED

- (i) That the verbal update be noted; and
- (ii) That the report be presented to the Committee by the Returning Officer on 16th November 2022.

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Chair