

MEETING:	Audit Committee
DATE:	Wednesday, 5 June 2019
TIME:	4.00 pm
VENUE:	Reception Room, Barnsley Town Hall

MINUTES

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

1. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

2. MINUTES

The minutes of the meeting held on the 17th April, 2019 were taken as read and signed by the Chair as a correct record.

3. APPOINTMENT OF VICE CHAIR

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

4. INTERIM INTERNAL AUDIT ANNUAL REPORT 2018/19

The Head of Internal Audit and Corporate Anti-Fraud submitted his interim annual report providing his opinion on the adequacy and effectiveness of the Authority's framework of governance, risk management and control arrangements based on the work of Internal Audit during 2018/19, which had been prepared in accordance with the Public Sector Internal Audit Standards.

In order to comply with these Standards the report provided:

- An opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control
- A summary of the audit work undertaken to formulate the opinion
- Details of key control issues identified which could be used to inform the Annual Governance Statement
- The extent to which the work of other review or audit bodies had been relied upon.

Appendices to the report provided a summary of Internal Audit reports for the year, details and outcome of other Audit Activities not producing a specific assurance opinion and projects and work currently in progress.

The report indicated that based on the overall results of Internal Audit work undertaken to date, together with the management's implementation of recommendations, the indicative opinion given was adequate (positive) assurance. This was based on an agreed programme of risk based audit coverage that had

enabled a valid indicative assurance opinion to be provided. An update would be given to the July meeting of the Committee to coincide with the consideration of the final Annual Governance Statement although it was not anticipated that there would be any change.

It was recognised that the Future Council approach had required a change in risk appetite and following the implementation of the new operational arrangements there was a need to ensure that these were embedded. This had been discussed with the Senior Management Team but Senior Managers would have to remain alert to and focussed on maintaining an appropriate risk based and effective framework of control.

It was noted that the key results of all completed audits reported throughout the year were summarised within this report and that the progress in the implementation of audit report recommendations had consistently improved during the year.

The current Audit Plan, therefore, focussed on supporting management to consider the approach to controls in the context of reduced resources.

In the ensuing discussion, the following matters were highlighted:

- It was noted that more audit days had been delivered to the Council than planned but a reduction in the number provided to external clients and the rationale for that and implications thereof was explained. The benefits of undertaking work for external clients was touched upon and arising out of this discussion reference was made to the income
- A restructure of the Internal Audit Team and an investment by the Authority had enabled the appointment of two additional internal auditors in the coming year to add capacity to the council's audit coverage
- In relation to the completed pieces of work it was noted that 95 recommendations had been made during the year. One fundamental recommendation relating to school exclusions was outstanding but due for completion by 1st September, 2019
- Reference was made to the changing shift of audit work involving responding to requests for providing advice, support to services, innovation and initiatives, changes, projects and programmes and corporate change projects. Whilst such work might not result in specific reports it would, nevertheless contribute to the overall assurance opinion provided. This changing approach was particularly welcomed
- It was noted that the Annual Governance Statement would be submitted to the July Committee meeting
- It was noted that 15 reports had been issued to date for this year with another 4 ongoing in relation to the internal control framework. Arising out of this, there was a discussion of what might be considered an appropriate number of reports that should be produced in order to give adequate assurance. The Head of Internal Audit and Corporate Anti-Fraud accepted that statistically whilst this was not a lot of reports, however, some of the pieces of work had been significant involving 50 to 60 audit days. He was, nevertheless satisfied with the planning process and was confident that his Service would be able to identify significant issues.

- There was a discussion of the way in which the work of Internal Audit added value to the organisation and on how such information could be captured. Appendices to the report provided details of the key areas of activity and the Head of Internal Audit and Corporate Anti-Fraud stated that the final report would quantify days spent on each activity and how this was split across themes
- There was a detailed discussion of all aspects of Internal Audit involvement and assurances in place in relation to the Glassworks project and particularly as this related to governance arrangements
 - It was noted that Internal Audit was involved in assisting the Council to ensure that appropriate contract management arrangements were in place in relation to Phase 2
 - Members were informed of the raft of measures in place whereby the Committee could look for assurance. These included amongst other things an examination by the Overview and Scrutiny Committee and by Cabinet. Mr G Mills representing the Council's External Auditor commented that this scheme would also be a key area of focus in the Value For Money opinion to be presented at the next meeting on the 22nd July, 2019
 - Arising out of the discussion it was suggested that it would be useful to receive a summary sheet of interventions and issues dealt with as this would give the Committee additional assurance that all matters were being addressed appropriately
 - Reference was made to a meeting of the Overview and Scrutiny Committee held on the 4th June, 2019 which had examined the Barnsley Town Centre Redevelopment including aspects of the Glassworks. This meeting had been attended by Mr P Johnson (Independent Member) in an observer capacity who commented on the quality of the scrutiny and the answers provided by officers
 - The Head of Internal Audit and Corporate Anti-Fraud stated that his final report would be amended to take account of and address the points expressed

RESOLVED:-

- (i) that the assurance opinion provided by the Head of Internal Audit and Corporate Anti-Fraud on the adequacy and effectiveness of the Authority's framework of governance, risk management and control be noted;
- (ii) that the key issues arising from the work of Internal Audit in the context of the Annual Governance Statement be noted; and
- (iii) that the report be amended and presented in its final version to the meeting of the Committee on the 22nd July, 2019.

5. DRAFT 2018/19 STATEMENT OF ACCOUNTS

The Service Director Finance submitted a report on the draft Statement of Accounts 2018/19, the ninth set of accounts prepared in accordance with International Financial Reporting Standards.

The Committee also received a presentation from Mr P Danforth (Strategic Finance Manager) on the background and legislative requirements to be adhered to in the preparation of the Statement of Accounts.

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 Process including
 - The legislative drivers
 - The International Financial Reporting Standards
 - The changes in the timeframes for preparing the draft and audited accounts
- The role of this Committee with particular reference to
 - The Authority's Financial Reporting and Accounting Policies
 - The Risk Management and Governance Arrangements
 - The arrangements in place to identify and tackle Fraud
- Recent changes affecting the preparation of the Statement of Accounts including
 - Code Changes – the changes to Accounting for Investments and for accounting for revenues from contracts
 - Other significant changes – the introduction of Summary Accounts and Explanatory Notes as well as the introduction of Technical annexes
- The Statement of Accounts. The following matters were particularly highlighted
 - The Funding Basis Position (Management Accounts) vs Accounting Basis Position (Financial Accounts)
 - The Management Accounts – Revenue including the Net Revenue Expenditure 2018/19 and Accounting Adjustments
 - The Structure of the Statement of Accounts – the Narrative Report, the four Core Statements, the Disclosure Notes and the Technical Annexes
 - The Financial Accounts including the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement and the Balance Sheet (Net Worth)
- Next Steps – following discussion at this meeting further discussions would progress with the External Auditors during the rest of June and July following which the External Auditors would submit their ISO 260 Report on their findings to this Committee and to Council on the 25th July, 2019

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:

- In response to questioning Mr G Mills (Grant Thornton) referring to the legislative drivers, timeframes, the Code changes and other changes that had been introduced and commented on the impact this had both on the Statement of Accounts and on the role of the External Auditors in this. He was satisfied, however, that all processes had been followed and there were no material issues to raise in this respect
- Arising out of the above, particular reference was made to the new timescales for the production of the Statement of Accounts and the challenges this

presented. It was considered that there were adequate resources both within the Council and the External Auditors to meet this timeframe despite those challenges. A brief overview was provided of the arrangements in place and the meetings organised to take matters forward

- The Service Director Finance commented that whilst there appeared to be a £51.5m underspend this was to be utilised within the medium term
- Referring to the balance sheet, there was a discussion of
 - the implications of the Retirement Benefit Obligation. It was noted that this situation was common to most local authorities
 - the financial resilience of the Authority particularly in the light of the financial commitment and borrowing in relation to the Town Centre redevelopment. It was noted, however, that all borrowing was in line with the Council's previously approved strategy and objectives
- there was a discussion of
 - the potential impact on fixed term assets and use of reserves. Such matters would, however, be a key area of focus by the External Auditors and mention would be made within the ISO 260 report
 - the recent benchmarking exercise referred to in the press and the monitoring being undertaken by government of 11 councils use of reserves. It was noted that whilst Barnsley's reserves had been reduced, largely as a result of the Town Centre redevelopment, this had been planned and it was thought that the governments focus was primarily on the unplanned use of reserves
- reference was made to and there was a discussion of the costs of academisation and also in relation to PFI costs on the authority
- there was a discussion of Officer Remuneration and Exit Packages, of the ways and time scales in which these were paid and particular reference was made to pre-agreed pension strain costs and how these were calculated
- the reasons for the planned use of Housing Revenue Account Balances reserves was outlined. It was noted that there had been a decrease in balances which comprised of the Authority's total in year surplus of £4.4m net of reserves utilised in the year totalling £8.8m
- referring to the demographic profile for Barnsley, questions were asked about continuing health inequalities. Particular reference was made to sickness data particularly when comparing those in employment and the unemployed. This matter had been previously identified as part of the discussion on the Strategic Risk Register. It was noted that there were probably some legacy reasons for this but a further report was anticipated from the Director of Public Health which would address such issues

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 and restricted timeframe;
- (ii) that the work that has taken place to prepare the Authority's Draft 2018/19 Statement of Accounts on an International Financial Reporting Standards basis be noted; and

- (iii) that the finalised Statement of Accounts 2018/19 be submitted to the next meeting of the Audit Committee to be held on 22nd July, 2019.

6. EXTERNAL AUDIT - PROGRESS REPORT

Mr G Mills representing the Council's External Auditor Grant Thornton commented on the good participation by the Committee on the Internal Audit Annual Report and the Statement of Accounts submitted earlier in the meeting. This had enabled him to outline the External Auditor's position in relation to these matters and on the work currently being undertaken.

He would submit and update report outlining any changes together with the ISO 260 report to the next meeting to be held on the 22nd July, 2019.

RESOLVED that the report be noted.

7. AUDIT COMMITTEE WORK PLAN 2019/20

The Committee received a report providing the indicative work plan for the Committee for its proposed scheduled meetings for the remainder of the 2019/20 municipal year and for 2020/21.

The Head of Internal Audit and Corporate Anti-Fraud commented that his final Internal Audit Annual Report would be submitted to the meeting to be held on the 22nd July, 2019.

The Chair referred to an article that had appeared in the Barnsley Chronicle on the 31st May, 2019 which publicised the fact that the Council's IT Service had designed in-house income management software that was to be rolled out to local authorities across the country. This software would not only save the authority on software costs alone but would also generate income from sales/licensing.

RESOLVED :

- (i) that the core work plan for 2019/20 and 2020/21 meetings of the Audit Committee be approved and reviewed on a regular basis; and
- (ii) that staff within the Council's IT Service be congratulated for their hard work and dedication in developing this unique Income Management System software.

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Chair