

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

23RD APRIL, 2014

A MEETING of the AUDIT COMMITTEE was held at the CIVIC OFFICE, DONCASTER on WEDNESDAY, 23RD APRIL, 2014 at 2.00 p.m.

PRESENT:

Chair – Councillor Austen White

Councillors Andrew Bosmans, John McHale and Councillor Craig Sahman.

Also in attendance:

Simon Dennis, Senior Manager, KPMG  
Simon Wiles, Director of Finance and Corporate Services  
Steve Mawson, Assistant Director, Finance and Performance  
Colin Earl, Head of Internal Audit, (Minute No.'s 1-8)  
Peter Jackson, Internal Audit Manager  
Brendan Martin, Head of Democratic Services  
Denise Bann, Head of Procurement

1. WELCOME

The Chair and Members welcomed Denise Bann, the new Head of Procurement to the meeting.

2. DECLARATIONS OF INTEREST, IF ANY

Councillor Andrew Bosmans declared a Non Pecuniary Interest in Agenda Item No.5, in relation to complaint handling activity.

3. MINUTES OF THE MEETING HELD ON 29TH JANUARY, 2014

RESOLVED that the minutes of the meeting held on 29th January, 2014, be approved as a correct record and signed by the Chair.

Following approval of the minutes, the Chair asked Officers to provide an update on the actions highlighted in the minutes from the last meeting.

In referring to paragraph 5 of Minute No.3, 'Covert Surveillance – Regulation of Investigatory Powers Act 2000 (RIPA) Update', in relation to the RIPA applications that had been completed since the July 2013 report, the Head of Internal Audit reported that the two matters that were on-going in respect of RIPA Case URN 87 had related to the sale of counterfeit goods and Case URN 88 infringement related to underage sale of alcohol. He further reported that surveillance had been inconclusive, in both cases, therefore surveillance had been cancelled.

ACTION

All to note

All to note

In relation to paragraph 6 of Minute No. 10 – ‘Review of Progress in implementing inspection recommendations within Children’s Services’, Members were informed that invitations to the monthly performance clinics had not yet been sent out to Members. With regard to the completion of children’s electronic case records as referred to in paragraph 11, this was being implemented and would be further reported at the next meeting.

All to note/Head of Internal Audit

Whilst assurances had been given by Officers that children’s electronic records were being completed, Members highlighted the importance of ensuring that paperwork was completed to the necessary standards and regular monitoring of this issue. The Head of Internal Audit acknowledged this point and advised that this area would be monitored closely.

Head of Internal Audit

In referring to the discrepancies to the completion dates of the outstanding inspectorate recommendations summary report in respect of the Children’s Improvement Plan, the Head of Internal Audit reported that the anomalies had been removed and that this information had since been communicated to Members by email and would be further reported at the next meeting of the Committee.

All to note/Head of Internal Audit

Further to third paragraph of Minute No. 8 – ‘Update on Information Governance Issues’, the Director of Finance and Corporate Services informed Members that the Information Commissioners had commented that they were pleased with the action plan and that the Council would not be monitored further in this area.

All to note

#### 4. ANNUAL REPORT OF THE MONITORING OFFICER

The Committee received a report from the Monitoring Officer that provided details on Member complaint handling activity, the use of the Council’s Whistleblowing Policy during the last 12 months and progress on Member Training and Development.

Members noted that 3 disclosures had been made under the Whistleblowing Policy in the last 12 months, which related to the Children and Young People’s Service Directorate. The Whistleblowing Policy was to be reviewed in the coming year and Council had agreed a number of topics as compulsory training for all Elected Members.

As there was no provision on the agenda for Public Questions, The Chair used his discretion to allow Tim Brown, a Doncaster resident to ask questions at the meeting.

Mr. Brown referred to an article in the Doncaster Free Press regarding Mr. Murtuja, who was a whistleblower and former employee of the Council and expressed his disappointment that the whistleblowing disclosures raised by Mr. Murtuja, had not been included in the Monitoring Officer’s Annual report. The Director of Finance and Corporate Services stated that the whistleblowing disclosures highlighted in the report were anonymised and did not relate to issues raised by Mr. Murtuja.

Mr. Brown stated that Mr. Murtuja had said that there were corrupt practices within the Council involving changing a panel for the

awarding of a public contract, which he felt was a damning indictment and questioned why no action had been taken against the Officers involved. The Director of Finance and Corporate Services explained that the issues raised by Mr. Murtuja had related to an Audit investigation where there were changes to a contract which had happened some years ago. He further explained that other issues raised by Mr. Murtuja had not been raised under the whistleblowing process. A further issue had related to a Competitive Tendering process which had referred to top tiers of staff being appointed internally without external competition.

Mr. Brown commented that the Council was one of the largest employers in Doncaster and stated that the number of Black Minority Ethnic (BME), Asian and disabled people working for the Council was only 1%. He questioned why there was only 1% of the workforce that was from the BME and Asian communities. Mr. Brown stated that Mr. Murtuja, had raised legitimate concerns regarding institutional racism at the Council, yet no action had been taken by the Council to evidence that they were a diverse and fair public service.

Councillor Craig Sahman pointed out that Mr, Brown had previously raised the same issues with Members of Cabinet and at full Council meetings and that the Ombudsman had also investigated such matters. Councillor Sahman commented that he was an advocate of diversity and was also keen to ensure that there was the 'right person for the job'. However, he personally felt that there was no evidence to support Mr. Brown's claims of institutional racism and was aware that further to consultation being undertaken with BME and Asian members of staff, they had indicated that they had not experienced any bullying or intimidation whilst working for the Council.

The Director of Finance and Corporate Services explained that due to the budget cuts in local government, the majority of posts within the Council were currently being offered to the existing workforce, particularly those staff whose jobs were at risk, and because the Council had to adhere to the internal recruitment policies, therefore, jobs offered to external candidates were limited regardless of their background or ethnicity. The Director of Finance and Corporate Services also said that not all staff completed equalities data information so it was likely the picture was not complete or accurate. It was acknowledged that this was an important issue and that the Council were taking steps to address this.

Mr. Brown welcomed this and hoped that both he and Officers of the Council could work together to co-produce a solution in this area. He thanked the Chair and Director of Finance and Corporate Services for responding to his questions.

RESOLVED that the report of the Monitoring Officer, be noted.

All to Note

5. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT – 2013/14

Members received a report, which provided information on the work of Internal Audit during 2013/14 and the Head of Internal Audit's overall opinion on the Council's system of internal control, which he had deemed adequate and had operated satisfactorily during the year.

The key headlines from the Head of Internal Audit's Annual Report were outlined in paragraph 3 and Appendix 1 of the report.

Members noted that the most recent review carried out by the Audit Commission in January 2011, had concluded that Internal Audit had provided an effective service that had contributed to the Council's system of Internal Control through the work it undertook. The UKPSIAS had changed the review process to that of an assessment to be carried out by a suitably qualified and experienced person at least once every five years. The South and West Yorkshire Heads of Internal Audit had agreed to set up a programme of peer assessments of compliance with UKPSIAS, in order to meet this requirement.

Members commented on various aspects of the report, during which Officers responded to Members questions and aimed to provide assurances that actions were being taken to address the concerns raised, in particular relating to the following issues:-

- long term sickness
- two areas identified by Internal Audit where significant improvements were needed to be made, namely Information/Manual Records Management and Data Sharing Arrangements
- planned work that had not yet been implemented within the agreed timescales (53 recommendations)
- the impact of a reduction in productive time, mainly due to sickness, on the service's daily charging rate and overall income generated

Members referred to section (g), of paragraph 6.2.3 of the report in respect of 'Rotherham Services – Recruitment Review', noting that the review of recruitment processes had identified a number of weaknesses that needed to be resolved. Members were particularly concerned as to what action was being taken in relation to employment checks, which Members felt could potentially pose a risk to children and young people, therefore, requested that a report on this issue be submitted to the next meeting of the Committee. Members were informed that Officers were trying to resolve the weaknesses in this area and were looking to ensure that all members of staff were DBS (Disclosure and Barring Service) checked in a timely manner, as it had been identified that records were not in place to demonstrate that this was the case. In relation to the transfer of information between Doncaster and Rotherham authorities, it was reported that improvements had since been made in this area.

Head of Internal Audit

#### RESOLVED

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|-----|--|-------------|
| (1) | to note the Internal Audit Annual Report for 2013/14, including confirmation that the Council's system of internal control was adequate and operated satisfactorily during the year; | All to note |
| (2) | to support the conclusion that there was an effective internal audit in place for 2013/14.   | All to note |
| (3) | to support the proposals for South and West Yorkshire  | All to note |

Heads of Internal Audit to carry out peer assessments of compliance with United Kingdom Public Sector Internal Audit Standards, in order to comply with the requirements of the standards for independent assessments.

- (4) to note the Head of Internal Audit's self-assessment that the service is compliant with the UKPSIAS.

All to Note

6. REVIEW OF INTERNAL AUDIT STRATEGY AND INTERNAL AUDIT CHARTER.

The Committee considered a report which sought approval of the Internal Audit Strategy for 2014-2017 and the Internal Audit Charter following a review resulting from revised definitions and terminology within the United Kingdom Public Sector Internal Audit Standards (UKPSIAS).

Members noted that the Strategy had been updated to reflect that the definition of Internal Audit was now defined as UKPSIAS and had clarified that the role of the Board was met by the Committee and that the 'Chief Audit Executive' was the 'Head of Internal Audit'. The Terms of Reference of Internal Audit had complied with the requirements of UKPSIAS and the Charter had been amended to reflect changes to UKPSIAS, which now clearly defined the Internal Audit Quality Assurance and Improvement Programme and reflected relatively minor changes to organisational and operational practice.

RESOLVED that the Internal Audit Strategy for the period 2014-2017 and the Internal Audit Charter, be approved.

All to note

7. INTERNAL AUDIT PLAN 2014/15

The Committee considered the Internal Audit Annual Plan for 2014/15, which had been presented in line with the requirements of the UK Public Services Internal Audit Standards, which required Internal Audit's plans to be risk based and informed by the organisation's risk management, performance management, and other assurance processes.

Members' attention was drawn to paragraphs 6 and 7 of the report, which summarised the current level of resources available to the Internal Audit team and the summary of proposed Audit Plan allocation of resources for 2014/15, which highlighted the work to be completed and a schedule of risk related work. Members acknowledged that there was a small number of staff within the Internal Audit team and were concerned whether there were adequate resources in place to carry out the planned work. Members were informed that the work was achievable with the current staffing levels, however, if there was some unexpected work or major investigation, this may not be manageable. It was reported that assurances had been given that where necessary additional resources would be sought to accommodate any unforeseen work.

During discussion, Members sought clarity from Officers in relation to the 'Risk Related Activity', as set out in the table at paragraph 6,

Appendix A to the report, particularly with regard to how the risks had been identified, the reasons for the increase in the number of days allocated for Proactive Data Matching in 2014/15 and why no days had been allocated in 2014/15 for Multi-Discipline Inspections (CYPS) work compared to 51 days allocated in 2013/14. Officers provided responses to Members' concerns.

In terms of 'Must Do Work', a Member expressed concerns that the total number of days allocated year on year had reduced by 86 days and that the team had struggled to deliver the work last year and whether the work allocated for 2014/15 was deliverable. It was explained that due to there being a slight reduction in resources last year this was to be expected. Currently there was sufficient time allocated for planned work.

Members also asked about work currently going on in parallel with the transition from the Children's and Young People's Service to the Children's Trust and requested that an update on the work streams scheduled for the Children's Trust next year, be brought to a future meeting of the Committee, in order to plan for any unforeseen problems.

Head of Internal Audit

RESOLVED that the 2014/15 Internal Audit Plan, be supported.

All to Note

8. ASSESSMENT OF CURRENT LOCAL GOVERNMENT RISKS - KPMG AUDIT COMMITTEE INSTITUTE

The Committee received a report which highlighted the Council's current position in relation to the risks highlighted by KPMG, the Council's external auditors, following a Member presentation held on 29th January, 2014. Appendix 1 of the report set out a reminder of the risks highlighted by KPMG and an assessment of the Council's position in each of the areas.

The assessment had showed that the Council had substantially appropriate arrangements in place in the areas highlighted by KPMG. However, it was highlighted that there were a small number of areas where additional information could be brought forward to the Committee, in order that Members were provided with a fuller understanding of issues relevant to their Terms of Reference, which included, summaries of appropriate Public Interest reports, reports on whistleblowing cases, reviewing the Whistleblowing and related policies, and reviewing the Council's ability to deliver proactive and reactive fraud work. It was proposed to bring forward reports in each of the above areas in the future as appropriate.

During consideration of the report the Chair enquired whether the Committee would be receiving an update on Fraud Risks. It was reported that a report was scheduled to be considered by the Committee at its next meeting in July (first meeting of the Committee in the 2014/15 Municipal Year).

All to note/Head of Internal Audit

In referring to paragraph 4(d) of the report, the Chair sought clarity on what implications this would have for the Authority in respect of the Council's ability to deliver proactive and reactive fraud work.

The Director of Finance and Corporate Services reported that the Government and the Department for Works and Pensions (DWP) were moving ahead with the Local Authority Fraud teams in relation to benefit claims. The Council was soon to provide information to the DWP and discussions were taking place whether staff would be TUPE transferred. There were concerns however whether the Council would lose specialist fraud staff which could leave the Council in a weakened position and that the Council may have to build in some of its own Anti-Fraud Strategy. It was anticipated that further information in this regard would be known by **July/October** and that the current staffing capacity to be lost would be from the Housing Benefits team.

RESOLVED that

- (1) the Council's position in the current risk areas highlighted by KPMG and the key areas covered, be noted; and
- (2) the future proposed actions identified within the report, be noted.

All to Note

All to Note

9. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE

The Committee considered the External Audit progress report and technical update for the 2013/14 financial year, which provided regular feedback on the progress of the audit and any issues arising, which was appended to the report at Appendix 1.

In referring to paragraphs 5 and 6 of the report, the Chair enquired when the review of the Bank Reconciliations was to be completed and what was the cost to appoint the ABS Consultants. The Director of Finance and Corporate Services reported that the Bank Reconciliations were being transferred from the old to the new system and that this should be completed within the next few weeks. In terms of the ABS Consultants, the total for all three phases of the ERP contract was £3.3m, which had included the ABS Consultants package.

Following further questions from the Chair, the Assistant Director, Finance and Performance aimed to provide assurances that the accounts would be completed within the agreed timescales.

RESOLVED that the content of the External Audit Progress Report and Technical Update, be noted.

All to Note

10. REPORT ON NON-COMPLIANCE WITH FINANCIAL PROCEDURE RULES AND CONTRACT PROCEDURE RULES

The Committee received a report on Waivers and Breaches to Contract Procedure Rules (C.P.R's), together with instances where Financial Procedure Rules (F.P.R's) had not been followed. The report also provided details on the progress of the on-going review of procurement arrangements for work valued above £30,000. The number of new breaches and approved waivers recorded by each Directorate since the last Audit Report in November 2013 were

identified within the table at paragraph 3 of the report, with specific details summarised in Appendix 1 and 2 of the report.

It was reported that two breaches of Council Procedure Rules had been approved in the period November, 2013 to 31 March, 2014, which related to the Children and Young Peoples Service, and Public Health, respectively, the specific details of which were outlined within Appendix 2 of the report.

In referring to the reported breaches of Contract Procedure Rules as set out at Appendix 2 of the report, Members were keen to ensure that the waiver concerning the Children and Young People's Service was closely monitored, particularly in view of the issues surrounding Children's Services.

Whilst Members were pleased to note the reduction in the number of waivers in the Regeneration and Environment Directorate since the last report presented to the Committee, Members were particularly concerned regarding the number of reported breaches and waivers in the Directorate of Public Health. The Director of Finance and Corporate Services advised Members that following the transfer of Public Health to the Council, for operational reasons a number of contracts had been extended and assured Members that these services would be procured in a timely manner in the future. It was noted that a number of specialist services were procured by Public Health. Due to the complexity of the market and EU requirements for contracts over a certain value, it was important that the Council worked with partners and suppliers to make sure that when the Council procured these services, the market was interested and tenders received to ensure that these services continued to be delivered.

Members stressed the importance of ensuring that the Council had robust arrangements in place in order to be able to defend its position should there be a challenge to the procurement process in relation to Public Health and emphasised the need for progress moving forward in this area. The Director of Finance and Corporate Services suggested that Officers from Public Health be invited to attend the next meeting of the Committee to inform the Committee of their procurement plans.

RESOLVED that the information contained in the report, in particular for the reporting of Waivers of C.P.Rs, and the actions taken to identify and rectify breaches of C.P.Rs, be noted.

11. DONCASTER COUNCIL GOVERNANCE PLAN UPDATE (Minute No. 4 – 22nd November, 2013)

Further to the above Minute, Members considered a report which outlined the progress made in relation to the activities and progress in taking forward the Governance Plan for 2014. Appendix 1 of the report provided an update on the 2013 Governance Plan activities that were not yet completed.

Members noted that the recommendation in relation to 'R4.11 Including manager responsibilities in manager job descriptions and the

Head of  
Procurement

Director of  
Finance and  
Corporate  
Services

All to Note



Manager's Handbook (R5.23)' had now been implemented.

Members' attention was drawn to paragraph 3 of the report, where significant progress had been made in implementing the recommendations contained within the Plan, with the exception, of one, everything had been achieved within the required timescales. It was highlighted that one area of particular concern was Partnerships Governance, as there was substantial weaknesses in this area. Members were informed that it was important to ensure that an accurate record of the Councils partnerships was maintained and that reporting lines were clear. Members requested that a report on this issue be submitted to the next scheduled meeting of the Committee in July.

Director of Finance and Corporate Services

The Director of Finance and Corporate Services reported that the update report on Payroll Overpayments which was due to be considered by the Committee at today's meeting, had been deferred pending further work being required to the report. The Committee agreed that this report be brought to the Committee's meeting in September.

Director of Finance and Corporate Services

Further to clarification being sought by the Chair, the Director of Finance and Corporate Services confirmed that the risks relating to Data Protection would be achieved within the set timescales.

RESOLVED that the progress made in relation to the activities and progress in taking forward the Governance Plan for 2014, be noted.

All to Note

12. STRATEGIC RISK REGISTER UPDATE FOR QUARTER 3 - 2013/14

Members received a report which provided a progress update on strategic risks for Quarter 3, 2013/14. The current status of strategic risks were outlined within Appendix A to the report and were reported in order of risk score, highest to lowest, as requested at a previous Audit Committee meeting.

Members noted that there were currently 16 strategic risks linked to the Corporate Plan for 2013/14. 15 had been profiled for Q3, the exception being the risk around 'failure to safeguard vulnerable children'. Two additional risks had been created during the quarter, relating to Health and Safety and Pensions.

In referring to the strategic risks highlighted within the report, Members were particularly concerned with regard to the implications in 'Failure to achieve sufficient savings from major programmes such as customer services and procurement'. The Assistant Director of Finance and Performance reported that there was a Council wide target which would not be met. Whilst work was on-going in this area, it was a matter of when this would be achieved. With regard to the lower contract items, it was explained that there was still a lot of work to do in this area and that these would not be met in 2013/14, but would roll forward into 2014/15. Further details in this respect would be reported at the next meeting.

Director of Finance and Corporate Services

<p><u>RESOLVED</u> that the content of the report, be noted.</p>	<p>All to Note</p>
<p>13. <u>AUDIT COMMITTEE ANNUAL REPORT 2013/14</u></p>	
<p>The Internal Audit Manager presented the draft Annual Report, which set out the key aspects of the work undertaken by the Audit Committee during 2013/14.</p>	
<p>In referring to the draft Annual Report attached at Appendix 1 of the report, the Internal Audit Manager drew Members attention to two amendments that had been identified by the Chair at a pre-briefing meeting, in respect of the following:-</p>	<p>Internal Audit Manager</p>
<ul style="list-style-type: none"> <li>- the deletion of the bullet points at paragraph 15, (page 4 of the Annual report).</li> <li>- minor changes to the final paragraph of the Chair's 'Foreward'.</li> </ul>	
<p><u>RESOLVED</u> that the draft Annual Report for 2013/14, be approved.</p>	<p>All to Note</p>