

MEETING:	Audit Committee
DATE:	Wednesday, 5 December 2018
TIME:	4.00 pm
VENUE:	Reception Room, Barnsley Town Hall

MINUTES

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

37. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

38. MINUTES

The minutes of the meeting held on the 19th September, 2018 were taken as read and signed by the Chair as a correct record.

39. STRATEGIC RISK REGISTER - FULL REVIEW - OCTOBER, 2018

The Executive Director Core Services submitted a report prefacing a report that was programmed to be considered by Cabinet on the 9th January, 2019 on the latest review of the Strategic Risk Register.

The report, which was presented by Mr A Hunt, Strategic Risk, Insurance and Governance Manager, formed part of the Committee's assurance process where it was agreed that following the completion of the review of the Strategic Risk Register, the Committee consider the latest version and provide appropriate comments thereon.

The Register contained those high level risks that were considered significant potential obstacles to the achievement of the Authority's Corporate Objectives. It was important that the Register remain up to date and be reviewed regularly in order to accurately reflect the most significant risks to the achievement of objectives and facilitate timely and effective mitigations to those risks.

Following a review of the Strategic Risk Register in March 2018, a further review had been undertaken in October, 2018 the outcomes of which were detailed within the report. Mr Hunt outlined the way in which the register had been reviewed together with the role of the Senior Management Team in this process. He commented on the main components of the review and the items included.

The report outlined:

- The introduction and background to the Strategic Risk Register
- The distribution of the risks across the six concern rating classifications
- The changes since the last review including
 - The significant red risks
 - New and deleted risks – the number of risks logged had decreased by one

- Re assessed risks – a significant number of risks had been reassessed, resulting in changes to risk concern ratings
- Other material changes. Details of the risk concern ratings, including a direction of travel indicator to provide details of the ‘trend’ of the risk profile was included as Appendix 1 to the report
- The SRR was attached to the report as Appendix 2 and sought to provide assurances that significant risks were being managed appropriately

The developing Managers toolkit and Accountability Framework would provide a robust control in terms of the engagement of senior members of staff with the Strategic Risk Management approach and would also have a beneficial impact on the engagement with risk management across the Council. In addition, it was reported that consideration was being given to the way in which future reports would be presented and it was hoped that they would include infographics and pictograms to demonstrate visually the changes made to the Risk Register.

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

- In relation to risks 4249 (Failure to ensure that the Council is able to fully understand the implications of BREXIT, and is able to ensure that opportunities that may arise are fully understood and exploited), it was noted that this was a new addition to the risk register and would also include opportunities as well as potential risks. It was also noted that a detailed report on this matter was to be submitted to SMT in the near future
- The rationale for removing risk 3024 (Lack of Educational Attainment) and replacement with risk 4248 (Lack of adequate qualifications at L3 and above to progress through to further and Higher Education) was explained
- There was a discussion of risk 4170 in relation to The Glassworks and to the operational risk registers that would underpin this strategic risk. Members asked if they could have sight of these operational risk registers
- One Independent Member in particular questioned why risk 3025 (Failure to safeguard vulnerable service users) given a risk assessment of 3/4 given their personal experience and also in view of the fact that demand for services (particularly the elderly) was increasing. Reference was made in this respect to provider capacity in relation to social care. Questions were asked, therefore, as to whether or not there was confidence that this risk could be appropriately managed. Mr Hunt stated that these issues would have to be taken up with the risk holder. The Executive Director Core Services stated that he did not think there were any particular concerns as he felt that risks were sufficiently mitigated against and within this context made he made reference to the provider market and resilience and to the arrangements in place to undertake assessments to meet individual needs. Arising out of this discussion reference was made to the increasing financial pressures, the changes in demographics and the impact this could have on long term financial plans. The Service Director Finance commented, however, that he felt these issues had been addressed moving forward as part of the medium term financial plans
- In response to detailed questioning a reassurance was given that all risk owners were fully committed to risk and undertook appropriate reviews of their risk registers on a regular basis. Mr Hunt explained his work with the Senior

Management Team in this regard and outlined the way in which support was now provided to managers so that they were able to take responsibility for their own individual risk registers. In response to further questioning he outlined the ways in which feedback was obtained of managers views on how they felt they were dealing with risk management. The core offer of his services was about enabling others to undertake risk management assessments rather than doing them on their behalf. There was engagement from all Service Directors and regular meetings were held with them to give them assistance and ensure appropriate compliance

RESOLVED:-

- (i) that the report on the outcome of the recent review of the Strategic Risk Register in relation to the management, challenge and development of the Register be noted and referred to Cabinet for consideration and approval; and
- (ii) the Committee continue to receive periodic updates as to the process of the actions taken and their impact on the Strategic Risk Register.

40. ANNUAL GOVERNANCE STATEMENT 2017/18 - ACTION PLAN

The Chief Executive and Executive Director Core Services submitted a joint report presenting the updated Action Plan relating to issues identified following the annual Governance Review for 2017/18. The Action Plan, which was appended to the report, had been approved by the Committee at its meeting on the 20th July, 2018. A second Appendix provided details of the Partnership Governance Arrangements Annual Governance Action Plan

The Action Plan was used to track the progress of the actions necessary to deal with the issues raised through the AGS process and generally progress had been positive against all actions identified. It would be further reviewed in April and May 2019 as part of the 2018/19 AGR process.

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

- It was noted that a review of the Contract Procedure Rules had been completed and a recommendations paper was to be submitted to SMT next week. The Executive Director Core Services stated that this had been a longstanding exercise that had taken longer than anticipated
- Questions were asked as to why approximately 40% of recommendations in relation to FoI/EiR (following the information Commissioners Office review in 201) had not yet been started. It was thought that some of these issued had not yet been programmed for action but the matter would be referred to the Head of ICT (Service Management) for response in her next report to committee. The Head of Internal Audit and Corporate Anti-Fraud would also be able to pick up such outstanding issues as part of his role as Data Protection Officer. It was also noted, however, that a report on progress had been submitted to the last meeting and that the Information Commissioners Officer had indicated that they were happy with the Authority's action on the recommendations

RESOLVED:-

- (i) that the progress made against each item listed in the Annual Governance Statement Action Plan be noted; and
- (ii) that the assurances arising as a result of the governance and control arrangements in place relating to the Council's partnerships, contracts and general relationships be noted and the Annual Governance Statement Action be closed.

41. RISK MANAGEMENT FRAMEWORK REVIEW

The Service Director Financial Services submitted a report on a further review of the Risk Management Framework seeking approval to provide assurance that it remains fit for purpose prior to the Framework being considered by Cabinet.

The following documents were appended to the report:

- The Risk Management Framework
- The Risk Management Policy
- The Risk Management Strategy
- The Risk Appetite/Risk Acceptance model
- The Risk Acceptance Process Map 2018

RESOLVED that the Committee note that the Risk Management Framework remains fit for purpose and refer it to Cabinet for consideration and approval.

42. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

The Head of Internal Audit and Corporate Anti-Fraud submitted a report informing the Committee of the framework proposed to prepare, manage and deliver the Quality Assurance and Improvement Programme (QAIP) for the Internal Audit Function as required by the Public Sector Internal Audit Standards (PSIAS) 2017.

Appendices to the report provided an extract from the SAIAS together with the Draft QAIP Action Plan.

The report, in detailing background to the need for and the specific requirements for a framework indicated that a draft QAIP Action Plan was currently being prepared. In order to ensure continuous improvement and focus on quality and conformance, consideration was also being given to the designation of a Principal Auditor within the Internal Audit Team to maintain and manage the QAIP and general quality process. This Auditor would then report to the Audit Management Team on a quarterly basis with an updated PSIAS self-assessment and QAIP action plan.

In addition to the specific requirements of the PSIAS, there were a number of other continuous improvement related activities underway and these were detailed within the report which would also be reported upon within the overall QAIP process.

In the ensuing discussion, the following matters were highlighted:

- The Head of Internal Audit and Corporate Anti-Fraud reported that in order to address the PSIAS requirements a review had been undertaken of the format and content of audit reports together with the quarterly progress reports as this would improve the clarity of key messages and assessment on implications for management to specify actions to be implemented. In addition, the Annual Report format and content would be reviewed
- Reference was also made to External Review of Internal Audit and to how this could be undertaken in future given the perceived limitations of the previous peer review. This would have potential cost implication but was generally welcomed by Members of the Committee as it was felt that this would give additional assurance as to the performance of the Service
- It was suggested that an analysis should be undertaken so that there was a comparison of performance with similar sized authorities
- The timescales detailed within the Action Plan at Appendix 2 had been agreed by the appropriate officers

RESOLVED

- (i) that the proposed QAIP Framework setting out how the Service will meet the requirements set out in the PSIAS be approved; and
- (ii) that the Committee receive an annual update on the delivery of the Quality Assurance and Improvement Programme.

43. INTERNAL AUDIT PROGRESS REPORT 2018/19

The Head of Internal Audit and Corporate Anti-Fraud submitted a report summarising the Internal Audit activity completed and key issues arising for the period 1st July to 31st October, 2018 together with information regarding the performance of the Internal Audit function for that period.

The report, which was in a new style referred to in the previous item, outlined:

- The 2018/19 Internal Audit Plan Progress detailing the audit days delivered, and assignments expected to be completed and actually completed
- The changes to the 2018/19 Internal Audit Plan together with the reasons for the change
- The final Internal Audit reports issued – it was noted that
 - 6 reports had been finalised since the last Committee meeting. All reports were available for Audit Committee Members on request and, in addition, an appendix to the report provided definitions of the gratings for the assurance opinion together with the recommendations made
 - One report on Communities Disabled Facilities Grants was listed with limited assurance opinion and the reasons for this were touched upon as was the action being taken to address issues identified
- The Internal Audit reports producing a limited or no assurance opinion together with a summary of the key issues identified
- Details and outcome of other Internal Audit activities concluded in the period which did not result in a specific assurance opinion
- Other Internal Audit work undertaken

- Work in progress
- Follow up of Internal Audit Report management actions – it was noted that Internal Audit was working closely with management to closely monitor the implementation for management actions and establish any reasons behind delays. A table showing the status of internal audit management actions by Directorate due for completion during the period was provided
- The Internal Audit performance indicators and performance feedback for 2018/19 – which indicated that performance remained satisfactory with the majority of final audit reports meeting or exceeding target levels. Whilst the percentage of final audit reports being issued within 10 days was currently not meeting the target, this was due to officer availability over the summer holiday period. It was anticipated that this would pick up through the remainder of the year
- The Head of Internal Audit's Internal Control Assurance Opinion which remained adequate

In the ensuing discussion the following matters were highlighted:

- There was a discussion of the key issues identified from the Communities Disabled Facilities Grant audit and to the remedial action taken.
- Reference was made to, and there was a detailed discussion of, the audit of the governance arrangements for The Glassworks project together with the role of this Committee in monitoring those arrangements particularly as the project moved into phase 2.
 - It was noted that currently the governance arrangements were judged to be fit for purpose. Arrangements were in hand to ensure appropriate oversight by both Internal and External Audit Internal Audit. Given the potential risks, not to mention the costs, involved it was suggested that this Committee receive information on both the informal and formal advice given on this scheme.
 - Arising out of this discussion reference was made to the training/awareness session held immediately prior to this meeting when a report had been presented which had also been considered by the Authority's Overview and Scrutiny Committee which also indicated that the governance arrangements were fit for purpose.
 - It was also reported that the External Auditor's report to the next meeting would include reference to Value for Money and would include the arrangements for The Glassworks. The External Auditor had, as part of the opinion, to ensure that appropriate arrangements were in place and to this end regular meetings were held with both the Executive Director Core Services and with the Head of Internal Audit and Corporate-Anti Fraud
 - The Executive Director Core Services stated that the report submitted to the training/awareness session had detailed the project methodology. In addition he commented that the Senior Management Team was tasked with reporting to Cabinet on an ongoing basis. Reports would be available and could be submitted to this Committee to ensure transparency of the process
- It was noted that in relation to the Analysis of Management Actions followed up, all five outstanding responses in relation to the Core Directorate had now been completed and closed

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 end of October 2018 be noted;
- (iii) that the progress against the Internal Audit Plan for 2018/19 for the period to the end of October 2018 be noted; and
- (iv) that the performance of the Internal Audit Division for the second quarter be noted.

44. TREASURY MANAGEMENT ACTIVITIES AND LEASING REVIEW - QUARTER ENDED 30TH SEPTEMBER, 2018

The Executive Director Core Services and the Service Director Finance (Section 151 Officer) submitted a joint report for information and reference which had been considered by the Cabinet on the 28th November, 2018 and by the Council on the 29th November, 2018 reviewing the Council's Treasury Management and Leasing Activities during the second quarter of 2018/19 in accordance with the CIPFA Treasury Management Code and the CIPFA prudential Code.

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

- It was noted that a training/awareness session had been held on this topic following a request by members of the Committee
- The Executive Director Core Services drew Members attention specifically to the changes in counter party limits that had been approved by the Council on the 29th November, 2018
- In response to questioning, the Acting Head of Financial Services (Corporate) and Deputy Section 151 Officer informed the Committee of the Council's approach to the future Investment Strategy and particularly in relation to the drawing down of funds and investment in order to maximise income
- Reference was made to the arrangements in place in relation to borrowing from the Municipal Bonds Agency. It was noted that whilst this gave to Authority a potential option for the future this had, to date, not been taken up in view of the low interest levels which meant that alternative borrowing options were more favourable
- In relation to the Future Outlook, reference was made to the current projections and phasing for borrowing over the next three years which would comprise a combination of both planned capital investment (to be funded from borrowing), maturing loans and use of reserves

RESOLVED that the report be received.

45. EXTERNAL AUDIT - PROGRESS REPORT AND SECTOR UPDATE

The Council's External Auditor (Grant Thornton) submitted a report giving details about their work as at 20th November, 2018 and outlining the audit deliverables for 2018/19 together with a Sector Update summarising emerging national issues and developments.

The report was introduced by Mr G Mills (Grant Thornton Engagement Lead) and was accompanied by Mr T DeZoysa).

Particular mention was made of the Local Authority Audit Committee Chairs and members event to be held in their Leeds Office on Tuesday 26th February, 2019 to which all Members were welcome.

RESOLVED that the external audit progress report and Sector Update be noted.

46. AUDIT COMMITTEE WORK PLAN 2018/19

The Committee received a report providing the indicative work plan for the Committee for its proposed scheduled meetings for the remainder of the 2018/19 municipal year and for 2019/20.

The Executive Director Core Services reported that the Committee may want to programme in a training/awareness session possibly for the June meeting as this may be most appropriate to give oversight to the ongoing Glassworks project.

The Head of Internal Audit and Corporate stated that he and Mr P Johnson had attended and spoken at a recent CIPFA event at which reference had been made to the use of Independent Members on Local Authority Audit Committees. It was noted that most Authorities did not use Independent Members and attendees had mostly been astounded at Barnsley's forward thinking approach. It was suggested that at the January meeting a presentation be made on the 15 items covered at this CIPFA event.

RESOLVED:-

- (i) that the core work plan for 2018/19 and 2019/20 meetings of the Audit Committee be approved and reviewed on a regular basis; and
- (ii) that a presentation be made at the start of the January meeting on the issues covered at the recent CIPFA event attended by the Head of Internal Audit and Corporate Anti-Fraud and Mr P Johnson.

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Chair