

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

22ND APRIL, 2015

A MEETING of the AUDIT COMMITTEE was held at the CIVIC OFFICE, DONCASTER on WEDNESDAY, 22ND APRIL, 2015, at 2.00 P.M.

PRESENT:

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

Councillors Andrew Bosmans, Frank Jackson and Craig Sahman.

Kathryn Smart – Co-Opted Member.

Also in attendance:

Denise Bann, Head of Procurement, (Minute No's 43 and 44)
Simon Dennis, Senior Manager, KPMG
Colin Earl, Head of internal Audit
Roger Harvey, Monitoring Officer, (Minute No's 47 and 53)
Shane Hayward-Giles, Assistant Director Modernisation and Commissioning, (Minute No.s 43 and 44)
Peter Jackson, Internal Audit Manager
Steve Mawson, Assistant Director of Finance and Performance
Howard Monk, Head of Corporate Policy and Performance, (Minute No. 45)
John Prentice, Director, KPMG

41. DECLARATIONS OF INTEREST, IF ANY

Kathryn Smart declared a non-pecuniary interest in relation to 'Agenda Item No. 5, 'Adults Health and Wellbeing Audit Action Plan Progress Report: Progress on Implementing outstanding recommendations in Adults Services, including Mental Health Section 117 Refunds', by virtue of working for RDaSH (Rotherham Doncaster and South Humber NHS Foundation Trust).

42. MINUTES OF THE MEETING HELD ON 4TH FEBRUARY, 2015

RESOLVED that the minutes of the meeting held on 4th February, 2015, be approved as a correct record.

Following approval of the minutes and further to a request from the Chair, the Head of Internal Audit updated Members and provided assurances regarding implementation of the actions highlighted in the minutes from the last meeting.

ACTION

All to note

43. ADULTS, HEALTH AND WELLBEING AUDIT ACTION PLAN
PROGRESS REPORT: PROGRESS ON IMPLEMENTING
OUTSTANDING RECOMMENDATIONS IN ADULTS SERVICES,
INCLUDING MENTAL HEALTH SECTION 117 REFUNDS (Minute No.
38 – 4th February, 2015)

Further to the above Minute, Shane Hayward-Giles, Assistant Director, Modernisation and Commissioning presented an update report on progress made on the implementation of outstanding major audit actions relating to Adults Social Care, including Mental Health Section 117 refunds.

Members were informed that the Directorate Leadership Team for Adults, Health and Wellbeing considered progress to date on 31st March and agreed an approach to implement the outstanding issues within a realistic timescale and monitor progress. The Assistant Director, Modernisation and Commissioning reported that the previously agreed timescales were over optimistic due to the complexity of some of the actions. As a consequence of this, a number of actions had to be given revised dates on more than one occasion. A single point of contact Officer would coordinate the implementation of outstanding actions and ensure that the revised implementation dates were adhered to. The Assistant Director for Modernisation and Commissioning was confident that all risks would now be signed off within the revised timescales, as additional resources had been allocated to this piece of work. A summary of the progress made to date against the audit action plans was set out in paragraph 6 of the report.

Further to a request from the Chair, the Assistant Director, Modernisation and Commissioning provided the Committee with an overview regarding Section 117 refunds and responded to questions from Members. Members were informed that Section 117 required local authorities to provide aftercare free of charge for people who have been sectioned under the Mental Health Act. As a consequence of the Local Government Ombudsman's special report, local authorities had to identify clients who had been charged for S.117 aftercare and provide refunds. The Council had more than 100 clients entitled to a refund. The Council had taken a proactive approach and had reduced the number outstanding down to 30. Further work was on-going to track down those still owed a refund, but this was proving difficult due to information held about these clients being out of date. Some former clients had now moved out of the area and others were deceased. External agencies were being used to assist with this work in tracking down clients. Members were assured that the Council now had systems in place to reduce the likelihood of this happening in the future.

Members expressed their disappointment that the report presented had not been updated with an addendum to reflect the current position regarding the action plan. It was not clear which actions, if any, that had completion dates prior to 31st March had been achieved.

Due to the significance of these action plans, Members requested that progress reports should be submitted to future meetings.

RESOLVED that

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| (1) the update on all Major actions, be noted. | All to note |
| (2) the report regarding Mental Health Section 117 Refunds, be noted; | All to note |
| (3) the agreed approach for more effectively managing audit action plans within Adults, Health and Wellbeing in the future, be noted; and | All to note |
| (4) a general progress report on the actions be presented to the next meeting; and | Assistant Director, Modernisation & Commissioning |
| (5) a specific update on Section 117 Refunds be presented in six months' time. | Assistant Director, Modernisation & Commissioning |

44. FINANCIAL AND PURCHASING AND CONTRACT PROCEDURE RULES (Minute No. 28, 20th November, 2014)

Further to the above Minute, the Committee received a report, detailing Waivers and Breaches to Contract Procedure Rules for the period 1st October, 2014 to 31st March, 2015. The report had been presented in a new format to provide additional information to that previously reported. In welcoming the new format, Members requested that future reports include specific dates in the timescale column.

Members noted that 9 breaches had been reported and 12 waivers had been approved during this period. Members raised concern regarding the value and length of time some of these breaches and waivers related to and expressed the view that this could be as a consequence of information not being communicated to those involved in procuring services or not adhering to the rules.

In respect of the contract for Mortuary Services, the Committee asked whether any contact could be made with neighbouring authorities to explore the possibility of having a joint contract to achieve better value for money.

Members were advised that, overall, procedures were continually being monitored and reviewed to improve the situation. There had been a significant amount of targeted training and the situation was gradually getting better. However, it was acknowledged that breaches were not acceptable and waivers should only be granted in exceptional circumstances. It was anticipated that as awareness increased of the procurement procedures the number of reported incidents would reduce.

Members were informed that where it was the case that rules were deliberately being breached, disciplinary procedures would be considered.

It was reported that a further review of Contract Procedure Rules would

take place shortly and a report on the outcome of this would be submitted to a future meeting of this Committee, highlighting any proposed changes.

RESOLVED that

- (1) the information and actions contained in the report regarding Waivers and Breaches of Council Procedure Rules, be noted; and
- (2) a report on the outcome of a review of Contract Procedure Rules be submitted to a future meeting.

All to note

Assistant
Director,
Finance and
Performance

45. STRATEGIC RISK REGISTER (TO INCLUDE HEALTH AND SAFETY RISK ASSESSMENT)

Howard Monk, Head of Corporate Policy and Performance, presented a report which provided a progress update on strategic risks for Quarter 3, 2014/15, as set out in Appendix A of the report. Members noted that there were now 15 strategic risks linked to the Corporate Plan as the risk around the 'Council remaining in intervention' had been demoted as part of the Q3 process.

Clarity was sought regarding how the impact of Welfare Reforms on communities and on Council Services was being taken forward to manage the risk and what arrangements were being put in place to manage Sickness Absence. A Member suggested that the focus of the report should be on how risks were mitigated with timescales provided and less emphasis being placed on describing the risk. The Head of Corporate Policy and Performance stated that this would be included in future reports. Assurances were provided that the two risks above identified on the register were being effectively managed and controlled. Action plans were in place however, the plans had not been included in the report.

In referring to the areas of performance weakness in the Doncaster Children's Trust, Members sought clarity in terms of accountability regarding the Trust. Members were informed that the Children with Disabilities Service was within the jurisdiction of the Council and not that of the Trust. In terms of the overall responsibility of delivering Children's Social Care in Doncaster there was a contract in place with the Trust to carry out this work, which included a series of performance measures which were reported to the Executive and the Council. Now that a framework was in place, it was anticipated that a report would be submitted to the Audit Committee and would be presented in a refreshed format to include target risks.

With regard to the safeguarding of children, whilst acknowledging that there was mitigation in place to manage the risk, Members still had concerns in this area and therefore felt that the level of risk should remain as high. Members were advised that there had been a difficulty in assessing the level of risk without the Trust's involvement. Members were informed that this risk would be reported to the Committee on a

regular basis.

In response to a query from the Chair regarding whether a review of staff sickness had been carried out, the Head of Corporate Policy and Performance reported that he was not aware that a review had been undertaken, however pointed out that the figure had reduced dramatically and sickness had improved. It was acknowledged that further work was still required to meet the target in this area.

RESOLVED that the content of the report, be noted.

All to note

46. ORDER OF BUSINESS

At this point of the meeting the Committee agreed to the variation of the order of business by considering Agenda Item 12 before returning to the order of business as specified on the agenda.

RESOLVED that in accordance with Council Procedure Rule 4 the order of business be varied by considering agenda item 12, before returning to the order of business as specified on the agenda.

All to note

47. DANVM DRAINAGE BOARD GOVERNANCE REVIEW

The Committee received a report, presented by Colin Earl, Head of Internal Audit and Peter Jackson, Internal Audit Manager which summarised the findings of an audit of governance arrangements at Danvm Drainage Board undertaken by the Internal Audit Service, following complaints made by a member of the public to the Mayor, after the complainant had already raised matters directly with the drainage board and had not received a satisfactory response from the Board.

The Audit concluded that Governance at the Drainage Board had failed to meet governance standards applicable to the Public sector and had put forward a number of recommendations that when implemented would significantly improve the governance arrangements at the Board. Members noted that the Audit highlighted:-

- a lack of strategic planning relating to water management
- questions regarding the appropriateness of the use of Public resources
- inadequate transparency and accountability relating to decision making and responsiveness to complaints from the Public
- inadequate arrangements and compliance with declarations of interest requirements.

Members were informed that during their investigation, other significant concerns had arisen regarding the activities of some former Board Members, which had been referred to South Yorkshire Police. Since the drafting of the report, South Yorkshire Police had informed Internal Audit that due to insufficient evidence, they did not intend taking formal action in this respect.

It was reported that the Drainage Board had fully accepted the recommendations and a Task and Finish Group had been established to make sure that that the recommendations of the report were implemented. A number of the recommendations had been actioned. Internal Audit had been asked by the Board to revisit in September to carry out a follow up review of the actions they have put in place and report the outcome to the next Board meeting.

Members sought assurances in respect of implementation of the improvements by the Drainage Board and raised concerns regarding embedding of best practice. Members were informed that a number of the recommendations had since been put in place. Internal Audit was working on a number of actions and was aware of activity taking place to address the recommendations. Other issues outside of the investigation had related to further complaints by members of the public which were being worked through. It was further reported that a client group of appropriate local authority officers was being formed from the relevant authorities to help oversee and coordinate governance and strategic water level management activities at other drainage boards in the area.

In terms of Value for money, the Committee was concerned that the landowners had spent public money for the benefit of themselves, by the unauthorised and illegal use of electricity from a pumping station and unlicensed water abstraction. The Head of Internal Audit reiterated that due to insufficient evidence, no action had been taken by the Police. It was reported that the problems had arisen due to non-attendance of local authority Members at Board meetings, which had led to the landowners being in control of the meetings and taking spending decisions. Members were assured that systems had been put in place to prevent this happening again. A client group would provide support and training to Members in terms of what they were expected to do. The Head of Internal Audit advised that it was important in future to ensure that members with the right skills and technical expertise were appointed to the Board. Members were also informed of the need to strengthen partnership arrangements.

In answer to questions from Members the Committee were advised that the statutory Regulator for the work of Drainage Boards was the Environment Agency but they had not taken any robust action in respect of this issue. Members felt that due to the significance of the report, that the matter should be referred to External Audit.

Members were informed that having reported their findings to the Drainage Board, the Board had acted quickly upon the report, put a review Board in place and fully accepted the recommendations that had been made. Some of the actions had already been implemented and a governance structure has been put in place.

John Prentice, Director, KPMG explained that the External audit of Drainage Boards was contracted to the BDO and not KPMG. The audit of the Drainage Boards was a financial based audit with a limited governance review.

The Committee felt that the report should be referred to Overview and Scrutiny for further scrutiny of the Drainage Boards. The Head of Internal Audit and the Assistant Director of Legal suggested that an understanding of some aspects of work undertaken by Drainage Boards, such as the development of the Food Risk Strategy would benefit Members.

Members were informed that the number of representatives on the Board was set out in statute. It was important that each local authority appointed representatives with knowledge and understanding of the role of Drainage Boards. Discussions were being held with other Councils who had representatives on the Board to try and ensure that representatives were properly briefed and attended meetings.

In light of the views and concerns, Members requested that an update on this issue be submitted to the Committee's meeting in September.

To conclude debate, the Chair on behalf of the Committee thanked the Head of Internal Audit and the Internal Audit Manager for a detailed and comprehensive report.

RESOLVED that

- (1) the outcome of the audit review and the significance of the findings in relation to the Council's own partnership governance arrangements, be noted; and
- (2) a progress report on implementing the recommendations of the Internal Audit report and related issues be presented to the September meeting of this Committee.

All to note

Head of Internal Audit

48. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2014/15

Colin Earl, Head of Internal Audit presented a report, which provided information on the work of Internal Audit during 2014/15 and its overall opinion on the Council's system of internal control. The report also referred to the formal review of the effectiveness of Internal Audit required to be completed in accordance with the Accounts and Audit Regulations 2011.

Members referred to the number of audit recommendations not yet implemented, in particular regarding the 8 major recommendations, and questioned whether these were being managed effectively. The Head of Internal Audit confirmed that he had no concerns regarding the deliverability of the actions and the pace of work.

Members sought assurances that Officers were confident that sufficient resources were in place to manage the planned work for 2015/16 and future years. Members were informed that the Internal Audit team had the skills and expertise required to deliver the audit plan. Assurances had been given by the Director of Finance and Corporate Services that additional resource would be put in place should any major unplanned work arise.

Arising from a query in relation to whether the weaknesses identified in processing of respite care payments to respite carers had been addressed, it was reported that Internal Audit were yet to complete their follow up review and at this stage confirmation could not be provided whether they had all been completed, as some of the matters had been passed on to the Children's Trust.

In terms of Debtors and Creditors, the Chair sought assurances that these were working effectively and requested an update on progress. The Head of Internal Audit advised that very low levels of assurance had been given on these recommendations. These were currently under review and would be reported as part of Internal Audit's next progress report.

Head of
Internal Audit

RESOLVED that

- (1) the Internal Audit Annual Report for 2014/15, including confirmation that the Council's system of internal control was adequate and operated satisfactorily during the year, be noted;
- (2) the conclusion that there was an effective internal audit in place for 2014/15, be noted;
- (3) the Head of Internal Audit's self-assessment that the service is compliant with the UKPSIAS, be noted.

All to Note

All to Note

All to Note

RESOLVED that in accordance with Council Procedure Rule 33.1, the Committee, having sat continuously for nearly three hours, continued to consider the remaining items of business on the agenda.

49. REVIEW OF INTERNAL AUDIT STRATEGY AND INTERNAL AUDIT CHARTER

The Committee received a report which sought approval to revisions to the Internal Audit Strategy for the period 2015-16 and revisions to the Internal Audit Charter.

The Strategy and Charter had been last reviewed in July, 2013 after the introduction of the United Kingdom Public Sector Internal Audit Standards (UKPSIAS). Both the Strategy and Charter had been updated and formed the foundation of the Internal Audit Services to be provided for 2015-18 financial years inclusive, and were appended to the report at Appendices A and B, respectively.

In referring to page 69 of the agenda papers, Members questioned whether the Council had undertaken a benchmark exercise with other authorities in relation to price and efficiency of the Internal Audit Service. It was reported that the Council had carried out a service review two years ago and had looked at some examples of plans from other auditing institutions. In terms of Value for Money, Members were informed that Internal Audit had secured a contract with St. Leger

Homes and had recently agreed a service level agreement for the Children's Trust for the next 18 months.

Arising from a query from a Member regarding what revisions had been made to the Charter, Members were assured that the changes were relatively minor and advised that future reports would include track-changes.

RESOLVED that

- (1) the revisions to the Internal Audit Strategy for the period 2015-2018, be noted; and
- (2) the revisions to the Internal Audit Charter, be approved.

All to Note

All to Note

50. INTERNAL AUDIT PLAN 2015/16

The Committee considered the Internal Audit Plan for 2015/16, as attached at Appendix A of the report.

The main points highlighted in the report included:-

- The inclusion of specific counter fraud initiatives agreed by the DCLG as part of a successful Counter Fraud Fund bid
- The introduction of the ERP system in 2013 continued to have an effect on the level of resources committed to the review of financial systems. The addition of further systems into the ERP system during 2015/16 had been included in the plan to enable Internal Audit to provide up front proactive advice to support the process.
- The plan included an allocation of 80 days for follow up work (92 days in 2014/15). Targeted follow up was designed to maximise the benefit of the original audit work by ensuring actions had been implemented and appropriate outcomes achieved.
- A contingency had been made to provide for emerging risks / requests for advice / assistance that arise throughout the year.
- The risk based element of the plan was directly linked to corporate and service risks and, in particular, how these risks were being managed. This was the area of the audit plan which was anticipated amending during the year to reflect new and emerging risks that the authority found itself exposed to.
- The DMBC audit plan now excluded work in areas transferred to the Children's Trust. Internal Audit had agreed a plan with the Trust covering the period October 2014 to March 2016.

Members questioned whether sufficient resources were in place to deliver the Audit Plan and what would the major risks would be if the plan was not implemented. The Head of Internal Audit confirmed that

whilst the appropriate resources were in place, if the team were to lose some of the resource or if the audit work was to increase this could cause additional pressures on the team. However it was reported that at this stage it was not anticipated that there would be a reduction in the service or further demands made on the team. Members were informed that the Director of Finance and Corporate Services had provided assurances that additional resources would be provided, if essential, to ensure that work could be completed to fulfil Internal Audit objectives.

The Chair on behalf of the Committee congratulated the Head of Internal Audit and his team for securing the Government grant to fund local Counter-fraud and error work. The Head of Internal Audit was pleased to report that the Council had been successful in bidding against other local authorities. He explained that the two main areas of this work would be to raise awareness of fraud, by working with managers to ensure that they could identify any risks. The second element would be to identify weaknesses including, fraud and overpayments.

RESOLVED that the 2015/16 Internal Audit Plan, be noted.

All to note.

51. AUDIT COMMITTEE ANNUAL REPORT 2014/15

Colin Earl, Head of Internal Audit presented Members with the Audit Committee's Annual report for 2014/15, which set out key aspects of the work undertaken by the Committee during 2014/15.

Members were informed that the Audit Committee had made a positive contribution during the year and had fulfilled their Terms of Reference which had included:-

- Helping reduce the number of breaches of contract procedure rules by supporting the Director of Finance and Corporate Services' purge of breaches
- Improving the control environment by ensuring appropriate action is taken to implement audit and inspection recommendations
- Strengthening the strategic risk register and risk mitigation actions by critically appraising the risk register
- Supporting continued improvement in accounts closedown performance by supporting closedown plans

In addition, the Committee had taken on board some functions formerly carried out by the Standards Committee. It had also welcomed a co-opted member with a finance and governance background, which had further strengthened the Committee's skills and experience base to draw upon.

In relation to the Committee's work over the past year, the Director of KMPG reported that the Committee was working effectively which had been clearly evidenced by directorates being held to account. It was reported that specific challenge to Officers was an important part of work that the Committee provides. He felt that it would be helpful for

this aspect of work to be reflected in the report.

Subsequently, the Chair asked the Head of Internal Audit to amend the report to reflect the comments made by the Director, KMPG.

Head of
Internal Audit

RESOLVED that

(1) the draft Audit Committee Annual Report for 2014/15, be noted and approved; and

All to note

(2) the comments made by the Director of KMPG, be reflected in the report.

Head of
Internal Audit

52. KMPG EXTERNAL AUDIT PLAN 2014/15

John Prentice, Director, KMPG presented a report on a programme of work that KMPG would undertake to deliver their Code of Audit Practice audit which would cover work on the financial statements and the value for money conclusion for the 2014/15 financial year. A copy of KPMG's plan for completing the review of the Council's financial statements and associated disclosure notes and providing an audit opinion on the Council's accounts was attached at Appendix 1 to the report.

It was reported that there were no significant changes to the accounting standards and financial reporting framework in 2014/15. Having completed their initial risk assessment for the financial statements audit, KMPG had not identified any significant risks this year. However, an area of audit focus which KMPG had identified but was not considered a significant risk, related to the accounting for non-current Assets Used by Local Authority Maintained Schools, which was considered as a technical issue.

KMPG had highlighted two significant audit risks in their initial risk assessment for the Value for Money conclusion, which related to the Children's Trust and Savings Plan. It was reported that the Children's Trust was subject to a contract monitoring process process and KMPG were satisfied that these arrangements should enable the Council to manage its risks. In relation to Savings Plans, Members were informed that this area required close scrutiny as delivery of the budget was dependent upon achieving the challenging reductions in spending whilst the Council continued to deliver high quality services.

During consideration of the report, Members enquired whether KMPG had identified any weaknesses in the Authority's IT systems that had impacted during their audit. Members were informed that the work had not identified any weaknesses, but could not confirm this until the work had been completed.

It was reported that KPMG's audit approach had been to undertake control work on financial systems and review any relevant work that Internal Audit had completed, to minimise unnecessary duplication. Reliance was also placed on reports being presented to the Committee.

RESOLVED that the content of the External Audit Plan 2014/15,

be noted.

53. REPORT ON URGENT ACTION TAKEN TO GRANT A DISPENSATION

Roger Harvey, Monitoring Officer, presented a report which informed Members of urgent action taken by the Assistant Director of Legal and Democratic Services in consultation with the Chair of the Audit Committee in relation to the granting of a dispensation to Councillor Fred Gee who in January, 2015, had applied to call-in a Cabinet decision to introduce a Selective Licensing Scheme in Hexthorpe.

Councillor Gee was the leader of the call-in group and was considered central to the presentation of the call-in group's arguments. Councillor Gee had property holdings in Hexthorpe and as such had a Disclosable Pecuniary Interest, and in accordance with the Council's Code of Conduct and Constitution, was required to declare his interest and take no further part in the call-in meeting. Following an approach by Councillor Gee, the Assistant Director of Legal and Democratic Services agreed that it would be appropriate in the circumstances and would promote good and robust decision making if Councillor Gee was able to take part in the entirety of the meeting and lead the Call-in group.

Given the timescales prior to the Call-in meeting, it was not possible to convene a meeting of the Audit Committee to approve Councillor Gee's involvement, therefore the decision was taken by the Assistant Director of Legal and Democratic Services. The Chair of the Audit Committee, Councillor Austen White had agreed with the view of the Assistant Director of Legal and Democratic Services that the circumstances warranted an urgent decision and, accordingly the dispensation was granted to Councillor Gee.

RESOLVED that the content of the report, be noted.

All to note