

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

18TH JULY, 2013

A MEETING of the AUDIT COMMITTEE was held at the CIVIC OFFICE, DONCASTER on THURSDAY, 18TH JULY, 2013 at 2.00 p.m.

PRESENT:

Chair – Councillor Austen White
Vice-Chair – Councillor R. Allan Jones

Councillors Andrew Bosmans and Craig Sahman.

APOLOGIES:

An apology for absence was received from Councillor John McHale.

Also in attendance:

Paul Lundy, Director, KPMG
Simon Dennis, Senior Manager, KPMG
Colin Earl, Head of Internal Audit
Dave Hill, Interim Head of Corporate Accounts
Steve Mawson, Assistant Director, Finance and Performance
Helen Potts, Principal Legal Officer
Mick Wildman, Technical Accounting Manager
Simon Wiles, Director of Finance and Corporate Services
Sennette Wroot, Corporate Policy and Performance Manager

	<u>ACTION</u>
1. <u>DECLARATIONS OF INTEREST, IF ANY</u> No declarations were made at the meeting	All to note
2. <u>MINUTES OF THE MEETING HELD ON 10TH APRIL, 2013</u> <u>RESOLVED</u> that the minutes of the meeting held on 10th April, 2013, be approved as a correct record and signed by the Chair.	All to note
3. <u>COVERT SURVEILLANCE – REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE (Minute No. 35 – 30th January, 2013)</u> Further to the above Minute, the Committee considered a report presented by the Principal Legal Officer, which provided an update of RIPA applications completed since January, 2013. The report also set out the action plan following the inspection carried out by the Surveillance Commissioner H. H. Norman Jones QC on 18th October 2012.	

In presenting the report, the Principal Legal Officer drew Members attention to a drafting error in the sixth column of section 7, on page 13 of Appendix 1, which was amended to read as the completion date as November '2012' and not '2013' as shown.

RESOLVED that

- (1) the RIPA applications completed since the January 2013 report and the 3 matters that have been approved have all followed the new process of requiring a Magistrates approval; be noted; and
- (2) the action plan following the Inspection carried out by the Surveillance Commissioner HH Norman Jones QC on 18th October 2012, which has been substantially completed, be noted.

All to Note

All to Note

4. AUDIT COMMITTEE TERMS OF REFERENCE 2013/14 AND WORK PROGRAMME

The Committee received a report, which informed Members of the Terms of Reference for the Audit Committee, approved at the Annual Council meeting held on 24th May, 2013. The report also outlined the Committees draft Work Programme for the 2013/14 Municipal Year.

The Director, KPMG drew Members attention to paragraph 5(b) of the report and pointed out that if a member of the public objected to the Council's accounts then the External Auditor would automatically inform the Council, however, if a member of the public raised a matter with the Auditor, short of objecting then it might not always be possible or necessary to let the Council know.

Members were asked to consider the draft work programme and determine whether there was anything they wished to add or amend, but Members were happy with its content.

RESOLVED that:

- (1) the Terms of Reference for the Audit Committee for the 2013/14 Municipal Year, be noted; and
- (2) the draft work programme, be noted.

All to note

All to note

5. STRATEGIC RISK UPDATE FOR QUARTER 4 2012/13

The Committee considered a report that provided an update to Members on the strategic risks for quarter 4 2012/13. Members were informed that there were currently 19 strategic risks linked

to the Corporate Plan for 2012/13, which had all been profiled for quarter 4.

Appendix A of the report set out the current status of each of these risks, which were reported in order of risk score, highest to lowest as had been requested by the Committee at a previous meeting of the Audit Committee.

Discussion followed the presentation of the report, during which the Chair requested that Pensions implications be added to the Council's risk register.

During subsequent discussion, the Chair requested that in future, the Committee be provided with information as to how and where the risks were managed and proposed that a training session be held for Members on risk management. The Head of Internal Audit confirmed that arrangements would be put in place for a training session to be held for Members prior to a future meeting of the Committee.

Arising from further discussion on various aspects of the risk register, Members recognised the need to have robust measures in place to help maintain staff morale, in particular, in light of the current pressures facing the Council and particularly in respect of Children's Services and the austerity cuts in local government.

Officers answered further questions from Members in relation to acceptable levels of sickness absence and failure to safeguard vulnerable children and to ensure sustainable Children's Services.

RESOLVED that:-

- (1) the contents of the report be noted;
- (2) Pensions be added to the risk register; and
- (3) a training session on risk management be held for Members, prior to a future meeting of the Committee.

6. DONCASTER COUNCIL GOVERNANCE PLAN

The Committee considered a report which outlined the progress made in relation to the activities contained within the Governance Plan 2012 and progress in taking forward the Governance Plan for 2013. Paragraph 15 of the report provided an update on the 11 incomplete activities that had missed the

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All to note

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original target completion date. An update on the 19 Governance Plan activities that were not yet completed but were within their target completion dates, were set out at Appendix 1 of the report.

In referring to the report, the External Auditor pointed out that the reference to the term District Auditor was now out of date and should be changed to 'External Auditor'.

During discussion, at the request of Members, Officers answered questions and provided updates on the following activities/issues:-

- Recovery of payroll overpayments.
- Improvements made to the Council's data protection arrangements.
- Change of staff's pay date.
- The number and location of agency staff working for the Council via the Commensura agency.

In referring to 'R15 - Recommendation arising from the Annual Governance Report 2011/12', as attached at Appendix 1 of the report, Members were disappointed to note that an update in respect of R15.1, R15.2 and R15.3 had not been provided for within the report. The Director of Finance and Corporate Services apologised for the omissions, which were as a result of not receiving updates from CYPs.

RESOLVED that Members note the progress made in relation to the activities contained within the Governance Plan 2012, and the progress made in taking forward the Governance Plan for 2013.

All to note

7. UPDATE ON THE ANTI-FRAUD, BRIBERY AND CORRUPTION ACTION PLAN (Minute No. 36 – 30th January, 2013)

Further to the above Minute, the Committee considered a report which provided Members with an update on progress against the Council's Anti-Fraud and, Bribery and Corruption action plan.

Members commended Officers for the report and were pleased with the progress made to date against the action plan. In referring to paragraph 2(f) of the report, Members asked whether the appointment of key posts within the Procurement Team could have been filled by staff within the Council at risk of losing their job and whether they could have been given the appropriate training to fulfil the post. The Assistant Director of Finance and Performance stated that a member of staff from St. Leger Homes had been recruited to one of the Category

Manager posts. He explained that the nature of the work was a specialised area dealing with major contracts. In this instance, the Council had recruited staff from agencies which was expensive, but it was the only means of filling these posts due to their specialised nature and the current state of the job market.

Members also referred to the Council's Whistleblowing arrangements and sought assurances from Officers that staff were able to raise concerns under the Whistleblowing policy without fear of harassment or victimisation. Members were informed that employees could raise any concerns of wrongdoing to the Councils Monitoring Officer, the Director of Finance and Corporate Services or the Head of Internal Audit. Members were assured that all reported claims were investigated and taken very seriously. Claims were dealt with objectively and Human Resources were involved in the process, in order to ensure that staff were protected and not victimised. It was explained that because the majority of cases were anonymous there was sometimes difficulty investigating the claims. It was further reported that a governance website had been developed and Officers undertook to ensure that staff were made aware of this, in order that staff had confidence in the process.

Head of
Internal
Audit

RESOLVED that the progress against the Anti-Fraud, Bribery and Corruption Action Plan, be noted.

All to note

8. ANNUAL FRAUD REPORT 2012/13

The Head of Internal Audit introduced the Council's Annual Fraud report which the Committee was asked to consider and approve. The purpose of the report was to bring together into one document a summary of the work which had taken place in the period to prevent and detect fraud and corruption, which remained very low in overall terms. The Head of Internal Audit advised Members of the key areas outlined within the report and provided further details relating to the 9 cases of fraud over £10,000, which all related to housing benefit cases.

Examples of the types of benefit fraud cases were also set out at paragraph 6.2 of Appendix A to the report for Members' information.

Members welcomed the good work undertaken by internal audit in raising the profile of the Council's anti-fraud activity and commended Officers for producing a well written and clear report.

Members referred to the summary of results table at paragraph 6.2 of the report and were concerned that some of the information identified in the columns regarding the number and

value of fraud were either 'not quantified' or 'not recorded'. The Head of Internal Audit acknowledged Members concerns and explained that information had not been recorded because it was not available and that the areas identified as 'not quantified' or 'not recorded' related to work that was still in progress. In terms of the values outlined for 2012/13, it was reported that some of this information was available however, it had not been included in the table due to the fact that the cases had not yet been completed. He assured Members that further information would be added to future reports as and when Officers had been made aware of the outcome and gave an undertaking that the format of future reports would be enhanced.

Head of Internal Audit

RESOLVED that the production of the 'Annual Fraud Report' and the appropriate publicity being produced to highlight the outcomes from the Council's anti-fraud activity and to act as a deterrent to fraud, be supported, subject to the suggested amendments being made to future reports, as outlined above.

All to Note

Head of Internal Audit

9. REVIEW OF INTERNAL AUDIT STRATEGY AND INTERNAL AUDIT CHARTER

The Committee was asked to consider and approve revisions to the Internal Audit Strategy for the period 2011-2014 and the Internal Audit Charter.

Members noted that the Internal Audit Strategy was last reviewed in June 2011. The proposed Strategy and the Charter, which were attached at Appendices 1 and 2 of the report, had been updated to reflect immediate changes required to the documents, which had resulted from revised definitions and terminology within the United Kingdom Public Sector Internal Audit Standards. In addition, other minor changes had been made to the Strategy and the Charter to reflect changes in the two years since these documents were approved.

RESOLVED that

- (1) the revisions to the Internal Audit Strategy for the period 2011-2014, be approved; and
- (2) the revisions to the Internal Audit Charter, be approved.

All to Note

All to Note

10. 2012/13 ANNUAL GOVERNANCE STATEMENT

The Committee considered a report which set out the Council's Annual Governance Statement (AGS) for 2012/13 which had been prepared in accordance with best practice for Local

Authorities and related to the period 1st April, 2012 to date of the certification of the Council's accounts. The purpose of the AGS was to set out the Council's governance arrangements and its systems of internal control.

Appendix 1 of the report provided details of the 6 areas requiring improvement identified following the 2012/13 review of the effectiveness of the Council's governance arrangements, and the actions being taken by the Council to secure the improvements. In addition, Appendix 2 of the report provided details of those areas requiring improvement identified in 2011/12 that were still significant during some part of 2012/13, and the action being taken. Details of those areas requiring improvement identified in 2011/12 that had been effectively managed to the extent that they were no longer significant in 2012/13, were set out at Appendix 3.

Officers responded to a range of questions and concerns by Members in relation to the following matters:-

- the success achieved in reducing staff sickness absence rates for 2012/13 and the outturn figures which were yet to be verified before being reported to the Committee.
- the accuracy of the Council's Asset Register and the measures being taken in reviewing arrangements for maintaining the register in the future.
- Improvements being made to Performance reporting arrangements and implementation of activities in relation to CYPS Service and in addressing overpayments made to foster carers.
- The timescale for implementing a new recording system in relation to the handling of Personal Assets for vulnerable service users in care.

RESOLVED that

- (1) the report be noted; and
- (2) It be noted that the Annual Governance Statement had been approved by Directors and the Mayor and following agreement by the Audit Committee, the Chief Executive will be requested to sign the Statement prior to its publication, along with the Statement of Accounts in September, 2013.

All to Note

All to Note

11. STATEMENT OF ACCOUNTS 2012/13

The Director of Finance and Corporate Services presented the

Committee with the Council's unaudited Statement of Accounts for the 2012/13 financial year. The Committee was informed that the accounts would be subject to external audit during the period June to September and it was expected that the audit opinion would be finalised by 30th September, 2013, the date of the Committee's next meeting. It was reported that the accounts would be put on public deposit for a 4 week period from 22nd July to 16th August.

Key issues arising from the Statement of Accounts were summarised within paragraphs 12 to 18 of the report, for Members' consideration.

A lengthy discussion followed the presentation of the report, where Officers answered a number of questions and concerns from Members, and provided clarity and updates in relation to:-

- the impact on this year's accounts of the Council's total liability in relation to staff's pay retirement benefits.
- the options available to staff in terms of opting out of the Council's Pension Scheme.
- how the Investment and Modernisation Fund would operate and the background to the approval given for prudential borrowing for funding the schemes.
- the figure set out in the accounts relating to the Council total assets held for sale. Officers agreed to provide Members with a breakdown of the sum of £27k listed against Assets held for Sale.
- some of the figures listed in relation to staff's exit packages (Officers Remuneration). Officers agreed to review the way this information was presented to Members in the future.
- specific figures included in the draft Statement of Accounts in relation to other Public Bodies, including, BDR Property Ltd, Digital Region Ltd and the Doncaster Chamber of Commerce and the risk associated with such bodies.
- the claw-back of future monies from the Icelandic Bank.

RESOLVED that the Statement of Accounts for 2012/13, be noted.

Assistant
Director,
Finance and
Performance

Assistant
Director,
Finance and
Performance

All to Note