

MEETING:	Audit Committee
DATE:	Monday, 22 July 2019
TIME:	4.00 pm
VENUE:	Council Chamber - Barnsley Town Hall

MINUTES

Present Councillors Richardson (Chair), Barnard, P. Birkinshaw and Lofts together with Independent Members - Ms K Armitage, Mr P Johnson and Mr M Marks

8. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

9. MINUTES

The minutes of the meeting held on the 5th June, 2019 were taken as read and signed by the Chair as a correct record.

10. IT SERVICES - PRESENTATION

The Head of IT (Service Management) made a presentation on the current and future work of her service.

Her presentation included:

- A 'look back' at 2018/19 with particular reference to the rise in the number of incidents reported, the work with the Data Protection Officer, his report and Internal Audit Assurance
- Current education and communications including E-learning programmes for staff and for Elected Members, the use of the weekly newsletter 'Straight Talk' as well as various other blogs and a recent phishing campaign
- Looking forward, the Service had purchased MetaCompliance software which was a policy management, awareness and training platform that ensured policies were understood and that employees were engaged. It also automated, delivered and managed the education lifestyle.
- The Committee also viewed a video which outlined the purpose of this software and how it would be used within the Council
- The benefits of this were as follows:
 - It provided bite-sized education in different formats and at various intervals
 - It was graphically engaging
 - It provided knowledge assessments (or agreements)
 - It increased knowledge of current threats and risks
 - It could be used to target specific groups of users and avoid the current 'one size fits all' approach
 - It used intelligence to inform future training and communications
- Information was provided about the specific support to be provided to Elected Members and which had been developed alongside Leeds City Council.

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

- The outcome of a recent phishing campaign and the action taken to ensure that the small number of staff who had not identified this as a phishing attempt received additional training
- The reasons for the increase in the number of data breaches and the action taken to address these issues. Arising out of this discussion, reference was made to the arrangements for reporting serious data breaches to the Information Commissioners Office (ICO). It was noted that the Authority took a proactive, transparent and open approach to informing the ICO of such breaches and in seeking advice. It was noted that over the last three years only a very small number of cases had been referred for investigated but the open approach of the Authority had probably been taken into account when these cases had been considered and no major errors had been identified that required substantial remedial action
- Information was provided about the disposal arrangements for both paper and electronic records

RESOLVED that Ms S Hydon be thanked for a most informative presentation.

11. REPORT TO THOSE CHARGED WITH GOVERNANCE (ISO 260) 2018/19

The Committee considered a report of the External Auditor (Grant Thornton) which had been submitted in accordance with International Standard on Auditing 260, the External Audit Governance Report 2018/19. Mr G Mills (Engagement Lead) and Mr T DeZoysa (Engagement Manager) attended the meeting to present the report.

The report incorporated, amongst other things, the following:

- The Financial Statements, including the significant audit risks, findings, area of audit focus and judgements and estimates, the going Concern assumption and other responsibilities under the Code
- The Value for Money Conclusion
- The Accounts Production and audit process
- The current position with regard to the completion of the audit of the financial statements

Appendices to the report provided the following:

- The Action Plan to address issues identified
- The Audit Adjustments
- The audit fees charged for the audit and the provision of non-audit services
- The proposed audit opinion – it was anticipated that the Group and Council would be provided with an unmodified/clean; audit opinion by 31st July, 2019

In relation to the Financial Statements, the report summarised the key findings in relation to the 2018/19 external audit. Subject to all outstanding issues being resolved to their satisfaction it was anticipated that an unqualified audit opinion on the Authority's financial statements would be issued before the deadline of 31st July, 2019 following consideration by the Council on the 25th July, 2019.

Two adjustments had been identified as being of a significant nature and these were included within Appendix B. In addition some recommendations for management had been identified and these were detailed within Appendix A.

In relation to Value for Money, two key areas of focus included:

- Financial Standing – the delivery of the 2018/19 budget and savings plan and the achievement of the medium Term Financial Strategy
- The arrangements in place for the Glassworks development

The External Auditors had concluded that the Council had proper arrangement in place to secure economy, efficiency and effectiveness in its use of resources around these two risks. In addition, appropriate arrangements were in place in relation to the management of the Council's Financial Position and in the governance, risk management and financial management of the Glassworks scheme to date.

The External Auditors had completed the majority of work under the Code and expected to be able to certify the conclusion of the audit once they had completed the review of the Council's Whole of Government Accounts return. It was anticipated that the audit certificate would be issued by the National Audit Office Whole of Government Accounts deadline of 31st August, 2019.

Finally, thanks were expressed to officers and members for their continuing help and co-operation throughout the audit work.

The presentation engendered a full and frank discussion during which matters of a detailed and general nature were raised and answers were given to Members questions where appropriate.

The following issues were referred to:

- The amount of work to be undertaken prior to the 31st July, 2019 was not uncommon for an Authority the size of Barnsley. In addition, since the report had been produced a number of those issues had already been addressed.
- There was a discussion of the significant findings and particularly
 - as this related to the McCloud judgement in relation to the fire service pensions scheme. Given the change in liability resulting from this decision, the Council had agreed to process the adjustment of around £12m on receipt of the updated IAS19 report which was considered to be an appropriate adjustment to the Council's financial statements
 - The prior period adjustment in relation to the disposal of the Horizon school building. It was noted that this adjustment did not affect the final 2018/19 closing Balance Sheet Position for the Council; rather the accounting treatment for the disposal was undertaken in the incorrect year
- Reference was made to the difficulties caused to both the External Auditors and the Authority by the change in the deadline for the submission of the ISA report, AGS and Statement of Accounts.
- There was a discussion of the way in which the fixed asset register was compiled and of the benefits that an appropriate software application could provide. This matter was under constant review

RESOLVED:-

- (i) That the External Auditor's Report 2018/19 be received and referred for consideration by the Council to be held on the 25th July, 2019;
- (ii) That the Auditor's findings on the effectiveness of the Council's internal controls and the conclusion on the Council's arrangements for securing Value for Money be noted; and
- (iii) That the Committee place on record their thanks and appreciation for the hard work of the External Auditor and the Service Director Finance and his Team in this process.

RECOMMENDED TO FULL COUNCIL ON THE 25th JULY, 2019:-

- (i) That the External Auditor's Annual Governance Report 2018/19 be approved;
- (ii) That the findings on the effectiveness of the Council's internal controls and the conclusions on the Council's arrangements for securing Value for Money be noted; and
- (iii) That the findings from the audit work in relation to the 2018/19 financial statements be noted and accordingly, the final accounts 2018/19 be approved.

12. GLASSWORKS PROJECT - UPDATE

Mr D Shepherd (Service Director Regeneration and Property) made a presentation on the current position with regard to the Glassworks Project.

He commented on the following:

- The progress on the Glassworks project which was now 22 weeks into Phase 2 and which was progressing well. Arising out of the, he made reference to
 - the due diligence arrangements that were in place
 - the awarding of contracts to businesses within the area and the benefits to the economic regeneration of the area
 - the majority of the phase 2 groundworks were now complete and no issues had been identified
- The successful opening of the Library@thelightbox which had seen over 5,000 visitors on the first day. He also outlined the range of services and facilities that were available and made reference to the successful liaison/partnership arrangements with other businesses and initiatives and particularly the joint working arrangements with the Falco Lounge, Barnsley College and Community Learning Services
- The current leasing arrangements in place and planned. Reference was made to the businesses it was proposed would be locating into the Glassworks some hopefully before Christmas. It was the intention that the Town Centre be brought back into use at the earliest opportunity
- The development of the Market Kitchen which was hoped would be open by September/October

- The alignment/co-location of the Police, Council Enforcement Staff and Barnsley CCTV services within the Glassworks management suite
- The development of the leisure offer
- The continued development of the car parking strategy a report on which was progressing through Cabinet

In the ensuing discussion the following matters were highlighted:

- It was noted that the financial projections were currently on track although there could be fluctuations which was to be expected due to the challenging retail sector. This was kept under review and future reports would update on progress
- Work was continuing with Queensbury leasing agency and there was a discussion of the Leasing Strategy. The strategy would be carefully monitored as the project developed. It was important to ensure that the Glassworks had the correct mix of tenants as this could influence whether or not other businesses chose to locate there
- The Service Director commented that the rest of the Town Centre 'offer' was kept under review particularly in view of the impact that the development of the Glassworks could have. Indeed a report had been submitted to the Barnsley Economic Partnership this morning. Reference was made to recent developments and to the discussions that had taken place with the owner of the Parkway Cinema who was to develop a unique cinema offer. Consideration was also being made to the submission of an application to the Historic High Street Fund which would focus on the cinema side of Eldon Street and the Civic
- Arising out of questioning, the Service Director gave the Committee details of the anchor tenants who had agreed to locate to the Glassworks
- Information was provided about the Marketing Strategy being undertaken and planned. This strategy involved external agencies as well as the Council's own marketing team and would include a television campaign at the appropriate time

RESOLVED that the report be received and the Service Director Regeneration and Property be thanked for his presentation.

13. REVISED AUDITED STATEMENT OF ACCOUNTS 2018/19

Further to Minute 5 of the meeting held on the 5th June, 2019, the Service Director Finance submitted the revised audited Statement of Accounts for 2018/19

RESOLVED that submission for approval for the revised audited Statement of Accounts 2018/19 to the Council on the 25th July, 2019 be noted.

14. ANNUAL GOVERNANCE REPORT 2018/19

The Chief Executive and Executive Director Core Services submitted a report on the final Annual Governance Statement 2018/19 and requesting the Committee to refer it to Council for consideration and adoption as part of the process for approving the 2018/19 Statement of Accounts. A copy of the Statement was appended to the report.

The Risk and Governance Manager gave a brief resume of the contents of the Statement and how the review had been undertaken. An action plan had been prepared to capture the issues raised throughout the review process and this document would form the basis for the Committee monitoring throughout the year. The action plan was appended as Appendix one to the Annual Governance Statement and outlined the two items upon which further action was required. An update of the action plan would be submitted to the Committee throughout the year.

It was noted that Mr Hunt (Risk and Governance Manager) was to leave the employment of the Authority shortly and the Chair and Members of the Committee asked to place on record their thanks and appreciation for his hard work, dedication and commitment to the Council over a number of years.

RECOMMENDED TO FULL COUNCIL ON THE 25th JULY, 2019 that the final Annual Governance Statement 2018/19 be approved and adopted.

15. LETTER OF REPRESENTATION

The Executive Director Core Services and Service Director Finance submitted the Letter of Representation which was to be sent to the External Auditor.

RESOLVED that the submission of the letter to the External Auditor be approved.

16. INTERNAL AUDIT ANNUAL REPORT 2018/19

Further to Minute 4 of the previous meeting held on the 5th June, 2019, the Head of Internal Audit and Corporate Anti-Fraud submitted his final Internal Audit Annual Report 2018/19 providing an 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.

At the June meeting the Committee had noted that an indicative annual assurance opinion of adequate had been given. Internal Audit had now substantially completed their work programme and the current report had been written on an exceptions basis to highlight any outcomes that may have a positive or negative effect on the interim assurance opinion. Taking the whole year into account, the Head of Internal Audit and Corporate Anti-Fraud was able to confirm an overall adequate (positive) assurance opinion for the year.

Particular reference was made to the commissioning of the Service to undertake a review of governance and contract management regarding the Glassworks project and to the scope of that audit. To date this had included:

- Providing challenge and advice on the Project Execution Plan
- Facilitation a Risk Workshop around the governance arrangements to inform work in 2019/20
- Providing challenge and advice on the Risk Registers
- Advice on Board governance and decision making

This programme would continue throughout the lifetime of the project and was the second review of the development, the first being the 'Town Centre Regeneration – Development Management Organisation' review that had been completed as part of the 2016/17 Internal Audit Plan. This review had resulted in an adequate assurance opinion.

RESOLVED that the adequate (positive) assurance opinion for the year based on the audit work undertaken to deliver the 2018/19 Internal Audit Plan regarding the adequacy and effectiveness of the Authority's Framework of Governance, Risk Management and Control be noted.

17. ANNUAL FRAUD REPORT 2018/19

The Head of Internal Audit and Corporate Anti-Fraud submitted an Annual report on counter fraud related activity undertaken by the Internal Audit's Corporate Anti-Fraud Team from 1st April, 2018 to 31st March, 2019.

The Team continued to provide the Council with a full, professional counter fraud and investigation service for fraud attempted or committed against the Council.

Particular reference was made to:

- Pro-active Anti-Fraud and Corruption Activity for 2018/19 and reference was made to:
 - The success of the Fraud Awareness week – it was noted that due to this success a further week was being planned
 - Bribery Act E-Learning which could be accessed through the Council's corporate e-learning platform (POD)
 - The National Fraud Initiative
- Reactive Fraud Work with reference to
 - Detecting and investigation Fraud
 - Corporate investigations
 - Council tax Support Investigations
 - Council Tax
 - Non domestic rates
 - Insurance claims
 - Right to buy
 - Direct Payment/Personal Budgets
 - Housing/Tenancy Fraud

In the ensuing discussion the following matters were highlighted:

- Members were particularly pleased at the success of the Fraud Awareness Week
- It was noted that discussions were progressing to examine whether or not fraud training could be made mandatory
- It was noted that the success and impact of the service meant that it would probably self-sustaining financially
- Reference was made to the recommendations of the Chartered Institute of Internal Auditors which suggested that Internal Audit should have unrestricted

access to all aspects of the Council's business and it was pleasing to note that this was something that was permitted and indeed encouraged in Barnsley

RESOLVED that the annual Fraud Report which forms part of the framework of assurances to support the Annual Governance statement be noted and that the Committee encourage the Authority to continue to embed a culture of zero tolerance and high levels of awareness regarding fraud and corruption.

18. INTERNAL AUDIT PROGRESS REPORT 2019/20

The Head of Internal Audit and Corporate Anti-Fraud 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 30th June, 2019.

The report, which was presented by Mrs L Booth, Audit Manager, outlined:

- The progress of the internal audit plan up to the end of June analysed by the number of plan assignments producing a report and audit days delivered by Directorate
- There was a variance of two assignments completed against those planned but five were in draft report stage and meetings were scheduled with officers to discuss outcomes
- Three audits had been finalised since the last meeting and copies of all final reports were available upon request. A summary of assurances and the number and categorisation of recommendations included in the report was outlined
- Details were provided of the outcome of other Internal Audit activities concluded not producing a specific assurance opinion
- Information was provided on the following up of Internal Audit Report management actions together with a summary of work in progress
- Information on the status of management actions by directorate/maintained schools due for completion was provided
- Details of Internal Audit performance against Performance Indicators
- Based on the audits reported during the period an overall adequate assurance was considered to be appropriate.

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 June, 2019 be noted;
- (iii) that the progress against the Internal Audit Plan for 2019/20 for the period to the end of June, 2019 be noted; and
- (iv) that the performance of the Internal Audit Division for the first quarter be noted.

19. DATA PROTECTION OFFICER'S ANNUAL ASSURANCE REPORT

The Data Protection Officer submitted a report providing an assessment of compliance with the General Data Protection Regulations and the Data Protection Act 2018 based on specific assurance work undertaken over the last few months and general activity during the year.

The Council's Information Governance Board, Chaired by the Senior Information Risk Owner, the Executive Director Core Services had received and considered a report of the Data Protection Officer at its meeting on the 26th June, 2019 and this report reflected the discussions and outcomes from the Information Governance Board.

The report covered the following key areas:

- An overview for the 12 months following the formal implementation of the General Data Protections Regulations and the Data Protection Act 2018
- DPO activity during the year
- Specific assurance work undertake and the results thereof
- Suggested audit/assurance activity for 2019/20 and beyond
- How the responsibilities of the Data Protection Officer have been discharged
- The response from the Information Governance Board

An Appendix to the report highlighted the key issues arising from each assurance review he had undertaken which showed the positive areas as well as those where improvement in compliance or the underlying control and governance framework was required. Overall the review work undertaken showed good compliance but equally and acceptance that further work was needed in a number of areas and these were outlined within the report.

The Data Protection Officer highlighted the excellent work undertaken by the Information Governance Team in supporting services achieve the degree of compliance highlighted in the report.

Based on his first series of reviews and considering other areas for DPO and/or Internal Audit activity the Data Protection Officer had devised a programme of work with suggested frequencies to assist in the future planning of review resources and this was outlined within Appendix B to the report.

A further Appendix outlined how the Data Protection Officer discharged his duties and responsibilities and the report also outlined three key areas requiring further review progress on which would be included within future reports to the Information Governance Board and this Committee.

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

- Information was provided about insurance and circumstances in which claims for compensation could be made
- Thanks were expressed to the Data Protection Officer for the way in which he discharged his duties
- It was noted that the Information Governance Board was satisfied at the appropriate level of coverage of the Data Protection Officer

RESOLVED:

- (i) that the report and the actions agreed to address issues raised be notified;
- (ii) that the response of the Information Governance Board be noted;
- (iii) that the programme of assurance activity proposed be noted and endorsed and that full and unfettered access be given to the Data Protection officer and/or Internal Audit Staff undertaking work on his behalf to information, systems, officers and staff;
- (iv) that the Committee receive 6 monthly reports on progress and the results of assurance work regarding the Authority's compliance with GDPR and the Data Protection Act; and
- (v) that the Committee is satisfied that the key responsibilities of the Data Protection Officer have been discharged appropriately.

20. ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITIES 2018/19

The Executive Director Core Services and Service Director Finance (Section 151 Officer) submitted a joint report reviewing the Treasury Management Activities undertaken by the Council during 2018/19 in accordance with statutory guidance.

The report, which was introduced by the Head of Finance and presented by Strategic Finance Manager, the included:

- The agreed Treasury Management Strategy for 2018/19
- An economic summary
- The Council's borrowing activity
- The Council's investment activity
- The Prudential and Treasury Indicators

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

- The implications of interest rates on borrowing activity over the last few months and the action taken to ameliorate the impact of potential rises and reduce the council's exposure to such rises
- It was noted that based on current assumptions, the Council may need to borrow up to £201m over the next two years and the reasons for this were outlined
- Reference was made to and there was a discussion of the potential implications of Brexit on sterling and subsequently upon borrowing requirements. It was reported that the Council had now made use of fixed rate loans in order to 'insure' against unexpected rate increases. The current borrowing strategy was being closely monitored and plans were in place in the event that interest rates started to rise
- It was noted that new long term borrowing undertaken in year was generally for 30+ years with the average being 45 years

- In response to questioning it was reported that the Council loaned money to other councils on a short term bases as an effective use of cash balances

RESOLVED:

- (i) That the borrowing and investment activities undertaken during 2018/19 be noted; and
- (ii) That the Prudential and Treasury Indicators detailed within Appendix 1 be noted.

**21. GOVERNANCE, MEMBER AND BUSINESS SUPPORT BUSINESS UNIT
PROGRESS REPORT**

The Executive Director Core Services introduced the recently appointed Service Director Governance, Member and Business Support who then presented a report giving an overview of the functions of the Governance, Member and Business Support Unit, related elements of the Annual Governance Statement process and other issues affecting Elected Members.

In the ensuing discussion particular reference was made to the meetings administration support provided for the Combined Authority and related bodies.

RESOLVED that the report be received and the work of the Governance, Member and Business Support Unit be noted.

22. AUDIT COMMITTEE WORK PLAN 2019/20 AND 2020/21

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 Committee was reminded of the Development/Training Session planned for Wednesday 30th October, 2019 and Members were asked to contact the Chair with any issues/topics they wished to have included.

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;
- (ii) that Members of the Committee inform the Chair of any items they wish to have included for discussion at the Development/Training Session planned for 30th October, 2019.

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Chair