

<b>MEETING:</b>	Audit and Governance Committee
<b>DATE:</b>	Wednesday 31 May 2023
<b>TIME:</b>	2.00 pm
<b>VENUE:</b>	Reception Room - Barnsley Town Hall

## MINUTES

**Present** Councillors Lofts (Chair), Barnard and Richardson and Wray together with Independent Members – Dr R Wray, Adams, Ms K Armitage, Mr P Johnson and Mr S Wragg

### 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 15 March 2023 were taken as read and signed by the Chair as a correct record.

### 3. APPOINTMENT OF VICE CHAIR

**RESOLVED** that Mr G Bandy be appointed the Chair of this Committee for the ensuing year.

### 4. DR R ADAMS - INDEPENDENT MEMBER

Dr R Adams, the newly appointed Independent Member, was welcomed to this first meeting of the Committee.

Discussions regarding the independence of co-opted Members ensued. It was confirmed that any Members previous employment would not prove an impediment to becoming a Member of the Audit Committee as set out in the Council's Constitution.

A Harold, Interim Head of Legal Services, agreed to seek a formal response from S Ghuman, Service Director Legal & Governance, in response to the independence queries.

### 5. EXTERNAL AUDIT ANNUAL REPORT VFM 2021/22

G Mills (representing the External Auditor) presented the External Audit Annual report in respect of Value for Money (VFM) for the financial year ending March 31 2022.

The following key points were highlighted:

- In 2021, the National Audit Office broadened the scope of external audit VFM reporting, with an increased focus on governance arrangements.

- Auditors are required to report their commentary on the Council's arrangements under specified criteria, with 2021-22 being the second year in which this reporting was required.
- External Auditors met with N Copley, Director of Finance, to discuss and agree the report.
- The VFM findings were a positive report for the Council, with only one significant ongoing weakness in arrangements reported regarding the findings from OFSTED/CQC on SEND.
- It was noted that the Council was working under difficult financial circumstances in regard to the national economic position and inflationary pressures. The Council had taken difficult decisions in the past such as service reorganisations which had placed BMBC in a much stronger position than many other similar Local Authorities.
- In regard to Council's governance arrangements, a positive summary was reported with only one key recommendation regarding SEND with the rest of the recommendations being improvement recommendations.
- The improvement recommendations included considering group entities when drafting the Annual Governance Statement and further enhancing arrangements to provide satisfactory remedies to complaints.
- The External Auditors had noted the progress in regard to the findings from the SEND review and would continue to monitor this as part of the 2022-23 VFM work.

In the ensuing discussion, the following key points were highlighted:

- In response to specific questioning regarding SEND, N Copley stated that the Council were not aware when they would be inspected again by OFSTED and CQC. G Mills further added that External Audit would focus on how embedded the actions were in terms of the Council's response rather than waiting for another inspection. Grant Thornton would continue to monitor the Council's progress in this area and would take this recommendation to a panel at the end of the year to see if it could be closed.
- Discussion arose regarding Department of Education funding and whether it was performance dependant. It was confirmed that Department of Education undertake regular checking of an agreed action plan to generate any future funding.
- Members questioned if the cost depreciation of the Council's assets was included in the VFM calculations. It was explained that depreciation was not included in the VFM work but was reported in the annual accounts under income and expenditure.
- Regarding if the 86% occupancy rate referred to just the Glassworks or the town centre as a whole, it was noted that figure referred to the Glassworks only and was by space occupied rather than units. N Copley agreed to provide Members with further detail on unit occupancy rates.
- Regarding the ongoing work with the SAP system, it was noted that this had been postponed until 2030 as the work had become less urgent due to the Council being half the size it was when SAP was first installed. The SAP system is Cloud based however the Council were looking to replace the system in its entirety.

**RESOLVED:-**

- (i) That the report be noted.
- (ii) That the Director of Finance provide Members with data regarding unit occupancy at the Glassworks.

## **6. EXTERNAL AUDIT PLAN 2022/23**

T De Zoysa (representing the External Auditor) presented to Members the External Audit Plan for the financial year ending 31 March 2023.

The following key points were highlighted:

- The Safety Valve Agreement (SVA) agreed with the Department of Education to eliminate the DSG deficit was an important milestone for the Council.
- The Council had received national recognition such as the Council of the Year nomination from the LGA. The winner would be announced in June 2023.
- It was noted whilst other Local Authorities had experienced delays with audits and preparedness of statements of account, Barnsley MBC had closed the last 4 years audits on time which was a testament to the hard work of the finance team and External Audit.
- The initial risk assessment regarding VFM had identified one potential continuing risk of significance, which was regarding the implementation of SEND reform in Barnsley. External Audit would continue to review this issue as part of the 2022-23 VFM work and would be reported to the Audit Committee at the end of the year in the Auditor's Annual Report.
- One significant area of change was the surplus of the South Yorkshire Pension Fund which would be reflected in the financial statement. Grant Thornton were liaising with the NAO on the auditing reporting for the pension fund.
- The new auditing standards were referenced within the report, which included ISA 315 (identifying and assessing the risk of material misstatement) and ISA 240 (External Audit responsibilities relating to fraud in an audit of financial statements).
- The audit fees for the year had not changed.

In the ensuing discussion, the key points were as follows:

- It was noted that practitioners and auditors had provided feedback to regulators regarding the complexity of the valuation of Council assets, and it had been suggested to CIPFA that account requirements could change to relieve pressure and time for both External Audit and the Council. Different assets had different methodologies, with the Council employing valuers who justify their valuations to the External Audit team, who in turn employ valuers who support the work of challenging the Council's valuers.
- Further to specific questioning regarding the valuation of the Council's assets, it was noted that one of the methodologies used was based on rental value in the commercial market. However, this methodology was mainly used for investment properties, of which the Council only had a small number of.
- Members queried the increased yield of the pension fund and what implications this had for the Council. It was explained that this money was

contained within the unusable reserves and that the pensions authority had an investment strategy that sets out the approach to asset classes to de-risk the portfolio which could lead to a continuing surplus. In response to whether pension fund managers engaged in futures trading to protect the fund, it was explained that this is something that the Council would not do however investment managers were outsourced.

It was agreed that an awareness session on the pension fund should be arranged to take place in the near future.

**RESOLVED:-**

- (i) That the report be noted.
- (ii) That a Member awareness session regarding the pension fund be arranged.

**7. INFORMATION GOVERNANCE/CYBER SECURITY UPDATE**

S Marshall, Governance and Compliance Manager, provided Members with a cyber security update presentation regarding the cyber security strategy.

The key points referenced in the presentation were as follows:

- The strategy was produced on the basis of NCSC guidance and the LGA Cyber 360 review.
- The strategy was linked to Council's visions, IT strategy and transformation programme, and followed best practice from multiple sources including NCSC, DHULC, ISO and NIST.
- The draft version of the strategy was nearing completion and would be shared with the Committee at the next scheduled information governance/cyber security update.
- Progress so far included supporting major migration to the Cloud and a focus on using existing tools to give an integrated view.
- The strategy would refer to risk and asset management, with a particular focus on resilient networks and staff training.

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

- The benefits of using Cloud based systems included resilience and less need to invest in physical hardware. The Cloud based system had the advantage of storage at two separate data centres which meant that if any outages occurred there was a copy of the Council's data stored at another location.
- The Bring your own Device policy (BYOD) created an internalised compartment in the device which the Council could wipe at any time, with security controls such as encryption and the use of pin numbers.
- The Council was currently reliant on one network supplier, which was a potential risk. Alternatives would be investigated when migration to the Cloud was complete.
- The LGA suggested that IT undertake their own risk management processes which then become part of the Council's overall corporate risk management.

- Supply chain management was based on international standards, and the Information Management team would manage Cloud suppliers. The service had dedicated contract managers who would flag any issues with supply chains.
- The service followed UK government and GCHQ advice regarding Huawei, the Council would not purchase Huawei equipment however it could not be guaranteed throughout the supply chain.
- The team had completed Microsoft Azure training during lockdown and had recruited both graduates and apprenticeship into the team.

**RESOLVED** that the update be noted.

## **8. DATA PROTECTION OFFICER ASSURANCE REPORT**

The Council's Data Protection Officer (DPO) submitted a report highlighting the key areas of his work which provided the Committee with information and assurances regarding the Council's compliance with the Data Protection Act 2018 and UK General Data Protection Regulations.

The report, in outlining the DPO's activities and assurances, gave details of the areas in which he was to undertake or commission independent reviews of various aspects of Information Governance.

The key points were as follows:

- Overall, recent activity and general oversight continued to provide a generally positive picture regarding compliance with UK GDPR. To support that, the Information Governance Board provided a clear focus on compliance and awareness.
- A continued area of assurance was the compliance with the statutory timescales for responding to FOI and SAR requests which remained very high at over 98%. This reflected the work undertaken to support staff and the significant improvements in the system that managed requests and responses.
- Cyber threats continued to be a significant risk, which was echoed by the Senior Management Team.
- The importance of awareness and reminders in regard to cyber security threats was imperative, however there was a risk that staff may experience 'reminder fatigue' and therefore there was a need to look at different ways to engage staff and raise their awareness.

In response to specific questioning, the following points were noted:

- Staff training remained a priority and dashboards were used to track progress.
- There were challenges regarding training of non-networked staff. It was suggested that tiered training could be implemented to ensure training was fit for purpose. It was noted that some Local Authorities disconnected users from the network as a sanction for not completing mandatory training.

**RESOLVED** that the Committee considered the report and the information and assurances within it and receive a further update in 6 months' time to contribute to wider and continuous assurances as part of the Annual Governance Review process.

## **9. CONFIDENTIAL REPORTING (WHISTLEBLOWING) ANNUAL REPORT**

The Executive Director Core Services submitted an annual report regarding a review of the activities and current issues regarding the Council's Confidential Reporting (Whistleblowing) Policy and supporting procedures.

The Council has had a Corporate Whistleblowing Policy since 2000. It had undergone a number of reviews to ensure it remained fit for purpose and met best practice that may have emerged and changed over the years. The title of the policy was changed to Confidential Reporting when it was last reviewed and approved by Cabinet in January 2020.

The following key points were noted:

- An updated list of incidents that occurred in the period 2022-23 were included in the report. During the last 12 months there have been 9 instances of contact, all received via either email or letter. Of the concerns raised, 6 were made anonymously.
- It was noted that the concern relating to a safeguarding matter as detailed in the report had now been closed with no further action undertaken.
- The Whistleblowing Policy was a fundamental part of the Council's ethical framework and the Council had prioritised making more people aware of the policy.
- The increase in the anonymous reporting of concerns had made the ensuing investigations more difficult to undertake.

In response to Member questioning, particular reference was made to the following:

- If anonymous concerns were received via an anonymous email address, then the investigator was able to email back, however if received via letter then it was not possible to send feedback.
- It was made clear to those reporting a whistleblowing concern that every effort was made to uphold confidentiality but if the complaint triggered a further investigation this cannot be guaranteed. It was noted that there were some exceptions in GDPR legislation in reference to withholding information.

**RESOLVED** that the Committee considered the report and the assurances it provided and committed to continue to support the Council's overall counter fraud culture and the work of Internal Audit and the Corporate Anti-Fraud Team.

## **10. STRATEGIC CONCERNS/RISK REGISTER**

J Burrows, Executive Director of Public Health and Communities, attended to present the strategic risk concerning Health Protection Emergency.

It was explained that robust arrangements were required to deal with health protection emergencies - both those already known and those that may arise in the future. Such arrangements were flexible and responsive to deal with emerging threats as well as being able to immediately respond to emergency unforeseen issues.

Action 1 was rated as green, and Action 2 and Action 3 were rated as amber.

In the ensuing discussion the following key points were noted:

- In regard to Action 1, all Health Protection Plans were reviewed and tested and reflected health protection issues.
- The response to Action 2 was underway, with a multi-agency health protection board in place to deal with any potential health emergencies in vulnerable populations.
- Action 3 was ongoing with lessons learned debriefing which would be shared as necessary with South Yorkshire and Bassetlaw Health Resilience Partnership and South Yorkshire Local Resilience Forum.
- It was noted that Barnsley benefits from a strong multi-agency response to health emergencies and that learning from the Covid-19 pandemic was becoming embedded.
- Members passed on their thanks to J Burrows and her team for the strong leadership and response during the Covid-19 pandemic.

**RESOLVED** that the report be noted.

## **11. ANNUAL RISK MANAGEMENT REPORT**

The Head of Internal Audit, Anti-Fraud and Assurance submitted a report providing a summary of the risk management activity over the last 12 months which contributed to the assurances the Committee required as part of the Annual Governance Statement process. The report also took a forward look at the work planned for the current financial year.

The new risk management system went “live” on 7th May 2021 and had now been operational for 2 years. Throughout the last year further support had been given by the Corporate Governance and Assurance Manager and Officer to colleagues across the Council.

The following key points were discussed:

- The new risk management system was designed and operated by Service areas which has created less dependency on a central team.
- All BUs have added their risk registers onto the Risk Management System and were encouraged to review and proactively update these in their management teams on a quarterly basis.
- Strategic Risks were reviewed on a quarterly basis by SMT. SMT also determined whether there are any other issues, concerns or areas of focus that need to be added or removed from the register.

- Strategic risks would continue to be reported via the Audit and Governance Committee.
- Revised risk management training materials would be developed on the POD system. This training would include information about the Council's approach to risk management and the Risk Management System.
- A corporate assessment of the Council's risk maturity would be undertaken in the next year. This would provide another level of assurance on the Council's risk management approach.

**RESOLVED** that the Committee considered the report as a contribution to the Committee's assurances regarding the Council's governance arrangements.

## 12. INTERNAL AUDIT CHARTER 2021-24

The Head of Internal Audit, Anti-Fraud and Assurance submitted a report prefacing the Internal Audit Charter 2021-2024 which had been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS) and these require that the Charter is reported to the Audit & Governance Committee annually. It provides 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 work. It also sets out the Internal Audit and Senior Management responsibilities.

It was reported that the Charter, once approved, would be presented to the Audit Committees of the other client organisations.

The following key points were noted:

- The Charter was considered by the external assessor as part of the External Quality Assessment reported to the Committee in September 2021. As part of that the process, the Charter was held up as an exemplar, particularly for an Internal Audit function supporting numerous clients.
- The Charter has been reviewed and no amendments were required.
- The service is currently under-going a review as part of the Council's Transformation Programme which is looking at revised operating models. The Charter will be re-visited following the conclusion of that review, and an updated version presented to Members for their review and approval.

**RESOLVED** that the Committee considered and approved the Internal Audit Charter and consequently be assured that the Internal Audit function operates in accordance with the relevant standards.

## 13. GLOBAL IA STANDARDS

The Head of Internal Audit, Anti-Fraud and Assurance provided the Committee with a verbal update regarding Global Internal Audit Standards.

In the ensuing discussion, the following key points were noted:



- All internal audit activity was guided by the Global Institute of Auditors.
- It was noted that the first draft of the new standards had received extensive feedback from various bodies such as CIPFA, and a second draft would now be undertaken following this period of consultation.
- Internal audit would be bound by the new standards once approved globally, which would then be interpreted by CIPFA who would produce revised Public Sector Internal Audit Standards and a Local Government Application Note.
- The Head of Internal Audit, Anti-Fraud and Assurance would continue to update the Committee periodically on the progress of the global IA standards.

**RESOLVED** that the update be noted.

#### **14. AUDIT COMMITTEE WORK PLAN 2023/24**

The Committee received a report providing the indicative work plan for the Committee for its proposed scheduled meetings to 25 May 2024.

Members attention was drawn to the Contract Procedure Rules item, which had been deferred to the 26th July 2023 meeting.

It was also noted that the draft Annual Accounts and draft Annual Governance Statement had been published on the Barnsley Council website on 31 May 2023. There is no specific requirement for the draft accounts and AGS to be approved by the Audit and Governance Committee prior to publication. It is however good practice to have both key statutory documents reviewed and considered by the Committee, therefore the draft accounts and draft AGS would be presented to the Committee at the meeting on 26th July 2023.

**RESOLVED** that the updated work plan be noted.

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Chair