

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

17TH JULY, 2014

A MEETING of the AUDIT COMMITTEE was held at the CIVIC OFFICE, DONCASTER on THURSDAY, 17TH JULY, 2014 at 2.00 p.m.

PRESENT:

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

Councillors Andrew Bosmans, Frank Jackson and Craig Sahman.

Also in attendance:

Simon Dennis, Senior Manager, KPMG
John Prentice, Director, KPMG
Simon Wiles, Director of Finance and Corporate Services
Steve Mawson, Assistant Director, Finance and Performance
Colin Earl, Head of Internal Audit,
Peter Jackson, Internal Audit Manager
Helen Potts, Principal Legal Officer (Minute No.6)
Dr Rupert Suckling, Assistant Director, Public Health (Minute No.7)
Denise Bann, Head of Procurement (Minute No.16)
Dave Hill, Interim Head of Financial Management (Minute No. 12)
Mick Wildman, Technical Accounting Manager (Minute 12)

	<u>ACTION</u>
1. <u>DECLARATIONS OF INTEREST, IF ANY</u> There were no declarations made at the meeting.	All to note
2. <u>MINUTES OF THE MEETING HELD ON 23RD APRIL, 2014</u> <u>RESOLVED</u> that the minutes of the meeting held on 23rd April, 2014, be approved as a correct record and signed by the Chair.	All to note
3. <u>AUDIT COMMITTEE TERMS OF REFERENCE AND WORK PROGRAMME 2014/15</u> Members considered a report that detailed the Terms of Reference for the Audit Committee for the 2014/15 Municipal Year. These were approved at Full Council on 13th June, 2014, and detailed the functions that the Committee had to discharge. Members noted that the Terms of Reference had been extended to adopt the responsibilities of the former Standards Committee following the introduction of the new and reduced arrangements for Standards in July 2012. The main change that this would entail was that in order to have a mechanism in place to handle complaints against Councillors, a 'Hearings Panel of the Audit Committee' would have to be established. This Panel would include the two co-opted	

Independent (non Councillor) representatives as well as the two Parish Council representatives who had previously sat on the Standards Committee. These members would only be required to attend as and when they were considering complaints against Councillors.

Members were also informed that Council had agreed to appoint an Independent representative as a non-voting, co-opted Member to the Audit Committee. It was noted that arrangements were currently being put into place to facilitate this.

A draft work programme was also included within the report, which provided an outline of the areas of work that the Committee hoped to look at during the 2014/15 Municipal Year.

RESOLVED that:-

1) The Audit Committee note the Terms of Reference for the 2014/15 Municipal Year; and

All to Note

2) The Audit Committee note the draft work programme.

All to Note

4. COVERT SURVEILLANCE – REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE

Further to new codes of practice brought in by the Home Office in 2010, which allowed Local Authorities to undertake covert surveillance in order to investigate matters that the Council had responsibility to take action against, it was agreed that Members would receive a quarterly report that detailed the Authority's use of Regulation of Investigatory Powers (RIPA).

The quarterly report received by Members detailed that there had only been 3 instances of surveillance undertaken since the last report, all of which were still on-going, and all other matters had been concluded.

Members requested that in future, more information was given as to where and when test purchases were carried out in order that they were receiving a clear picture of the surveillance undertaken.

Helen Potts

RESOLVED that:-

1) the Audit Committee notes the RIPA applications that have been completed since the January 2014 report, attached to the report at Appendix 1; and

All to Note

2) the Committee agree that, future reports on the use of RIPA by the Authority be received 6-monthly.

All to Note

5. PUBLIC HEALTH WAIVERS – FOLLOW UP REPORT.

The Committee considered a report which provided further information on a series of contract procedure waivers relating to the Public Health Directorate. Members were informed that the issues that had arisen were largely transitional and were due to the recent transfer of Public Health Services from the NHS to DMBC. It was noted that for the future, action had now been taken to ensure that there were effective

commissioning arrangements in place for the procurement of relevant services.

Members raised a number of issues that Officers looked to provide clarity on, particularly relating to budget issues, and how much of the Public Health budget was ring-fenced. Officers provided information to the Committee on how the budget was managed, how services were tendered, and how this would change in the future.

RESOLVED that the Audit Committee note the steps taken to ensure that Public Health Services are effectively commissioned and properly procured.

All to note

6. COMPLETION OF DISCLOSURE AND BARRING SCHEME (DBS) CHECKS FOR NEW STARTERS

The Committee considered a report that updated Members on the completion of Disclosure and Barring Scheme (DBS) checks for new employees following concerns raised as a result of the audit of recruitment processes in 2013. It was noted that a new process had been agreed, and DBS checks would be undertaken where required, which would thus minimise the risk of recruiting unsuitable candidates.

Members were informed that there were two main issues to be considered, firstly, which people should be having them, and secondly, how were they sure everyone who should have one, had done so. The Director of Finance and Corporate Services reported that he was confident now that all new starters were having them where required, and although there were no records of checks in the past, they were now starting to build up a record over time.

Members felt this was an area of grave concern as there were a lot of questions that needed further clarity on and more detailed work was needed on the issues raised. Therefore it was proposed that this report be deferred until the September meeting of the Audit Committee.

RESOLVED that the report be deferred to the next meeting of the Audit Committee, scheduled to be held on Tuesday, 23rd September, 2014.

All to Note

7. ANNUAL PAYROLL OVERPAYMENTS UPDATE REPORT – 2013/14

Members considered a report that provided an update with regard to progress made by the Council in relation to salary overpayments for both current employees and those who had already left the Authority. Members were informed that since the last report, numbers had reduced, and the recovery process was now proving to be much better, with nearly half of those owing money making arrangements to pay. Members were informed that whilst this was still an area of concern, the amount of money in overpayments as a percentage of what the Authority paid out was only a small amount, and the Director of Finance and Corporate Services was confident that this would be reduced further year on year.

Members had a brief discussion whereby they were given the

opportunity to voice any concerns on this report, with the main points raised relating to the fact that this appeared to be an on-going problem. Members were assured that this was improving and there were a lot of complexities that needed further work on. The authority needed to be quicker and sharper in order to make required recovery of overpayments, but there was the belief that improvements were being made.

Members were informed however, that they should begin to see more changes further to the introduction of the payroll system, and the Committee would receive a further report on this matter later on in the 2014/15 Municipal Year.

RESOLVED that the Audit Committee note the report, and its key actions which were being put into place as detailed in Appendix A to the report.

All to Note

8. ANNUAL FRAUD REPORT – 2013/14

The Committee were presented with the Annual Fraud Report for 2013/14, which aimed to provide Members with a summary of the work undertaken and the robust approach that the Council had in order to detect fraud and corruption.

Member's questions were answered by Officers at the meeting in order to provide further clarity. In relation to one particular concern surrounding the values of cases investigated, Members were assured that none exceeded £10k and all cases were largely for small amounts. Members requested that in future that the values of the cases investigated be clearly identified within the report to provide greater clarity and understanding.

Head of Internal Audit

RESOLVED that the Audit Committee support the production of the 'Annual Fraud Report' and agree that this be publicly produced in order to highlight the outcomes from the Council's anti-fraud activity.

All to Note

9. AUDIT COMMISSION FRAUD SURVEY: KPMG PRESENTATION OF RESULTS

Simon Dennis, KPMG, introduced the report to members which was to be considered in conjunction with the previous item on the agenda.

KPMG had this year had access to data submitted by other Local Authorities, and therefore as a result produced comparative information which identified that Doncaster was relative to other Metropolitan Borough Councils in terms of its position on this issue.

The main points that had arisen as part of the anti-fraud survey, included the following:-

- DMBC had achieved a comparably high level overall of detected fraud cases;
- Doncaster had a very high level of detected benefit fraud;
- DMBC detected no blue badge fraud in 2013/14, compared to an average of 13 cases in other Northern MBCs; and

Members were happy with the report, and accepted the findings by KPMG.

RESOLVED that the Audit Committee:-

- 1) Note the analysis produced by KPMG; and
- 2) Support the actions proposed following assessment of the analysis completed.

All to Note

10. UPDATE ON THE ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY AND STRATEGY AND ACTION PLAN

The Head of Internal Audit presented a report to Members which provided an update on the anti-fraud, bribery and corruption policy. Members were informed that very few changes had been made to the policy since the previous year, and it remained robust and fit for purpose.

Members were given the opportunity to raise any queries which Officers endeavoured to answer.

RESOLVED that the Audit Committee:-

- 1) Approve the revised Anti-fraud and Corruption Policy and Strategy; and
- 2) Note the actions carried out in 2013/14 and planned priority activities for 2014/14.

All to Note

11. REVIEW OF PROGRESS IN IMPLEMENTING INSPECTION RECOMMENDATIONS WITHIN CHILDREN'S SERVICES

Consideration was given to a report that updated the Committee on progress made with regard to implementing inspection recommendations within Children's Services. It was noted that within the previous report to the Audit Committee, there had been 101 recommendations made since 2008, and the number requiring implementation had now been reduced to 5. This demonstrated the changes that had been brought about with Children's Services, but it was acknowledged that there was still a great deal of progress that needed to be made. Members were informed that the Children's Services Improvement Plan was being monitored at a monthly meeting with the Chief Executive and the lead Portfolio Holder for Children's Services.

Members were reassured by the findings within the report, and acknowledged that it was reassuring to see that progress was being made. Concerns were raised however, with regard to Social Workers and their workloads, as there were instances of some Social workers in the North of England dealing with up to 30 cases, which seemed to be a particularly excessive caseload. The Director of Finance and Corporate Services advised that for an experienced social worker, in the region of 20-25 cases were an acceptable amount. However, in Doncaster, it was felt that it was more appropriate to settle on a

caseload of around 16-19. Members were informed that the Director of Children and Young Peoples Services would be able to produce a monitoring report which would outline the workload for each team which would aim to allay their concerns and clearly show what work was being done. However, it was acknowledged, that one of the main issues continued to be the successful recruitment of enough good quality and experienced social workers which was something being addressed on a continual basis.

Director of Finance and Corporate Services / Director CYPS

The Head of Internal Audit added to this, and stated that whilst improvements were being made, a number of weaknesses and actions were being put in place to make further improvements.

The Chair added that it was pleasing to see that the number of 'outstanding' inspection recommendations had fallen, and queried how it would be monitored in the future when Children's Services transferred to the Trust as this was obviously a major concern to Members. Members were advised that it was uncertain at the present time how this would be managed and what control the Council would retain.

RESOLVED that the Audit Committee note the updated position in respect of progress made on Children's Services Inspection recommendations.

All to Note

12. STATEMENT OF ACCOUNTS 2013/14

Members were presented with the unaudited Statement of Accounts for the 2013/14 financial year and although there was no requirement to present these to Members prior to the commencement of the external audit process, it was felt that it was good practice to do so, as it would give Members early notification of the financial outcome of the previous year and also enable them to seek clarification on any concerns they may have.

In line with IFRS accounting standards, the accounts had been signed off by the Chief Financial Officer on 30th June, 2014 and would now be presented to KPMG for auditing. The Committee was informed that the result of the external audit by KPMG would be presented at their next meeting on 23rd September, 2014. Prior to this, the accounts would be placed on 'public deposit' for a 4 week period from 22nd July 2014 and were published on the Council's Website on 1st July, which aimed to increase transparency and openness.

Further to consideration of the report, Members had a brief discussion where they were given the opportunity to raise any concerns and clarity was provided on a number of issues including the Council's underspend, and the figures within the report relating to payments, and cash/cash equivalents. Particular points of concern related to insurance costs and it was queried how and why these were so high. Officers endeavoured to answer Members concerns and explained that this was a complex issue, as a lot of these costs were estimated on the basis of what claims may be received throughout the year. The Council was hoping to reduce these costs, but largely, there wasn't a great deal that

could be done on this issue, as premiums continued to be high, although this was something that had reduced over the past year, and in fact although it appeared to be a high number, claims were continuing to come down.

RESOLVED that Members note the Statement of Accounts for 2013/14.

All to note

13. ANNUAL GOVERNANCE STATEMENT

Members were informed that the Annual Governance Statement was an annual report which provided a review of governance arrangements for the Authority. The publication of an Annual Governance Statement was a statutory requirement and looked to ensure that the Council was responsible for ensuring its business was conducted in accordance with the proper standards, and ensure that public money was safeguarded, properly accounted for and used economically and effectively.

The Committee noted that the governance arrangements had been reviewed as there had been weakness reported in 2013/14, and as a result, a new Annual Governance Statement had been presented for Members' consideration which outlined actions that needed to be dealt with.

Members enquired as to whether or not any of the action dates outlined in Appendix 1 to the report could be brought forward, as a number of these seemed a long way in the future. However, Members were informed that it was a large process and the improvement identified would be looked at progressively and comprehensively. The Committee acknowledged this, and noted that there was a lot of work to be done, and it was important to do justice to all the issues and give them adequate time to progress. However, they requested that a brief update report be provided at a future meeting to outline what developments had been made.

Director of Finance and Corporate Services/Head of Internal Audit

RESOLVED that the Audit Committee:-

- 1) Note the report; and
- 2) Note that the Annual Governance Statement had been approved by Directors and Executive Board, and would be signed by the Mayor and Chief Executive prior to its publication in September, 2014.

All to Note

14. INTERIM AUDIT REPORT 2013/14

Members considered a report produced by KPMG that summarised the key findings that had arisen from the interim audit work carried out in relation to the 2013/14 financial statements and work supporting the 2013/14 value for money (VfM) conclusion to June 2014. Simon Dennis, Senior Manager, KPMG, outlined that this aimed to provide Members with a 'snapshot' of the current situation. The headlines were outlined on page 272 of the report, and summarised the headline messages in relation to the

following issues:-

- Organisational and IT control environment;
- Controls over key financial systems;
- Accounts production and specific risk areas;
- VfM risks

More information on these issues was provided within the report.

Members were pleased to see that good progress was being made, and the Council was moving in the right direction and vast improvements had been made. However, they acknowledged that there were still a number of risks, and work was on-going to mitigate these but largely speaking, year on year the Authority was improving with a higher level of compliance than in the past.

RESOLVED that Members note the findings and recommendations arising from the interim audit work as detailed in the appendix attached to the report.

All to note

15. FINANCIAL AND PURCHASING 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 for the period 1st April to 30th June, 2014.

Members were informed that there had been 8 waivers in this period which were shown in more detail in Appendix 1 to the report. However, there had been no instances of breaches during this period. Members noted that there were two waivers within Children and Young People's Services for the amount of £65k and £80k, both of which seemed particularly high. However, it was outlined that these were granted on the basis that there was an urgent need to ensure further improvements were made within the service.

Members were informed that all waivers and breaches were robustly challenged in order to protect the Council, with alternative options investigated where appropriate prior to approval of the waiver.

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.