

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

WEDNESDAY, 16TH SEPTEMBER, 2015

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER - CIVIC OFFICE on WEDNESDAY, 16TH SEPTEMBER, 2015 at 2.00 pm.

PRESENT:

Chair - Councillor Austen White
Vice-Chair - Councillor Richard A Jones

Councillors Susan Durant, John Healy, Alan Jones and Smart

Co-opted member: Kathryn Smart

	<u>ACTION</u>
18. <u>DECLARATIONS OF INTEREST, IF ANY</u> There were no declarations were made at the meeting	All to note
19. <u>ORDER OF BUSINESS</u> At this point of the meeting the Committee agreed to the variation of the order of business by considering Agenda Items 11 and 10 following the approval of the minutes of the last meeting before returning to the order of business as specified on the agenda <u>RESOLVED</u> that in accordance with Council Procedure Rule 4, the order of business be varied as specified above before returning to the order of business specified on the agenda.	All to note All to note
20. <u>MINUTES OF THE MEETING HELD ON 16TH JULY AND THE RECONVENED MEETING HELD ON 31ST JULY, 2015</u> <u>RESOLVED</u> that the minutes of the meeting held on 16th July and the reconvened meeting held on 31st July, 2015 be approved as a correct record and signed by the Chair. <u>Minute No 15 Annual Fraud Report – 2014/15 Executive Summary (31st July, 2015)</u> With regard to the request for further details on fraud related incidents with the Blue Badge Scheme, Colin Earl stated that since the last meeting a draft policy had been produced which identified the proactive activities being carried out. Colin reported that further staff training would also take place on enforcement. Members were advised that Internal Audit felt more comfortable with the issue but an eye would be kept on the situation.	All to note

Minute No 5 2014/15 Annual Governance Statement (16th July, 2015)

In relation to the query regarding the Claw back on the White Rose Way Scheme, Simon Wiles, Director of Finance & Corporate Services reported that the European Commission had indicated that they were not happy with the procurement process for some of the road scheme. Simon stated that the Council didn't agree with this and that a standard framework contract had been used which was perfectly legal. He also stated that the Department for Communities and Local Government (DCLG) had not raised any concern. It was highlighted that a response to the report should be made in December 2015.

All to note

21. ANNUAL GOVERNANCE STATEMENT 2014/15

The Committee received the Annual Governance Statement 2014/15 which was for information only. It was reported that there had been a late change with regard to Contract Procedure Rules, stating that these would be presented to Full Council in November and not July 2015.

All to note

A query was raised with regard to the asterisk against some of the paragraphs and what these meant. Howard Monk stated that these section related to the Children's Trust. He reported that the Council were working with the trust and a group had been set up to look at these issues. It was suggested that a new deadline be highlighted on the document with an explanation within the text.

Howard Monk

Councillor Richard A Jones requested an explanation as to why there were further discrepancies in relation to personal assets as it was thought that these had been written off. Steve Mawson, Assistant Director of Finance and Performance stated that the fundamental issues raised earlier had been clarified and dealt with, but these were further issues being identified. Members were assured that these were new issues and were being looked into.

RESOLVED that the report be noted.

All to note

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

The Committee received an update report on Covert Surveillance which would now be reported on a 6 monthly basis. Appendix 1 of the report detailed the recent covert surveillance authorisations.

Members were advised that recent awareness raising within the Council of the requirements for covert surveillance, the RIPA process and the use of social media had led to some enquiries to legal services and also attendance at team meetings to explain the processes. It was highlighted that a meeting had been

arranged for October for the authorising officers to discuss the RIPA process.

It was noted that when legal staff had met with teams the majority had a good understanding of the processes and procedures to be followed.

A query was raised in relation the change in government direction and whether there were any changes in legislation that would affect the Authority. It was reported that the recent changes on covert surveillance had been adopted by the Council and none of its applications had been turned down by the Magistrates. At the present time no further restrictions had been identified.

The Chair queried why 1 of the 4 listed in the appendix which had been approved by the magistrate in February was still listed as on-going. Members were advised that an officer had been assigned in an undercover capacity for a year but it was assured that the Council were within the timescale. It was noted that the reason why it was still shown as on-going was that with counterfeit goods it was not just the matter of identifying the perpetrator, the supply chain also needed to be identified. It was advised that once the matter was finalised an update would be provided.

RESOLVED:-

(1) the RIPA applications that had been completed since 4th February 2015 report and attached at Appendix 1 be noted; and

All to note

(2) Following the last report, it be noted that arrangements had been put in place to highlight covert surveillance and the RIPA process, particularly the social media guidance and that an email had been sent to the Leadership team with a short article appearing in 'spotlight on managers' which led to some queries and legal staff attending a number of team meetings.

All to note

23. DONCASTER COUNCIL GOVERNANCE PLAN

The Committee received an update report on the Doncaster Council's Governance Plan. It was highlighted that the Council had changed significantly and it was noted that a lot of the information was duplicated and the dates within the document were historic. Members were being advised regarding the removal of the activities that were completed.

Members were advised that the Governance Group had flagged some activities which were of a cause for concern, which were as

follows:-

- (a) Recommendation 1: Partnership Risks Managed; and
- (b) Recommendation 11 (new): Annual Governance Statement Process.

With regard to recommendation 1, it was noted by the Governance Group that more work was needed in this area. Also, the recommendations from the Annual Governance Statement were not highlighted within the Plan when this report was drafted. It was reported that these were now included and work was continuing with regard to partnership risks.

RESOLVED that the report and the progress made in taking forward the Governance Plan for 2015 be noted, in particular that five further activities had now been completed and will be removed from the Governance Plan as listed below:-

All to note

- (a) Recommendation 4: The Council should vigorously pursue recovery of payroll overpayments wherever possible, and should write-off amounts where recovery is not possible;
- (b) Recommendation 5.1: Housing Services – Identify any major internal governance risks or capacity to deliver issues with regard to delivery of the improvements and the service in general as part of the Council's quarterly performance management framework;
- (c) Recommendation 5.2: Children's Services – New CYPs Improvement Plan 2012-13 to be agreed at the Doncaster Children's Board scheduled for 30 March 2012;
- (d) Recommendation 6: Digital Region Limited. The Authority should commission a full independent review of the Digital Region project to identify the lessons that should be learned. The review should be carried out as soon as possible and jointly with other stakeholders; and
- (e) Recommendation 10: The authority should finalise savings for 2015/16 by 31 December 2014.

24. INTERNAL AUDIT REPORT FOR THE PERIOD: APRIL 2015 TO AUGUST 2015

The Committee were presented with an update report of the work completed by Internal Audit for the period 1 April to 31 August 2015 and showed the information in the context of the audit plan for the year. The report also included performance information and details on the implementation of major internal audit recommendations.

Members were provided with a summary of the 4 sections which were examined and the outcomes for each. It was reported there were no major issues for significant concern.

With regard to the progress on the implementation of audit recommendations, a question was asked in relation to the help provided by internal audit and whether the additional time spent with officers had been worthwhile and whether the team were confident that the plan would be completed. It was advised that the confidence was there and currently internal audit were ahead of the schedule.

In response to a question raised regarding debt recovery and discussions on payment of invoices. It was reported that in terms of the debt recovery agency the council were advised to use a framework for the procurement process which was nationally recognised. However, there were several frameworks that could be used but were seen as not very good, so there would be a lot of work to be carried out, making it a longer process to award the contract for debt recovery.

A question was asked as to why there were further discrepancies found in private care homes and why no further action was to be carried out. Members were advised that this was reported as a separate issue which had been reported to audit and was a one-off. It was advised that this issue arose from the care home itself and unfortunately a culprit had not be found following audit analysis of the situation. It was reported that the team had found a number of management weaknesses and audit had reported these to the care home management to enable them to make improvements to ensure this doesn't happen in the future. It was suggested that for the future an explanation be identified within the report to confirm procedures had been put in place to address the weaknesses.

Colin Earl

Clarification was sought as to how management had responded to the number of weaknesses shown and whether assurance had been given that appropriate measures were being put in place to address these areas of concern. It was reported that the Audit team felt comfortable that management were responding to recommendations and there were no significant concerns.

A question was raised in relation to Payment Cards and whether the Council were at risk until the 3rd Party devices had been eliminated. Members were advised that an officer from ICT had been assigned to look at the 3rd Party devices and an assessment would be made in March 2016, this should ensure that PCI standards would be met in 2016.

RESOLVED that

- (1) the internal audit work completed in the period be

All to note

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| <p>(2) progress made by officers in implementing previous audit recommendations be noted;</p> | All to note |
| <p>(3) information relating to Internal Audit's performance in the period be noted.</p> | All to note |

25. ADULTS, HEALTH AND WELLBEING AUDIT
RECOMMENDATIONS PROGRESS REPORT: PROGRESS ON
IMPLEMENTING OUTSTANDING RECOMMENDATIONS IN
ADULTS SERVICES, INCLUDING MENTAL HEALTH SECTION
117 REFUNDS.

The Committee considered a report outlining the progress that had been made on implementing outstanding recommendations in Adults Services, including Mental Health Section 117 refunds.

Members were advised that there were 2 major risks that were outstanding which were as follows:-

Direct Payments – Inappropriate amounts being paid to users, inappropriate spend and inadequate recovery processes result in loss of money to the authority. It was advised that although this issue was still outstanding, there was substantial work and resources being put into managing this area from staff within Adults, Health and Communities and Finance and Corporate Services. It was advised that a full review of the process would be taking place, which would identify the amounts that were outstanding to enable the team to plan for the future.

Resource Allocation System (RAS) – Inappropriate amounts being paid to service users. It was reported that a new Resource Allocation System had been implemented. It was noted that Social Workers were required to evidence their judgements around needs, risk frequency and risk severity which managers scrutinise prior to authorisation. It was advised that at present there was insufficient data to be analysed to assess the effectiveness of the new system but Management were satisfied that the revised timescale was still considered reasonable and progress had been made to achieve it.

Clarification was sought regarding the RAS action plan at Annex 2 of the report where it stated that the extent of the work was unknown in relation to analysing the data and whether the date of the 30th September was achievable. It was reported that this date had been changed to the 30th November and was an error within Annex 2, which would be amended.

Clarification was sought regarding the RAS action plan at Annex 2 of the report where it stated that the extent of the work was unknown in relation to analysing the data and whether the date of the 30th September was achievable. It was reported that this date had been changed to the 30th November and was an error within

Pat Higgs

Annex 2, which would be amended.

In relation to direct payments, it was asked what errors had been realised from the work carried out. Members were advised that procedures had not been robust enough to recover monies and actions had not taken place in a timely manner. It was reported that the resources had not been put in place within the required timescale therefore the scale of the problem had not been realised. The service now had a further 8FTE's which had been transferred to the team to help with the work in that area. It was suggested that an explanation for the slippage would be identified within the report.

Peter
Jackson/Pat
Higgs

It was reported that the work required would take a significant amount of time to undergo. It was advised that a lot of work would need to be carried out around training on direct payments and day to day payments to ensure the process runs a lot smoother than it currently does. Although the backlog was taking longer than anticipated, the additional resources brought in would ensure the work was carried out. In terms of improvements for the future, it was advised that a new case management system for Care First had been established to improve the services provided to residents and to provide better support. In relation to residential care improvements would be made through the Help to Live at Home Contract which the Council were currently procuring and although it was not likely to be implemented until April 2016, it had been agreed that sufficient interim arrangements were in place to warrant the de-escalation of this action to significant risk. With the introduction of the new case management system, this would ensure that all parts of the service were working with each other to ensure a much smoother process which would enable the service to learn from recommendations of the Audit.

Members were given the assurance that the recommendations were acted upon. However, if something was to be missed then this would be challenged at quarterly groups meetings and through reports to the Audit Committee. It was also advised that the Audit team were working with the Directorate Management Team to ensure the recommendations were being actively managed and good progress had been noted.

With regard to Section 117 refunds, it was noted that work had been done to identify the number of people, of which there were 28, 9 of which there was no evidence to trace them which left 19 people. It was advised that 13 responses had been received from the Councils initial contact and necessary checks had been carried out. It was decided by the service that there was no further intention of seeking a response from the remaining 6 as it was thought that the service had made reasonable attempts to contact people. This had also resulted in the de-escalation of the action to significant risk.

It was noted that thanks be given to Colin Earl, Peter Jackson and the team for the support they had given the service.

All to note

RESOLVED that the report be noted.

All to note

26. QUARTER 1 STRATEGIC RISK UPDATE

The Committee received an update on strategic risks for Quarter 1 2015/16. It was advised that a review of Strategic Risks had been undertaken as part of the challenge process to ensure that the strategic risks reflected the priorities in the Corporate Plan for 2015/16. It was noted that there were currently 14 strategic risks. Paragraph 3 of the report identified new areas that had been nominated for inclusion on the register and, following the review, re-wording of existing risks.

It was advised that a report had been submitted to the Overview and Scrutiny Management Committee and comments were made in relation to whether the risk score of 9 was high enough for the DN17 Programme and whether Health and Safety should be brought down to a score of 8, both these issues were being considered.

It was asked whether any benchmarking was carried out with other local authorities. Members were advised that with regard to the risk framework the Council do look at the work of other authorities although this was not a matter of course.

Members asked that the Appendix to the report be made clearer, identifying what the differences were between the current score and the target risk score.

Simon
Wiles/Howard
Monk

RESOLVED:-

(1) the strategic risk profiles at Appendix A of the report be noted; and

All to note

(2) the revisions to the Strategic Risk Register be noted.

All to note

27. REVIEW OF PROGRESS IN IMPLEMENTING EXTERNAL INSPECTION RECOMMENDATIONS.

The Committee received an update report on the progress made in implementing external inspection recommendations focussing on Children and Young People's Services.

It was reported that in the last few months the Council's Governance Group had been putting in place arrangements for , corporately, to monitor progress in implementing all external inspection recommendations that had been undertaken since 2010.

It was advised that 114 of the recommendations had been completed, 23 of which were in progress and on time and 16 were in progress but out of the recommended timescale. It was also

advised that updates for 5 of the recommendations were unable to be reported on for this meeting but would be considered within a future report.

Members sought assurances that the 5 recommendations that were not complete would be. It was reported that some of the recommendations were within the responsibility of the Trust and Audit will be monitoring this progress and providing support to the service as and when required.

RESOLVED that:-

- (1) the updated position in respect of progress on external and inspection recommendations in Appendix A of the report be noted; and
- (2) a further report from Internal Audit be brought to committee once they have validated the information and reviewed the governance arrangements currently in place.

All to note

Howard Monk

28. STATEMENT OF ACCOUNTS 2014/15, ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE.

Members considered a report detailing the findings from the 2014/15 audit and the key issues that the Committee should consider before the external auditor issues their opinion on the financial statements.

It was reported that the ISA 260 report detailed at Appendix A to the report had to be considered by 'those charged with governance' before the external auditor can sign the accounts which legally had to be done by 30th September, 2015.

Members noted that the overall ISA 260 report was an extremely positive one and it recognised the further improvements that had been made by the Council in preparing the Statement of Accounts for audit. It was therefore stated that KPMG would anticipate issuing an unqualified opinion by the 30th September.

It was reported that during the audit, one material misstatement was identified with Lender Option Borrower Option Loans being incorrectly classified as short term loans rather than long term. Following liaison with KPMG, these have now been re-classified in the accounts.

Members were also advised that the audit identified a potential issue relating to the completion of IR35 assessments for temporary staff. It was noted that Internal Audit were currently carrying out a review of this area. It was highlighted that information needed to be cascaded down to officers that employed temporary staff to ensure they understood the importance of compliance.

Simon
Wiles/Colin
Earl

A question was asked in relation to the South Yorkshire Pension Authority detailed at page 92 of the Appendix A and whether the Council were open to challenge from external audit. It was noted that external audit had concluded that the accounting entries made for the Pension Prepayment were materially in accordance with proper accounting practice. This conclusion was perceived to signify external audit's acceptance. It was noted that further discussions would be taking place with regard to Pensions.

Overall members were pleased with the positive report and congratulated all staff involved.

RESOLVED that:-

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| (1) the action that is proposed in relation to amendments to the accounts as covered in the ISA 260 report | All to note |
| (2) the contents of the external audit ISA 260 report, be noted; | All to note |
| (3) the letter of representation be endorsed; and | |
| (4) the Statement of Accounts 2014/15 be approved. | |