

MEETING:	Audit and Governance Committee
DATE:	Wednesday, 29 July 2020
TIME:	4.00 pm
VENUE:	THIS MEETING WILL BE HELD VIRTUALLY

MINUTES

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

68. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

69. MINUTES

The minutes of the meetings held on the 3rd and 25th June, 2020 were taken as read and signed by the Chair as a correct record.

Arising out of these minutes, the following matters were highlighted:

(a) Information Governance, Cyber Security and Data Protection Officer update

- It was reported that the Council had received no further information from the National Cyber Security Centre, the Ministry of Housing, Communities and Local Government or the Local Government Association regarding a case study from the 'Redcar and Cleveland' incident. However, the Ministry of Housing, Communities and Local Government had commissioned the NCC Group to work with Councils to create an action plan. This work was currently progressing and further information would be provided as and when this was received.
- In relation to the Cyber Essentials Plus Certification, this had been pushed back to the end of the year due to Covid 19 implications. The project was due to recommence during September 2020 but would be at a slower pace due to social distancing restrictions

(b) Covid 19 Update

- It was reported that the financial position was being tracked on an ongoing basis. The latest estimate for the 2020/21 financial year was for a deficit of around £18m part of the reduction was explained by the announcement of the third Government grant in July
- The Executive Director Core Services commented on the 'new ways of working' and on how this differed from that of pre Covid 19. The Chief Executive had referred to this in some detail at the previous meeting. A Recovery Strategy had been developed which provided information on how the Authority intended to and indeed was currently opening up Services and buildings in a very safe manner. Barnsley had had a very challenging period over the last three to four weeks, but a significant amount of work had been undertaken both within the Council and with Partners including Public Health

and the NHS to ensure that all necessary arrangements were in place. Barnsley now had one of the highest testing rates within the country and was doing extremely well against the positivity rates. The number of tests undertaken per day had gone up from around 220 to 450 per day with a positivity rate of around 1% so Barnsley was not currently regarded as an area of concern, however, this could very quickly change as had been seen in other parts of the country.

A review was being undertaken of all services so that there was an understanding of the risks and challenges faced and a 'roadmap' had been prepared outlining the strategy for opening up buildings and further extending services. In addition, a presentation was to be made to Council on the 30th July, 2020 outlining the Recovery Strategy for the Borough. It was stressed, however, that a number of services had continued to operate throughout the pandemic period and staff concerned should be commended for their hard work and dedication in enabling this to occur. It was also reported that many of the Authority's services were being reviewed in the light of homeworking and of how technology was being used and how it could be utilised in moving forward.

- (c) Audit Scope and Additional Work 2019-20 – in terms of the recoverability of debtors or receivables, the Service Director Finance reported that this piece of work had now been undertaken in terms of what recoverability was likely to be. Appropriate provision had been set aside within the accounts and this year's outturn. That provision was dependent upon a number of factors including the type of debts, the age of the debt and also the status of the debt in terms of the recovery process. He felt, therefore, that this provision was prudent at the current point in time. This also took the impact of Covid 19 into account.
- (d) Draft 2019/20 Statement of Accounts – there was a discussion centring on the need for the narrative section to the Accounts to outline the key issues in a none technical language as it was felt that this would enable stakeholders to better understand those key issues. In this context reference was made to the current position with regard to Covid 19, Property and Land Values, Pension costs, changes in actuarial assumptions and Treasury Management particularly in relation to borrowing and debt. The Service Director Finance welcomed the feedback and acknowledged that the information would be difficult to extract from the 200+ pages of the accounts. The Finance Team would reflect on the additional narrative suggested and an Executive Summary would be produced prior to the Committee receiving the final audited accounts in September/October. In relation to Treasury Management he reported that in his capacity as Section 151 Officer he had consistently flagged up the relatively high levels of debt to the Cabinet, Council and to this Committee. For the last couple of years his advice had been (and indeed it was Council policy) that no further material borrowing should take place until such time as the Glassworks development was complete. This advice would be reviewed in the next budget cycle in the light of both the impending completion of the development and in view of the economic impact of the Covid pandemic.

70. ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITIES 2019/20

The Executive Director Core Services and Service Director Finance (Section 151 Officer) submitted a joint report reviewing the Treasury Management activities carried out by the Council during 2019/20 in accordance with Statutory Guidance.

The report gave details of the following key issues:

- The overarching strategy for 2019/20
- The economic summary for the year
- An update of the Council's borrowing and investment activities
- The Council's Prudential and Treasury Indicators

The Service Director also reported that all the indicators and objectives had been met.

It was noted that the recommendation in relation to the proposed temporary increase in investment limits had been submitted to and agreed by Cabinet. This recommendation should have been omitted from the report prior to submission to this Committee and this was an oversight for which an apology was offered. The Director of Finance would try to ensure that all reports submitted to future meetings were amended accordingly and that recommendations reflected the decisions that this Committee was being asked to make.

RESOLVED:

- (i) That the latest expectations for interest rates (as outlined within Section 4 of the report) and the borrowing and investment strategies (as outlined within Sections 5 and 6) for 2019/20 be noted; and
- (ii) That the Prudential and Treasury Indicators detailed within Appendix 1 be noted.

71. LOCAL CODE OF CORPORATE GOVERNANCE

The Head of Internal Audit, Anti-Fraud and Assurance submitted a report seeking approval to the Local Code of Corporate Governance and for it to be published on the Council website.

It was reported that the current Code which dated back to 2016/17 had been reviewed and revised and would be published as part of a developing suite of governance documents which would include the Annual Governance Review Process and the Annual Governance Statement.

The Code, which had been prepared in accordance with CIPFA Guidance, was appended to the report and focused on the 7 principles of corporate governance and detailed Barnsley's commitment to achieving good governance in practice.

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

- There was a discussion of the role of this Committee in approving and/or considering, among other things, the Code.
 - The Service Director Governance, Member Services and Business Support commented that there would always be instances when reports were submitted to this Committee for challenge, however, the Council would always remain the 'sovereign body' and there would be times when reports had to be submitted to the Council (or the Cabinet as the Council's Executive) for consideration or approval. This may appear to some, that there was duplication but there were sound governance reasons as to why this might occur. Discussions were, however, progressing with the Head of Internal Audit, Anti-Fraud and Assurance and with other Senior Officers to avoid this wherever possible.
 - Arising out of the above, it was stressed that it was important that all reports submitted to this Committee should clearly state what the Committee's role was in relation to the issue under discussion as well as outlining, within the recommendations, what it was being asked to consider, comment on or approve
 - In this particular instance it was noted that any comments or issues raised by Members on the Code would be considered prior to the submission of the report for formal approval by the Council
- It was noted that the Code, once published on the Council website would be accompanied by a definition to outline what was understood by Corporate Governance

RESOLVED that, subject to the comments now made, the report and Code of Corporate Governance as detailed within Appendix 1 to the report be noted and submitted to Council for formal approval.

72. INTERNAL AUDIT ANNUAL REPORT 2019/20

Further to minute 60 of the meeting held on the 3rd June, 2020, the Head of Internal Audit, Anti-Fraud and Assurance submitted his finalised annual report prepared in accordance with the updated Public Sector Internal Audit Standards. The report provided his opinion on the overall adequacy and effectiveness of the Authority's Framework of Governance, Risk Management and Control based on the work undertaken by Internal Audit for 2019/20.

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 (AGS)
- 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 concluded in the period and projects and work currently in progress as at 12th July, 2020.

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 opinion given was a reasonable (positive) assurance and this position had not changed from his interim opinion given at the June meeting. This was based on an agreed programme of risk based audit coverage and input which had enabled a valid assurance opinion to be provided.

It was important that Senior Managers remained alert to and focussed on maintaining an appropriate, risk based and effective framework of controls as the Council entered the recovery stage of Covid 19 and also as work continued towards Barnsley 2030.

It was noted that the key results of all completed audits reported throughout the year were summarised within this report and that the Committee had been made aware of progress in the implementation of agreed management actions.

The current Audit Plan, therefore, focussed on supporting management to consider the approach to controls in the context of the impact of Covid 19.

The Head of Internal Audit, Anti-Fraud and Assurance gave a brief resume of the way in which he weighted the outcomes of audits in order to provide his assurance opinion. Whilst the updated statistical information appeared to show a worsening position, it needed to be remembered that every audit year covered different audits and so it was not easy to have a direct year-on-year comparison. It was pleasing that the culture of the Council and Senior Managers was very open to Internal Audit coverage, and as such, the service identified and was invited into areas known to require improvement which was extremely positive. Reports were always actioned, with revised dates agreed as appropriate, and the Service was also undertaking more advice and consultancy the information and feedback from which was an increasing aspect of the overall assurance opinion.

He reported that the current year was likely to have significant and unique challenges around controls and keeping things safe but at the moment, based on the work undertaken and being undertaken, there were no concerns. The financial year 2020/21 was likely to have further significant challenges around controls, governance and risk and the Audit Plan was constantly being updated to reflect changing priorities.

Mr G Mills commented on the Plan from the External Audit perspective and supported the Internal Audit Service position of considering issues in a holistic manner as now outlined.

In the ensuing discussion, the following matters were highlighted:

- There was a discussion about what would be considered an appropriate level of internal audit. It was not possible to state what any 'tipping point' would be as this was based on a number of factors including areas audited, advice offered, challenge provided and management response including the implementation of remedial actions. The Council did, however, recognise the value that audit contributed to the organisation as a whole and the Head of Internal Audit, Anti-Fraud and Assurance was confident that he had sufficient resources to be able to deliver the audit function in an appropriate and satisfactory manner. He assured the Committee that if he had any concerns,

these would be highlighted but he was confident that this was not the case given the enhanced liaison arrangements that had been put in place and particularly through the Covid period

- In response to specific questioning, information was provided in relation to the additional work that had resulted following the Covid pandemic, particularly in relation to emergency arrangements that had been put in place and emergency payments made etc. Internal Audit staff had undertaken appropriate investigations and no major issues had been identified as processes and systems had been found to be robust
- The Annual Governance Review process had given reasonable assurance and there remained a clear focus on risk within all Business Units. The inherent framework of controls and governance was well understood and there were high levels of compliance
- In relation to the five outstanding recommendations, the Head of Internal Audit, Anti-Fraud and Assurance reported on the dates for completion as follows (all of which had been agreed as part of the audit process and better reflected a more realistic approach to timescales):
 - SAP Concur (2) – 30th September, 2020
 - Systems Fit for Purpose – 31st March, 2021
 - Procurement (2) – 30th September, 2020 and 31st December, 2020
- In response to questioning, the Head of Internal Audit, Anti-Fraud and Assurance stated that all recommendations emanating from previous years were followed up and their implementation was reported to management and to this Committee. He then went on to give a brief overview of how this work was undertaken
- In relation to the Core Financial Systems audit, questions were raised as to whether or not a high level analytical review might be advisable covering all 10 systems detailed. In response, the Head of Internal Audit, Anti-Fraud and Assurance explained that such a high level review of audit coverage was determined by a Core Systems Audit Strategy developed and discussed with the Service Director Finance and other Senior Members of the Finance Team. This also gave the opportunity to identify and assess key areas that were likely or could potentially change the control framework and this type of analysis enabled a decision to be made on which pieces of work would be the focus of attention. It was suggested, therefore, that details of the way this was undertaken be highlighted at the Audit and Governance Workshop/training day scheduled for October. This would also then give the opportunity to influence the development of the following years Audit Strategy
- Arising out of the above, it was noted that alternative approaches to developing the Audit Plan were always being considered. Consideration was currently being given to the use of computer aided techniques and software which was also part of the development plan

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 a presentation outlining the way in which the Audit Plan is prepared be submitted to the Workshop/training and awareness day to be held on the 28th October, 2020.

73. INTERNAL AUDIT PROGRESS REPORT - QUARTER ENDED 30TH JUNE, 2020

The Head of Internal Audit, Anti-Fraud and Assurance submitted a report summarising the Internal Audit activity completed, and the key issues arising from it, for the period 1st April to 30th June, 2020 and providing information regarding the performance of the Internal Audit function during that period.

The report, which was presented by Mrs S Bradley, 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
- The variance of one assignment completed due to a report being at draft report stage. A meeting was scheduled with officers to discuss outcomes and finalise the report
- The way in which changes to the Audit Plan had been made
- Five audits had been finalised in the period. A summary of assurances, where applicable, and the number and categorisation of agreed management actions was outlined
- The issuing of 2 audit reports that had a limited assurance opinion
- The outcome of other Internal Audit activities concluded not producing a specific assurance opinion together with information about other work undertaken
- A summary of audits in progress by Directorate
- Information on the following up of Internal Audit Report management actions
- The performance of Internal Audit against performance indicators and feedback received
- The Head of Internal Audit, Anti-Fraud and Assurance Internal Control and Assurance Opinion based on the audits reported during the period. This indicated an overall reasonable assurance was considered to be appropriate

Members of the Audit Team were congratulated on this successful report which had been achieved during a time of particular difficulty considering the implications of the Covid 19 pandemic.

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, 2020 be noted; and
- (iii) that the progress against the Internal Audit Plan for 2020/21 for the period to the end of June, 2020 be noted.

74. RISK MANAGEMENT UPDATE

The Head of Internal Audit, Anti-Fraud and Assurance submitted a report updating the Committee on the development of a new approach to risk management across the Council.

He reported that work was continuing on the development of an 'in-house' system utilising the functionality of the Council's Document Management System 'SharePoint'. A workshop was planned for Senior Management Team on the 18th August at which this would be demonstrated.

An assurance was given that all Business Units were maintaining their risk registers in the interim and they were considering key risks as part of the normal management arrangements most significantly in managing issues arising from the Covid 19 pandemic. Whilst the pandemic had impacted upon capacity and priority of key individuals and SMT, the Committee was assured that the progress towards the introduction of the new risk management approach remained a key priority.

It was proposed that the new system would be demonstrated to the Committee in due course alongside the emerging new Strategic Risk Register. In addition, the overall Risk Management Strategy, Policy and supporting procedures would also be presented for approval.

RESOLVED that the update and assurance that the approach and progress to the development of a new approach to risk management across the Council have the continued commitment from Senior Management be noted.

75. EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE - JULY 2020

Mr G Mills representing the Council's External Auditor (Grant Thornton) submitted a report giving details about their work as at 20th July, 2020, outlining the Audit Deliverables together with a Sector Update summarising emerging national issues and developments.

Particular reference was made to the following:

- The current position with regard to the Financial Statements Audit which had commenced recently with a promising start. A report on the work on the Audit findings (ISA 260 report) and the opinion on the Statement of Accounts would hopefully be submitted in October, 2020. There was also a discussion as to why it might not be possible to present these at an earlier date
- The current position with regard to work being undertaken in relation to Covid 19 which had resulted in an addendum to the Audit plan set out a new significant financial statement risk
- The ongoing work in relation to Value for Money – it was anticipated that the Value for Money Conclusion would be given in October
- The potential implications of a New Audit Code to be introduced from 2020/21 onwards particularly in relation to Value for Money and associated recommendations. The public consultation on the code was currently being

undertaken and a report on the implications would be submitted at an appropriate time

- Other areas of work included:
 - Certification of claims and returns
 - Meetings held with the Finance Team and other Senior Officers
 - Events organised and publications issued to support the Council
- It was reported that reports from Grant Thornton and detailed within the Sector Update could be circulated via email if required
- In relation to the annual Audit Letter, it was noted that this was a mandated report that the External Auditors were required to issue typically one month after the audit opinion. It was hoped that the draft would be issued in November for review by the Service Director Finance with it being presented to this Committee in December
- With regard to post balance sheet events, this was detailed within Note 18 of the draft accounts and currently highlighted the impact of Covid 19. These would be discussed with the Finance Team and any such events would be taken into account until the point of sign off in October

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

- It was noted that the Annual Audit Letter was essentially a high level summary of the detailed findings included within the ISO 260 Report and as such should not include anything that did not appear in that report
- There was a discussion of the revaluating deficits and net credit balances. The External Auditor explained the accounting rules in such instances which were on an asset by asset basis and he commented that due to local authority accounting regulations/rules there would be no impact on the usable reserves. This was confirmed by the Service Director Finance

RESOLVED that the External Audit progress report and Sector Update be noted.

76. AUDIT COMMITTEE WORK PLAN

The Committee received the indicative work plan for the Committee for the period June 2020 to March 2021.

The Head of Internal Audit, Anti-Fraud and Assurance reminded Members that further consideration would have to be given to dates of the Committee in October to permit the discussion of the ISO 260 report once received and the Annual Governance Statement. Dates would be confirmed as soon as possible but the Workshop/Training day on the 28th October, 2020 could be preceded by a formal meeting if required.

It was also reported that there may have to be a change in the dates for the submission of update reports from the other corporate functions that contributed to the overall assurance programme given the impact on workloads particularly consequent upon the significant impact of the Covid Pandemic.

RESOLVED that the core work plan for meetings of the Audit Committee be approved and reviewed on a regular basis.

77. EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED that the public and press be excluded from this meeting during the discussion of the following items because of the likely disclosure of exempt information as defined by Paragraph 1 of Part 1 of Schedule 12 A of the Local Government Act 1972 (as amended).

78. INTERNAL AUDIT PLAN 2020/21

Further to Minute 65 of the meeting held on the 3rd June, 2020, the Head of Internal Audit and Corporate Anti-Fraud submitted a report on the finalised Internal Audit Plan for 2020/21.

The report, which was presented by Mrs S Bradley, Audit Manager indicated that the Plan had been revised following consultation with individual Departmental Management Teams to ensure that it was focussed on priority areas and was aligned to the Internal Audit resources available for the remainder of the financial year. The Plan also incorporated advisory and assurance work directly related to Covid 19.

The report outlined the Key aspects of the finalised Plan (as outlined within Paragraph 3.1 of the report) but it was noted that this could change during the year to reflect the allocation of resources from contingency and unplanned work, new priorities and pressures.

An Appendix to the report provided a summary of the planned work by Directorate and a second appendix provided an outline scope of each of the planned areas of work.

The report also provided information about available resources within the Internal Audit Service and how staff were proposed to be deployed.

RESOLVED:-

- (i) That the finalised indicative Internal Audit Work Plan 2020/21 be approved acknowledging the need for the Head of Internal Audit and Corporate Anti-Fraud to exercise his professional judgement during the year to apply the Plan flexibly according to priority, risk and resources available; and
- (ii) That the Committee receive quarterly monitoring reports from the Head of Internal Audit and Corporate Anti-Fraud to demonstrate progress against the Plan including information where the Plan has materially varied from the original Plan.

At the conclusion of the meeting the following issues were raised:

- The implications of the McCloud and Sargeant judgements in 2019/20 on pensions accounting had been addressed – information would be provided for the Member concerned
- Reference was made to the work of the Valuer in assessing the local market conditions and to the impact thereof. Reference was also made to the Post Balance Sheet Work being undertaken. The Director of Finance, having

spoken to the Valuer, commented that it was anticipated that there would be no material impact on local valuations. The External Auditor commented that two significant risks relating to the Pension Fund Accounting and the Valuation of Fixed Assets had been identified in previous reports submitted. Reference to this would be included in the ISO 260 report

- In relation to the increase in the value of land and buildings, further information would be provided

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Chair