

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

30TH SEPTEMBER, 2013

A MEETING of the AUDIT COMMITTEE was held at the CIVIC OFFICE, DONCASTER on MONDAY, 30TH SEPTEMBER, 2013 at 9.30 a.m.

PRESENT:

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

Councillors Andrew Bosmans and John McHale

APOLOGIES:

An apology for absence was received from Councillor Craig Sahman.

Also in attendance:

Paul Lundy, Director, KPMG
Simon Dennis, Senior Manager, KPMG
Lizzie Wharton, Assistant Manager, KPMG
Simon Wiles, Director of Finance and Corporate Services
Colin Earl, Head of Internal Audit
Peter Jackson, Internal Audit Manager
Steve Mawson, Assistant Director, Finance and Performance
Dave Hill, Interim Head of Corporate Accounts
Michael Wildman, Technical Accounting 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 18TH JULY, 2013</u> <u>RESOLVED</u> that the minutes of the meeting held on 18th July, 2013, be approved as a correct record and signed by the Chair.	All to note
3. <u>PAYROLL OVERPAYMENTS UPDATE REPORT AS AT 30TH JUNE 2013</u> The Committee received a report which provided an update on the progress of recovery action in relation to salary overpayments including both current employees within the first quarter of 2013/14 and those who had since left the Council prior to the end of the last financial year, and identified the current outstanding values. The report also identified a directorate breakdown for the current financial year and improvements made to reduce future overpayments.	

It was reported that a full review had been completed of the outstanding salary overpayment debt which highlighted that the Council was owed £504, 471.95 relating to 559 individual cases. This figure related to both recent cases and those that went back many years with 57% of all cases relating to the 2010/11 year and before.

Members noted that during 2012 the Council had entered into a shared service arrangement with Rotherham Council moving all pay related information and processes onto a new HR/Payroll system. This was a new concept of employees and managers using a self-service system. It was anticipated that as managers became more comfortable using the system, overpayments would reduce further and managers would bi-annually have to sign off a report confirming that their staff and their salaries were correct thus providing a more robust check for accuracy.

During discussion, The Director of Finance and Corporate Services advised Members that the average value and number of overpayments had reduced.

The Director explained that the number of overpayments could be reduced further if the salary payment date was moved from the 15th of the month to the end of the month but this proposal was being met with opposition.

Members questioned what measures were in place to ensure that people managers were fully trained on the payroll system and accessed it regularly and effectively, and how this was monitored.

Members raised their concern over the inconsistency in repayment plans with some overpayments taking a long time to clear.

Officers advised the Committee of proposed actions to further reduce the number and value of overpayments in the future which included the following:-

- Consideration be given to moving the salary payment date from the 15th to the end of the month.
- Encourage People Managers to attend training sessions and tighten up procedures to ensure that managers comply with processes.
- Undertake a matching exercise to identify those managers who do not keep their records up to date. Once completed, the information will be passed to individual Directors to action.
- Repayment plans will be agreed centrally and not by individual managers.

Director of
Finance and
Corporate
Services

RESOLVED that the report and details provided in Appendices 1 to 4 of the report, be noted.

All to Note

4. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD: APRIL 2013 TO AUGUST 2013

The Committee received a report, which informed Members of the work done by Internal Audit for the period 1st April 2013 to 30th August 2013 and showed this in the context of the Audit Plan for the year. The report also included performance information and details on the implementation of significant internal audit recommendations.

The report was set out in four sections as follows:

Section 1: Planned audit work

Section 2: Unplanned responsive work carried out in the period

Section 3: Progress on the implementation of audit recommendations

Section 4: Performance information.

In presenting the report, the Head of Internal Audit drew Members attention to a duplication error in the report at paragraphs 9 and 10.

The Head of Internal Audit reported on current and planned future sickness absence within the Internal Audit team and advised that consideration was being given to providing additional resources during that time to ensure that the work of the team remained up-to-date.

When referring to sickness absence within the Internal Audit team, Councillor John McHale asked whether it would be possible to receive information on sickness absence across the Council. The Director of Finance and Corporate Services advised that a report would be available by the end of October/beginning of November which could be made available to Members.

Director of
Finance and
Corporate
Services

Discussion ensued in respect of plans to recover outstanding debts. The Director of Finance and Corporate Services advised that the new Enterprise Resource Planning (ERP) system that went live today would simplify the process but it may take up to two years to see a significant difference. The Head of Internal Audit advised that a report would be brought to a future Committee meeting which would provide information in respect of outstanding Gypsy and Travellers Rents debts including plans for their recovery.

Head of
Internal
Audit

Following a request from the Chair for members of the Committee to receive training on the ERP system, the Head of Internal Audit advised that the following training sessions would be provided to Members:

Head of
Internal
Audit

- Governance
- Risk Management
- ERP

RESOLVED that:

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|---|-------------|
| (1) The internal audit work completed in the period April 2013 to August 2013, be noted; | All to note |
| (2) progress made by officers in implementing previous audit recommendations, be noted; and | All to note |
| (3) Information relating to Internal Audit's performance in the period April 2013 to August 2013, be noted. | All to note |

5. REVIEW OF PROGRESS IN IMPLEMENTING EXTERNAL AUDIT AND INSPECTION RECOMMENDATIONS

The Committee considered a report that provided the up-to-date position on the implementation of External Audit recommendations.

It was noted that over the last 12 months a considerable amount of effort had been made to clear the outstanding External Audit recommendations.

The Head of Internal Audit advised that four out of the six outstanding recommendations set out in the report had been completed since the report was published and it was anticipated that the remaining two would be completed by the end of the year.

It was noted that over the last few months the Council's Officer Governance Group had been putting in place arrangements for identifying and then beginning corporately to monitoring progress in implementing inspection recommendations.

Overall there had been 129 recommendations made in inspection reports since 2010, details of which were outlined in paragraph 8 of the report.

The Head of Internal Audit advised that a more detailed report would be provided when this report was next presented to the Audit Committee.

Head of Internal Audit

RESOLVED that:

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|---|-------------|
| (1) the good progress achieved against outstanding External Audit recommendations, be noted; | All to note |
| (2) the first analysis of the position on progress in implementing inspection recommendations be noted; and | All to note |
| (3) the planned corporate monitoring or progress against the recommendations, be supported. | |

6. STATEMENT OF ACCOUNTS 2012/13

The Committee received a report which included a copy of the Annual Report to those Charged with Governance (ISA 260) which summarised the findings from the 2012/13 audit and identified key issues for consideration together with an assessment of the Authority's arrangements to secure value for money (VFM) on its use of resources.

In addition, the report included a copy of the Council's 2012/13 Statement of Accounts which the Committee was asked to approve.

Dave Hill, Interim Head of Corporate Accounts provided the Committee with information on the outstanding queries from the meeting held on 18th July which included the following:

- Exit Packages – Members requested that in future accounts, the table that set out the details of exit packages should be amended to show redundancy costs separated from pension costs
- Assets Held for Sale

Director of
Finance and
Corporate
Services

The Interim Head of Corporate Accounts referred Members to Appendix 3 of the Audit report which set out the significant audit differences and explained the key amendments that had been made to the Statement of Accounts. He advised that the adjustments had been made to the draft Statement of Accounts that Members received at the last Committee meeting, but none of them affected the revenue account balance.

To ensure that quality assurance processes were sufficiently robust to deliver further improvements in the quality of the financial statements and to reduce the number of errors, officers informed the Committee of actions to be undertaken which included:

- Starting processes earlier
- Training on quality assurance
- Completing a review of financial accounts to remove duplication
- Reviewing the number and content of working papers
- Valuation of council houses would be brought forward

Interim
Head of
Corporate
Accounts

The Chair acknowledged the proposals and suggested that a timetable of events, to include deadlines, be produced.

Simon Dennis, Senior Manager, KPMG continued the presentation of the report and advised that the auditors intended to issue an unqualified audit opinion on the financial statements and the VFM conclusion.

He added that the three main areas considered in the Value for Money Conclusion included the following:

- The Council's financial standing
- Digital Region
- Children and Young People – as this area was not representative of the continued progress that the Council had made in 12/13 in relation to the costs, efficiency and/or productivity of the majority of its activities, the Auditors advised that they would not qualify the VFM conclusion in that respect, but had included an additional paragraph containing a report by exception.

RESOLVED that:

- (1) the action proposed in relation to amendments to the accounts as covered in the 'Annual Report to those Charged with Governance (ISA 260)', be noted;
- (2) the contents of the external audit 'Annual Report to those Charged with Governance (ISA 260)', be noted;
- (3) the Letter of Representation and its contents be endorsed; and
- (4) the Statement of Accounts 2012/13, be approved.

All to Note

At the conclusion of the meeting, the Chair, on behalf of the Committee conveyed Members' thanks to Paul Lundy, Director, KPMG for his work and support and wished him a long and happy retirement.