

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

23RD SEPTEMBER, 2014

A MEETING of the AUDIT COMMITTEE was held at the CIVIC OFFICE,
DONCASTER on TUESDAY, 23RD SEPTEMBER, 2014

PRESENT:

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

Councillors Andrew Bosmans and Frank Jackson

Also in attendance:

Simon Dennis, Senior Manager, KPMG
John Prentice, Director, KPMG
Louise Booth, KPMG
Simon Wiles, Director of Finance and Corporate Services
Steve Mawson, Assistant Director, Finance and Performance
Dave Hill, Interim Head of Financial Management (for Item 12 only)
Mick Wildman, Technical Accounting Manager (for Item 12 only)
Jill Parker, Assistant Director, HR & Communications (for item 6 only)
Colin Earl, Head of Internal Audit
Peter Jackson, Internal Audit Manager
Brendan Martin, Head of Democratic Services (for Item 5 only)
Sennette Wroot, Corporate Policy and Performance Manager

16. DECLARATIONS OF INTEREST, IF ANY

No declarations were made at the meeting.

17. MINUTES OF THE MEETING HELD ON 17TH JULY, 2014

RESOLVED that the minutes of the meeting held on 17th July, 2014, be approved as a correct record and signed by the Chair subject to Minute No 11 second paragraph to read as follows:-

‘Concerns were raised however, with regard to Social Workers in the North of the **Borough**’

ACTION

None

All to note

18. ETHICAL GOVERNANCE POLICIES AND PROCEDURES

The Committee received a report which summarised the Council's key policy documents and procedures relating to ethical governance since the disbandment and transferring of the Standards Committee functions to the Audit Committee in June 2014.

As Members were aware at its meeting on 13th June, 2014, Council agreed to disband the Standards Committee and transfer its former functions in relation to ethical governance across to the Audit Committee. In light of these changes the following key ethical governance policies and protocols have been transferred to this Committee's responsibility:-

- Members' Code of Conduct
- Whistleblowing Policy
- Protocol on Member/Employee Relations

RESOLVED that:-

- (1) the report be noted and agreed that an annual report be received by the Monitoring Officer on ethical governance activities, including details of complaint handling activity in relation to alleged breaches of the Members' Code of Conduct and disclosures made by members of staff under the Council's Whistleblowing Policy; and
- (2) It be noted that the Council's Whistleblowing Policy be reviewed during the current Municipal Year and will be subject to further consideration by this Committee

All to note

All to note

19. COMPLETION OF DISCLOSURE AND BARRING SCHEME (DBS) CHECKS

The Committee considered a report updating Members on the progress on action and assurance required from a report considered at the July 2014 meeting regarding the completion of DBS checks. It was noted that this had followed concerns about the process for new starters and the absence of confirmation records for existing employees highlighted through the audit of recruitment processes undertaken during 2013.

Jill Parker, Assistant Director of HR and Communications reported to Members that following the last meeting a data cleansing and matching exercise had been conducted on those

records on the HR Portal which indicated a DBS check was required. The figures supplied in the table at paragraph 7 provided an overview of the current position and details of a sampling exercise conducted by Internal Audit. It was considered by HR and Internal Audit that a reasonable level of assurance had been attained from the checks undertaken.

Concern was raised with regard to frequency of the DBS checks and a suggestion was made that checks be made on a more regular basis. It was stated that checks would be carried out every 3 years under the proposed new policy. It was also stated that an Action Plan was also being produced and was envisaged to be completed within 2-4 weeks. It was highlighted that there were limitations with regard to schools but periodic reviews were undertaken.

Some concern was also raised with regard to schools and ensuring that DBS checks were carried out regularly. Council Members were assured that discussions can be carried out with regard to the Council obtaining the information required but schools particularly Academies were under no legal obligation to provide the Council with this information.

RESOLVED that

- (1) the contents and the actions taken and assurances presented since the last report be noted; and
- (2) a report be brought back to Committee with regard to the Council's legal position in relation to schools.

All to note

Steve
Mawson/Colin
Earl

20. DONCASTER CHILDREN'S TRUST – PROGRESS ON THE CONTRACT

The report recommended that the Council enter into a contract with Doncaster Children's Services Trust Limited (the Trust) in order to deliver children's social care services. Cabinet had received regular progress reports on the setting up of the Doncaster Children's Trust and good progress had continued to be made. But as reported previously the project timeline had been very challenging and that final negotiations were continuing well and there was general agreement between the Trust and the Council on the terms of the contract.

It was noted that the report had been approved by Cabinet as a Rule 16 Special Urgency decision which had also been signed off by Councillor Rachel Hodson, Chair of Children and Young Peoples Overview and Scrutiny Panel.

Following a brief introduction of the report, Members were afforded the opportunity to ask questions. Councillor Bosmans stated that he serves on the Fostering and Adoption Panel and had concerns with regard to the possible split of the departments into separate buildings. He sought assurances that the excellent work of the Panel would be maintained and the transition would be smooth. He thought that if the Panels were to split this would not be the best outcome and would have a detrimental impact. It was advised that there had been last minute changes to the accommodation but it was thought that once room was made available both the Fostering and Adoption Service would be accommodated within the Colonnades. But the concerns raised would be relayed to the relevant Director.

Steve
Mawson

Clarification was sought in relation to the Trust Costs identified within Paragraph 42 of the report. Members were advised that a risk sharing agreement had been devised and a framework had been agreed which was identified at paragraph 39 of the report. It was advised that the ultimate goal would be for the Council not to bare any risk. It was noted that this would be monitored through the quarterly monitoring process.

Assurances were sought with regard to disaggregation costs. It was advised that in future years if the Trust were to use another supplier for their IT equipment and other services this could leave the Council with further potential cost of disaggregation. These costs should be met by the Department for Education (DfE) under the terms of the Memorandum of Understanding and if this was to happen the Council would seek those assurances from the DfE.

A question was asked with regard to where the Audit Committee fits in with the process. It was advised that although the Audit Committee did not have any powers as the Trust was a separate body, quarterly monitoring reports would be discussed at Scrutiny meetings and the Trust would attend 4 Scrutiny meetings a Year. It was suggested that the Children and Young Peoples Scrutiny Panel should be the Panel to receive such reports.

Members sought clarification in relation to the pension evaluation, Liabilities and Assets. It was reported that the Trust would be provided with a fully funded pension fund but any future liabilities would be the Trust's responsibility. In relation to assets the Trust would be subject to the same risk as everyone else, if the market was to change massively the Council may agree to discuss funding with the Trust. With regard to the recommendation of the Council acting as a guarantor, the

Council has no estimated cost, this would be unquantifiable at this stage. The Council was acting as a guarantor to ensure the Trust gains membership to the South Yorkshire Pension Scheme as this was a new company with no track record. It was also noted that annual valuation would be carried out to monitor the situation.

In relation to the underwriting of the Trust's cash flow, it was asked whether any provision had been made within the budget for this action. It was advised that it was imperative that the Council provide this funding as a base in order for the company to survive in its infancy. It was also advised that the Trust would be closely monitored to ensure overspend doesn't occur.

Members were notified that with regard to staff most of the senior posts were appointed to or an interim was in place.

A question was raised in relation to insurance plan and whether the Trust had acquired an insurance broker. Members were advised that the Council's insurer, Zurich had been approached for an extension to facilitate the Trust but at present had not been supplied with a cost. It was also envisaged that any additional payments would be met by the DfE.

RESOLVED the Committee noted:-

- (1) the Direction from the Secretary of State for Education directing the Council to enter into a contract for services with the Doncaster Children's Trust and setting out the functions which will be performed by the Trust;
- (2) the content of the draft contract;
- (3) the Chief Executive be authorised to undertake the final negotiations on the contract terms and agree the final contract in consultation with the Mayor;
- (4) the draft proposed budget and agree that the Director of Finance and Corporate Services undertake the final negotiations on the on-going and on-off funding to be provided to the Trust and sign off the final budget in consultation with the Mayor;
- (5) the list of current CYPS services transferring to the Trust and those remaining with the Council;

- (6) that Michelle Macfarlane and Tony Baxter be the Council's nominations to become Non-Executive Director on the Trust Board;
- (7) that the Council will act as Pension Guarantor for the Doncaster Children's Services Trust;
- (8) that the Council will underwrite the Trust's cash flow and enter into a financial risk sharing agreement as set out in the Financial Implications section of the report;
- (9) to allow the Trust to use I.T. and other equipment by way of a licence arrangement; and
- (10) to allow the Trust to utilise various Council premises for its operations at a market-rent and to conclude licences and leases in respect of those properties.

21. DONCASTER COUNCIL GOVERNANCE PLAN

Members considered a report detailing the Governance Plan that had been produced. The Governance Plan combined the various actions and initiatives that were being undertaken to improve the Council and increase its ability to meet the specific and varied challenges.

Members were advised of an alteration to the report at Appendix 1, in relation to the Risk profile this should read 3x3 = 9.

Clarification was sought in relation to items that were on-going and whether these actions could be more specific and with regard to updates on Children Services who would be responsible for this. It was stated that the general comments need to be looked at and made more specific. In relation to Children Services, it was not clear at present what the split was, this would be looked into and aligned with the improvement plan to ensure it reflects the changes for future reports.

In relation to improving partnership risk arrangements, a brief update was provided to Members on the detailed work that had been carried out. It was advised that this had been discussed at the Governance Board stating that a lot of hard work had been completed alongside updating guidance. The next step of the process was to test the risk assessment. It was suggested

All to note

Colin Earl

that it would be appropriate for a detailed update to be brought back to a pre-meeting for member discussion.

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

All to note

22. STRATEGIC RISK UPDATE FOR QUARTER 1 2014/15

The Committee received a report updating Members on the Strategic risks for Quarter 1 2014/15. The profile of strategic risks were set out in Appendix A to the report. It was reported that there were 16 risks linked to the Corporate Plan and the risk around the delivery of the LDF had been highlighted for demolition and no new strategic risks had been nominated.

In relation to agenda item 10, Concern was raised with regard to Health and Safety and whether this should now be shown as a Major risk. It was reported that there had been a big push on Health and Safety and all Managers had been required to complete the on-line training by the end of September. The Corporate Health and Safety policy and been refreshed.

It was asked how emerging issues, such as the Care Act, were incorporated into the process. Members were advised that reports would be taken through the quarterly monitoring process so such items would be flagged up at the quarterly challenge meetings.

RESOLVED the report be noted.

23. INTERNAL AUDIT REPORT FOR THE PERIOD: APRIL 2014 TO AUGUST 2014.

Members received a report updating them on the work carried out by Internal Audit for the period 1 April to 31 August 2014. The report also included performance information and details on the implementation of major internal audit recommendations.

Members were advised that the Plan had been broken down into four sections which were 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

Members were provided with an update for each section and were pleased that good progress was being made.

It was reported that in relation to the new Enterprise Resource Planning System (ERP) since the Audit a lot of work had been carried out and 99% of issues had been resolved. It was asked when details of the performance monitoring would be available. It was advised that testing was taking place at present and it was anticipated that issues would be resolved by December. With regard to the ERP system it was reported that several Authorities use the system but Doncaster have the highest number of modules. Benchmarking does take place in relation to identified problems and solutions and there are lessons to be learnt but every Council is different and there is no standard model. It was also advised that preparation work was also taking place for upgrading the system for next summer

Concern was raised with regard to Health and Safety and whether this now needs to be raised on the Strategic Risk Register. It was advised that reports had been taken to Directors meetings and the number had risen. It was suggested that an update report be brought back to the next Committee meeting.

Colin Earl

It was noted that the issues regarding debtors/creditors had been addressed but it was asked whether there had been any evidence of loss. It was advised that at present losses were not identified but it was envisaged that it would be advisable to carry out that task following the testing and a update be brought back to Committee

Colin Earl

With regard to the missing equipment identified at page 150 of the report, it was advised that following the Civic Office power surge a review was undertaken in which it was found there was no inventory for the equipment that had been lost. Although no individual had been identified because there was no evidence a number of management recommendations had been made reiterating the standards required.

RESOLVED that:-

- (1) the internal audit work completed in the period be noted;
- (2) the progress made by officers in implementing previous audit recommendations be noted; and

All to note

All to note

- (3) information relating to Internal Audit's performance in the period be noted.

All to note

25. STATEMENT OF ACCOUNTS 2013/14

The Committee received a report detailing the findings from the 2013/14 audit and the key issues that the Committee should consider before the external auditor issues their opinion on the financial statements. It was advised that the Accounts would be signed off on Monday 29th September, 2014.

With regard to Audit adjustments, it was advised that there had been a mistake made, the figure showing £100m should not be shown. Members were advised that overall the report was extremely positive and recognises the year on year improvements made by the Council in preparing the Statement of Accounts for audit. The continued improvements in the quality of working papers and supporting information had resulted in this year's audit progressing more smoothly and in a more timely fashion than in previous years.

In terms of value for money, it had been concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and therefore an unqualified conclusion would be anticipated. This would also include an additional paragraph referring to the Secretary of States direction requiring the Authority to bring in external management support for its Children's Services function.

Overall Members were pleased to see a positive and reassuring report. Members asked that all officers be thanked for their contributions.

RESOLVED that:-

- (1) the action proposed in relation to amendments to the accounts as covered in the ISA 260 report be noted;
- (2) the contents of the external audit ISA 260 report be noted;
- (3) contents of the Letter of Representation be endorsed; and
- (4) the Statement of Accounts be approved

All to note

All to note