

MEETING:	Audit and Governance Committee
DATE:	Wednesday, 16 September 2020
TIME:	4.00 pm
VENUE:	THIS MEETING WILL BE HELD VIRTUALLY

MINUTES

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

79. DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTEREST

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

80. MINUTES

The minutes of the meeting held on the 29th July, 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) Draft 2019/20 Statement of Accounts – Narrative Report

Further to minute 69(d), it was noted that certain items suggested for inclusion within the Narrative report to the Statement of Accounts were not included within the minutes, namely:

- the Impact of Covid 19 on future financials
- deliver or non-delivery of services in the future
- new ways of working in the future for the council
- an explanation of property valuations and disclosures of major changes
- an explanation of the rationale for changes in pensions actuarial assumptions
- how the Glassworks Project would or would not be impacted

Questions were also asked regarding the process to be followed between today and the date of the approval of the accounts. It was also suggested by one Independent Member that he would be happy to look at any aspect of the annual report and accounts outside the meeting if this assisted with input into the final content.

Mr S Loach, Head of Finance, stated that the Service Director Finance (Section 151 Officer) had agreed to prepare an executive summary to the accounts which would address all the issues raised. This would be circulated to all Audit Committee Members prior to the External Auditor reporting back on the accounts. The decision as to whether or not this would be included within the Annual Report and Accounts had yet to be made. No decision had been made as to when the meeting was to be held to approve the Annual Report and Accounts

A request was made for Members to be provided with information on the increase in values of land and buildings together with an explanation of material increases and

decreases. The Head of Finance stated that this information was available and was to be included within the Executive Summary to the Accounts but would also be provided separately in advance of that Summary report

(b) Material Uncertainty

Reference was made to the material uncertainty due to Covid 19 in relation to the valuations and to the fact that the Internal Valuer had flagged this in accordance with the Royal Institution of Chartered Surveyors (RICS) Red Book Guidance. Whilst representatives of Grant Thornton were not yet within the meeting, they had indicated that they were anticipating that their opinion would draw attention to this point in common with other local authority opinions. (This was confirmed by the External Auditor Representatives once they were able to enter the meeting)

81. CORPORATE ANTI-FRAUD TEAM PROGRESS REPORT

The Head of Internal Audit, Anti-Fraud and Assurance submitted a report providing an account of the work of the Corporate Anti-Fraud Team for the period 1st April to 31st August, 2020.

The report gave details of the action taken in respect of fraud management and investigations during the first five months of 2020/21 in relation to:

- Covid 19 Counter Fraud Work had been a major focus and with particular emphasis on
 - The small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund and the Local authority Discretionary Grants Fund
 - Fraud Alerts and Scams
 - Covid 19 Fraud Risks
 - Counter Fraud Advice
- Data matching work that was continuing in relation to the National Fraud Initiative
 - It was noted that the Cabinet office had confirmed that Business Support Grants and Business Rates datasets were to be mandated in the 2020/21 NFI exercise
 - Comparisons were provided of the 2018/19 NFI results to previous exercises in relation to Housing Benefit, Payroll, Pension Gratuity, Private Care Home Residents, Duplicate Creditors, Council Tax Reduction, Council Tax Single Person Discount and Personal Budgets
 - Arising out of the above, particular reference was made to work in relation to the Single Person Discount and the work undertaken in liaison with the Business Rates Team
- Investigations undertaken - details of which were summarised in relation to Council Tax Fraud, Tenancy Fraud (including Right to Buy investigations), Blue Badge Irregularities, Insurance Fraud and Corporate Investigations involving employee or other third party fraud
- Preventative work including procurement fraud risk
- Work with External Clients

The difficulties of identifying a definite amount of money saved as a result of the impact of the Team was outlined, however, it was noted that the Corporate Anti-Fraud Team more than paid for itself every year in direct activity and contributed

additional fraud/loss avoidance through fraud awareness training, policy review and advice.

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

- There was a discussion of the potential risk associated with digital remote working which the Team was very alert to and it was noted that regular meetings were held with colleagues within the IT Service to look at and to be assured about the Council's response to those kinds of risks
- It was noted that Barnsley was one of the first Local Authorities in the region to start making payments to businesses in order to support the local economy in accordance with the Covid 19 guidance and this had been prior to the receipt of any Government funding. Approximately £18m in payments had been made prior to the 31st March, 2020. The Section 151 Officer had been aware of the apparent and inherent risks associated with this and appropriate action had been taken to mitigate any risks arising. The number of fraudulent cases had been minimal, and work was progressing with the Corporate Anti-Fraud team to recover any payments wherever possible. The Government had confirmed, however, that provided that the Authority had robust and necessary procedures and processes in place, which it had, then any costs would be borne by the Government and not the Council
- Questions were asked in relation to any publicity the authority might be issuing reminding individuals of the opportunity to return invalid claimed payments. The Head of Internal Audit, Anti-Fraud and Assurance stated that successful prosecutions were always publicised in the local press. In addition, in a few months' time his service would be publicising a range of scams and frauds as part of the Fraud Awareness Week which ensured that these important messages were highlighted both within the Council and the local community. In relation to all grants and payments schemes, the Council had very carefully crafted fair processing notices which made it clear that the information provided by applicants could be used for the purposes of combatting crime. The Council was also developing capacity to utilise information it already had in order to identify fraudulent or duplicate payments utilising a new system that the Finance Service had recently implemented. In relation to the proactive approach encouraging those who had received incorrect payments to admit the same was not something that was readily utilised, and this matter would be given further consideration to see if such an approach could be adopted. It was suggested that it might be useful to give further consideration to the work of HMRC in this area
- In response to specific questioning, the Director of Finance gave a brief report on the way in which funding received to support the Covid pandemic, as well as the New Burdens Funding, could be utilised
- Thanks were extended to the Business Support Team and to the Corporate Anti-Fraud Team for their hard work during this very difficult period

RESOLVED:

- (i) That the progress made in the development of effective arrangements and measures to minimise the risk of fraud and corruption for the period 1st April to 31st August 2020 be noted; and

- (ii) That further regular reports be submitted on internal and external fraud investigated by the Corporate Anti-Fraud Team.

82. LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN - ANNUAL REVIEW LETTER 2020

The Executive Director Core Services submitted a report presenting the Annual Review Letter for Barnsley MBC of the Local Government and Social Care Ombudsman for 2020. A copy of the letter was appended to the report.

The report, in outlining the background to the Ombudsman's role, indicated that despite the Council's best endeavours, there were times when it did something that resulted in a complaint. Whilst the authority had a very robust complaints procedure there were times when this did not produce a satisfactory outcome for the complainant whose next recourse was to complain to the Ombudsman.

Part of the remit of this Committee outlined within the Terms of Reference was to 'consider any payments in excess of £2000 or provide other benefits in cases of maladministration by the authority within the scope of Section 92 of the Local Government Act 2000'. In this respect it was noted that one payment had been made in excess of this amount following a recommendation of the Ombudsman and a separate report on this would be presented to a subsequent meeting.

The report then went on to outline the key messages arising from the Ombudsman's letter which related to delays in providing responses to several investigation enquiries and in completing the recommendations agreed.

Clearly the Council was disappointed with this performance and whilst a number of the cases were particularly complex and took a considerable amount of time to address, this level of performance was not acceptable and needed to improve. The Council had, therefore, instigated a fundamental review of the process and supporting procedures in order to ensure that there was a full understanding of the reasons for those delays and to ensure better compliance in the future. Details for the review being undertaken were outlined which was being supported by the Data Protection Officer. In addition, the new processes and procedures would be audited once finalised and implemented.

The Executive Director Core Services felt that the Committee should be assured of the priority this review had and the commitment there was to ensure a significant improvement in performance. This was a top priority and of critical importance.

It was also reported that the recent Annual Governance Review process had highlighted and recognised that there was scope to improve the timeliness of responses from the various services, but also to support that, there was a need to review the corporate processes and procedures.

The Committee would be kept informed of the progress and in due course would receive a presentation and report on the outcome.

Mr M Potter, Service Director Business Improvement, Human Resources and Communications also attended the meeting and briefly outlined the work being undertaken as part of that review, in working with colleagues within the IT Service and in developing a new performance management process and framework. It was hoped that this would be implemented from mid-October and the Data Protection Officer had been instrumental in providing support and acting as 'critical friend'.

In the ensuing discussion, the following matters were highlighted:

- It was noted that the work on the review was well under way and further information would be provided to the Committee on when that was due to be concluded. An Action Plan had been prepared and would be made available to Members of the Committee when the report on the review was submitted
- It was suggested that a summary report should be provided detailing information provided by all external agencies on the performance of the authority (Planning Inspectorate, Health and Safety, information Commissioner etc.). The Executive Director Core Services accepted that this would be a useful approach and arising out of this discussion he reported that the annual customer complaints report was to be submitted to Cabinet in the next few weeks. This information together with the other information requested that the Council held could be collated to provide a report to the Committee on the performance of the Authority and this would then enable members to examine comparator information and useful benchmarking information. The Service Director Business Improvement, Human Resources and Communications reported that the Annual Health and Safety report was currently being prepared for consideration by the Senior Management Team, Cabinet and this Committee. This report would also inform the preparation of a composite performance report
- Arising out of the above, the Head of Internal Audit, Anti-Fraud and Assurance commented that part of the Annual Governance Statement process was to explore all the opportunities for commenting on the Authority's governance arrangements and some of those external reports mentioned would be considered in terms of the adequacy or otherwise of the governance arrangements. Members were also reminded that they would be routinely receiving reports to on governance issues as part the Committee's wider remit and thereby receive additional assurance around the broader activities and responsibilities of the Council
- A request was made that further reports should include more detailed information on various aspects of the concerns expressed by the Ombudsman. This would enable the Committee to have a greater understanding of where issues might be occurring/re-occurring and, thereby enable greater scrutiny to be made in relation to potential problem areas. The Service Director Business Improvement, Human Resources and Communications stated that further information on the 6 cases highlighted within the letter would be provided but that these were not within one particular service area but from across the organisation. In relation to the number of complaints in general, it was noted that a full breakdown would be provided within the annual report
- Mr G Mills (External Auditor) briefly reported on the changes being introduced from 2021 which would result in the External Auditors picking up more of the work of the external regulators in more detail and linking to their own Value for

Money conclusion work. The National Audit Office had issued a new Audit Code and there was an expectation that the amount of work undertaken on Value for Money would be much more detailed and one of the three strands that external auditors were expected to pick up on was around the overall governance arrangements in place at public sector bodies. Added to that, the Redmond Review Report published last week contained a number of recommendations on which a presentation was to be made at the Training/Awareness Session in October. One of those recommendations was that external auditors link up more with external regulators to form a wider picture of governance arrangements within an organisation

RESOLVED:

- (i) That the report and Annual Letter of the Local Government and Social Care Ombudsman be received and the response from the Council with regard to the fundamental review of the corporate processes that aim to ensure a higher level of compliance be noted; and
- (ii) That a further report be submitted following the completion of the review.

83. 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 reported on his intention to submit a schedule of items which dealt with the Committee's wider governance perspective.

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

84. CORPORATE FINANCE PERFORMANCE - QUARTER ENDING 30TH JUNE, 2020

The Executive Director Core Services and Service Director Finance (Section 151 officer) submitted a joint report on the financial performance of the Authority during the first quarter ended 30th June, 2020 and assessing the implications against the Council's Medium Term Financial Strategy. The report had been considered by the Cabinet at its meeting on the 9th September, 2020.

It was noted that the report was the first update presented which reflected the impact of Covid 19 on the Council's financial position. The pandemic had placed a significant strain on the 2020/21 revenue budget and the Council was reporting an overall projected General Fund revenue overspend of £33.5m for the year. This comprised a forecast overspend on Directorate budgets of £26m and a £7.5m overspend on Corporate budgets. In addition there was projected overspend of £4.8m on the Housing Revenue Account. There was an overall net impact after Government funding of £15.7m.

The position on the Council's Capital Programme for 2020/21 was currently projected to be an overall lower than anticipated expenditure of £13.4m. This, in the main, related to scheme slippage of £9.2m though there had also been a reduction in scheme costs totalling £4.4m all relating to schemes with restricted (specific) funding.

As part of the 2020/21 budget setting process some £10.4m of new capital investment had been provisionally approved, however, due to the Covid pandemic this new investment had been suspended pending a review in line with the Covid 19 Financial Recovery Strategy. This review had now been completed with £7.275m of this investment now able to proceed.

In relation to Treasury Management issues, there had been a downward trend in Public Works Loan Board (PWLB) borrowing rates over the first quarter with the expectation of little upward movement in interest rates over the next two years and subject to ongoing Government consultation some PWLB borrowing rates could be reduced by up to 1%.

There had been no new borrowing within the quarter and due to the benign interest rate environment, it was not anticipated that any material borrowing would take place during the remainder of the financial year. It was anticipated that the Council would need to borrow up to £225m over the next three years of which £75m would need to be taken at fixed interest rates to maintain interest rate risk exposure at 70% of total debt.

Security and liquidity remained the key investment priorities with the majority of new investments placed in secure Money Market Funds and instant access accounts.

Reference was made to the £1.498m extra costs within the Adult Social Care Service. It was noted that this was not solely to be used in relation to anti-social behaviour but would be utilised to provide:

- Financial Hardship Support
- Emergency accommodation for the homeless and rough sleepers
- Provision of an emergency contact centre
- Food distribution
- Support for the voluntary sector.

It was acknowledged that this was perhaps unclear and the wording would be amended accordingly.

RESOLVED that the report on the financial performance of the Authority for the first quarter ended 30th June, 2020 be noted.

85. EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED that the public and press be excluded during consideration of the following items because of likely disclosure of confidential or exempt information as defined by Paragraph 7 of Part I of Schedule 12A of the Local Government Act 1972 as amended.

86. EXTERNAL AUDIT - INFORMATION TECHNOLOGY AUDIT REPORT

The Council's External Auditor (Grant Thornton) submitted a report on an audit of the IT General Controls including a SAP Technical Review.

The report which was presented by Mr G Mills and Mr T De Zoyza highlighted the following:

- the background to the audit
- a summary of the observations
- the scope and summary of work completed
- the classification of the recommendations
- the detailed observations and recommendations
- the follow up of prior year findings

Mr C Clarke (Grant Thornton) and Ms S Hydon (Head of ICT – Service Management) attended the meeting to answer Members detailed questions about the audit, its recommendations and action taken in response to the findings.

The report 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. Particular reference was made to the following:

- benchmarking with other Local Authorities and other similar entities which indicated that Barnsley performed better than most
- discussions held between the External Auditors and Officers in relation to the findings and the mitigation of risk
- the fact that there were no significant deficiencies and that no additional audit processes had been performed
- the arrangements in place to liaise with and learn from other authorities
- the way in which SAP was utilised across the Authority, the controls, security and risk mitigation arrangements in place

RESOLVED that the report be received, and the actions taken in response to the Audit be noted.

At the conclusion the following matters were briefly commented upon

- the need for a report to be submitted to each meeting on the governance arrangements regarding the Glassworks project
- Members were asked to submit to officers' details of any items they wished to discuss at the October training/awareness session

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Chair