

**DONCASTER METROPOLITAN BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**THURSDAY, 5TH APRIL, 2018**

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER - CIVIC OFFICE on THURSDAY, 5TH APRIL, 2018, at 10.00 am.

**PRESENT:**

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

Councillor Iris Beech and Co-Opted Member, Kathryn Smart.

**ALSO IN ATTENDANCE:**

Peter Jackson – Head of Internal Audit  
Steve Mawson – Chief Financial Officer and Assistant Director of Finance  
Debbie Hogg – Director of Corporate Resources  
Karen Johnson – Assistant Director, Strategy and Development  
Griff Jones – Assistant Director, Adult Social Care and Safeguarding  
Holly Wilson – Interim Head of Procurement  
Patrick Birch – Strategic Lead, Adults Transformation  
Lee Garrett- Head of Service, Waste and Highways Infrastructure  
Alison Ormston, KPMG

**APOLOGIES:**

Apologies for absence were received from Councillors Susan Durant and David Nevett.

110 **Declarations of Interest, if any**

Kathryn Smart declared an interest in Agenda Item 7 by virtue of being a Director for RDash, and in agenda item 15 as the report considered her reappointment to the Council, and left the Chamber during consideration of both items thereof.

111 **Minutes of the meeting held on 1st February, 2018**

**RESOLVED** that the minutes of the meeting of the Audit Committee held on Thursday, 1st February, 2018, be agreed as a correct record and signed by the Chair.

112 **Audit Committee Action Log**

The Audit Committee considered the Action Log which provided an update to Members on actions agreed during previous Audit Committee Meetings.

The Head of Internal Audit updated Members on progress made with regard to this and it was reported that since the last meeting, with regard to the 14 actions currently included on the log, 7 had been completed and would be removed from the next action log and 6 were on track and were scheduled for completion within the expected time. There was 1 that was

categorised as red and was currently behind schedule. However, Officers at the meeting assured Members that this was being looked at closely. This action related to the reconciliation of Business Waste and Recycling and the Head of Service for this service area was in attendance at the meeting to provide reassurance to Members that this would be completed by 30 April, 2018.

Members were invited to pose any questions on the issues contained within the report, and further assurances were sought with regard to the business waste and recycling action. Members were informed that a number of delays had occurred within the service due to the implementation of the new waste and recycling contract, but now this was in place, work was being done to ensure that this reconciliation was completed, and staff were confident that the deadline would be met.

A question was raised by the co-opted Member in terms of the GDPR training action. Whilst this was green, it was noted that all officers and Members of the Council had been required to complete on-line training, and in her capacity as a co-opted Member should she also undertake this. Whilst it was not believed to be mandatory for the co-opted Member, Officers commented that it may be beneficial to take the training.

RESOLVED that

- 1) The progress being made against the actions detailed within the Action Log since the last Committee Meeting was noted; and
- 2) Further updates be provided to the next Audit Committee Meeting.

113 Internal Audit Report - Deprivation of Liberty Safeguards (DoLS) - Process Review.

Members were presented with a report by the Head of Internal Audit that provided an update following an earlier report that had highlighted weaknesses in the Council's processes for managing and monitoring the carrying out of Deprivation of Liberty Safeguards (DoLS) assessments by the Council.

The Audit Review had resulted in a 'no assurance' opinion, which Members noted was the lowest level of assurance that could be given, and had resulted in 49 recommendations, 42 of which were scheduled for completion by 31st October, 2018. The Committee were informed that the response from Management had been very positive, with the Director of People and the Assistant Director of Adult Social Care and Safeguarding fully supportive of the actions required.

The Assistant Director for Adult Social Care and Safeguarding was in attendance at the meeting and responded to Members concerns. Following the presentation of the report, the Chair invited Members to put any questions to Officers.

In response to concerns regarding whether or not the deadline of 31 October was achievable, Members were assured that this was the case, and lots of progress had been made since the initial audit review. Members also raised concerns about a number of cases that the report stated were not currently allocated for assessment. However, it was noted that there were additional resources in place and all the new cases were on track, with all the historic ones now being dealt with and were beginning to reduce. Members were given a quick overview of the process involved from start to finish in order to enable them to get a better grasp of the course of action. Officers were confident that practices had improved and the procedures were a great deal timelier than in the past.

Members of the Committee asked Officers as to whether or not there was anything that they as Members could do to assist the process. However, the main requirement in order to

achieve the deadline of October was to ensure the administrative resources were in place to complete the work. However, an invitation was extended to Members of the Committee to visit the DoLS Team to see how the Team worked and assist with their understanding of the process and the problems they had come across.

RESOLVED that:-

- 1) The Audit Review and the actions taken to date to address the issues by the Adults, Health and Wellbeing Directorate be noted; and
- 2) A further report updating Members with regard to progress made on the actions be prepared for the July Meeting of the Audit Committee.

#### 114 Solar Centre - Update including Internal Audit Review.

Members were presented with an update report with regard to the current situation of the Solar Centre. The Solar Centre was a day centre for people with learning disabilities and the contract for this provision had expired in 2014 resulting in a CPR Breach which had been in place since.

The report considered by Members provided a backward looking review as to how the breach had occurred and what actions had been identified in terms of preventing future occurrences. The Head of Internal Audit gave a brief introduction to Members as to the history of the report, and the progress made, prior to inviting the Assistant Director of Communities to provide a further update.

A number of actions had been recommended by Internal Audit following its review, and progress was being made in relation to these:-

- Solar Centre, current situation resolution – allocate responsibility and produce a clear project plan with timescales;
- A review of all significant current contracts to ensure that full and current legal arrangements were in place;
- Review of the resourcing of the Adults Plan for dealing with contracts in breach /coming to an end to ensure further breaches were minimised and allocate responsibility and clear reporting lines; and
- Review of Adults Commissioning / Contracting arrangements

It was reported that a great deal of progress had been made, and more robust governance was now in place with regard to this with a number of joint reviews being undertaken by DMBC, the CCG and RDaSH in order to ensure the best possible outcome. Members noted that there were a number of users of the Solar centre with extremely complex needs, who in the future would continue to need building based services. Further discussions were required with users and their families to ensure provision for service users could be put in place.

RESOLVED that:-

- 1) The Audit Committee note that a project was now well underway which was closely aligned to local transformation priorities, initiatives and partnerships. (Milestones detailed in Appendix A to the report). Specifically the aim is for improved outcomes for people through services that are more aspirational and give greater choice and control for service users;
- 2) The Audit Committee note that commissioning decisions on the Solar Centre can only be taken in the context of the broader RDaSH project. Service User reviews and initial 'best interest decision' meetings have taken place and this has informed

strategic recommendations about future commissioning of services which will be presented to the Joint Board in April 2018; and

- 3) The Audit Committee note that Additional project and financial resources have been provided to enable the project to progress. This reflects the priority given to the project by the Council and its partners. Originally it was anticipated that the project would be completed by June 2018. However, delays during the reviews of and engagement with service users means that there will be slippage to the target end date. It was anticipated that work on the project would be completed by December 2018.

#### 115 Breaches and Waivers to the Council's Financial Procedure Rules and Contract Procedure Rules.

Members received a report that provided details of all the waivers and breaches to the Financial Procedure Rules (FPRs) and Contract Procedure Rules (CPRs) for the period 1st October 2017 to 28th February, 2018. The Committee noted that the report provided good news in that this contained the lowest number of breaches and waivers than there had been for a number of years.

The report detailed the number of new waivers and breaches reported since the last report received by the Committee, with 21 waivers and 1 breach, the details of which were included within the appendices to the report.

The breach referred to one within the Adults, Health and Wellbeing Directorate for the Agency Head of Support for Adult Social Care. There had been difficulties in recruiting to the permanent post due to the expertise required over a large area of operational practice but it was hoped that this would be resolved following the identification of a suitable candidate. The details of these were provided in more depth within Appendix 1 of the report.

With regard to the breaches, the report outlined that there had been 8 waivers within Adults, Health and Social Care, 2 within Learning and Opportunities, 6 within Corporate Resources and 5 within Regeneration and Environment, all of which were detailed within Appendix 2 to the report.

Members had some discussion on their concerns relating to the report, with some of the issues relating to timescales allowed for completion and whether or not they were realistic and achievable. Members felt that the reporting system should allow for some further grading of the breaches and waivers even if they hadn't yet been resolved, to indicate an assessment of progress being made. It was therefore suggested that an 'Amber' category be incorporated into the report in order to show these changes more clearly.

RESOLVED that the Audit Committee note the information and the actions contained within the report, with regard to breaches and waivers of Financial Procedure Rules and Contract Procedure Rules.

#### 116 Quarter 3 2017/18 Strategic Risk Update

The Committee considered a report that provided an overview of the Strategic Risks profiled in Quarter 3, 2017/18. It was reported that there were currently 22 strategic risks, all of which were updated for the Quarter 3 report, with 17 risks remaining the same, 2 risks have reduced as a result of the mitigating actions that had been put in place, and 3 risks have increased.

Members of the Committee were afforded the opportunity to comment on the report and ask any questions that they required further clarity on. With regard to a query regarding how the

risks came to be included upon the Risk Register, Members were assured that there were robust arrangements in place, and it was the Committees role to look at these risks and be confident that the mitigating actions were having the required effect. However, in relation to this, Members felt that there needed to be more consistency in how each risk was reported and in some cases for there to be more information as to how the risks were being managed.

RESOLVED that:-

- 1) The report be noted by the Audit Committee; and
- 2) The updates provided within Appendix A to the report be noted by the Audit Committee.

#### 117 Annual Report of the Head of Internal Audit 2017/18.

The Head of Internal Audit presented a report to the Committee that provided information on the work undertaken by Internal Audit throughout 2017/18, and provided its opinion on the Councils governance, risk management and internal control arrangements, and was also used to help in the preparation of the Council's Annual Governance Statement.

Members noted that due to the recent retirement of the former Head of Audit, Colin Earl, and the subsequent appointment of Peter Jackson to the post, this report had been done from the perspective of both officers to ensure a balanced view.

The Head of Internal Audit commented that based upon the work done by internal audit during the year, the Council's governance, risk management and internal control were satisfactory and that the service conformed to the Public Sector Internal Audit Standards. This view was further reinforced by the Peer Review which had been carried out in the previous financial year of 2016/17.

The report had highlighted three areas of significant weakness to be considered for inclusion in the Annual Governance Statement, these being as follows:-

- DOLS (Deprivation of Liberties Safeguard Assessment)
- Direct Payments
- Management and Stock Control relating to the Smart Lights Project.

Following his presentation of the report, the Head of Internal Audit welcomed questions from Members. Amongst the issues raised, there were queries raised on the substantial amount of responsive work that had been undertaken over the past year, and would further resources be required in the coming year to deal with this. Members were reassured that whilst this was difficult to predict, they had good management support should the issue arise again in the future.

Members raised queries with regard to the areas of weakness that had been highlighted within the report, asking for assurance that steps were being taken to address the problems. Members noted that policies and procedures were in place, which were being monitored and implemented. Progress in all areas however, was positive.

RESOLVED that:-

- 1) The Internal Audit Annual Report 2017/18, including confirmation that the Council's governance, risk management and control arrangements were adequate and operated satisfactorily during the year be noted; and

- 2) the Head of Internal Audit's self-assessment and the confirmation from the external peer assessment in 2016/17 that the service was compliant with the Public Sector Internal Audit Standards be noted.

#### 118 Internal Audit Plan 2018/19.

Members considered the Internal Audit Plan for 2018/19, which had been created following careful risk assessment of the Council and its activities. The plan had been subject to extensive consultation. Many factors had been taken into consideration when formulating this year's Audit Plan, and would be regularly reviewed and monitored throughout the year in order to take into account any new and emerging risks as well as any new responsive work.

Due to experiences with high levels of responsive work over the last couple of years, Members queried if the plan would be deliverable should this occur again. Members were reassured that the Audit Service had the support of the Chief Financial Officer and Assistant Director of Finance in this matter, as well as the support of the Program Management Officer within Adults, Health and Wellbeing where a lot of issues had been identified for work.

Members were informed that the items that Audit had identified for review, were deemed as the most important due to their risk and complexity. Many of these may have been highlighted by management where they felt there were issues. Auditors would be assigned to specific directorates in order to develop their knowledge of directorate issues. The risks highlighted would be reviewed on an ongoing basis and would be moved up or down in terms of urgency on the plan where necessary.

RESOLVED that Members of the Audit Committee give their support to the Internal Audit Plan.

#### 119 Audit Committee Annual Report 2017/18.

The Annual Audit Report was considered by the Committee, the production of which allowed Members to demonstrate that it had fulfilled its Terms of Reference and allowed it to share its achievements with Full Council.

The report highlighted particular ways in which the Audit Committee had contributed to the Audit function throughout 2017/18 and included:-

- Helping maintain and improve the Councils system of internal control;
- Supporting the Council in ensuring appropriate action was taken to implement audit recommendations;
- Reviewing and ensuring action was taken in response to significant weaknesses in the management of the Safeguarding Adults Personal Assets Team (SAPAT), Deprivation of Liberty Safeguard Assessments (DOLS), Direct Payments, Business Waste and Recycling, Adult, Health and Wellbeing Commissioning Arrangements and governance of Doncaster's Internal Drainage Boards;
- Assessing the Councils Governance arrangements.

The Chair commented that the Annual Report was a positive report that aimed to reflect the successful contribution the Audit Committee made. The Chair also added that the successful achievements and good progress of the Audit Service were highlighted within the report, and he paid tribute to the Audit Team for their hard work, and also made reference to the successful accounts closure, which was achieved within reduced timescales that had been implemented nationally.

RESOLVED that the Audit Committee approve the Audit Committee Annual Report for 2017/18.

120 KPMG - Interim Audit Update and Technical Audit Report

Members were presented with a report from the Council's External Auditor, KPMG, which provided an overview on the progress made in delivering their responsibilities as the Council's External Auditor for 2017/18. Members noted that the interim visit undertaken by KPMG had been satisfactory and that the process for the preparation of financial statements was adequate.

During the planning and control evaluation work undertaken during January to March 2018, the Committee noted that a significant risk had been identified in relation to overstatement of the fixed asset value in the balance sheet. The External Auditor gave an explanation as to how this had happened and reported that it was due to previous componentised asset revaluations over the years 2015/16 and 2016/17. Members were assured that this would be resolved through a capital accounting adjustment through the capital accounts and would not have any impact on Council Tax.

RESOLVED that the Audit Committee note the contents of the reports provided by KPMG.

121 External Auditor (KPMG) Certification of Claims and Returns - Annual Report 2016/17.

Members considered the report of the External Auditor (KPMG) titled 'Annual Report on Claims and Returns Work 2016/17'.

Members noted that the document set out KPMG's certification arrangements, the Councils responsibilities and any matters arising from the audit of claims. The External Auditor reported that there had been four claims and returns that required audit certification for 2016/17, these being:-

- Housing Benefit Subsidy
- Pooling of Housing Capital Receipts Return
- Employment Based Initial Teacher Training Grant
- Teachers' Pension Authority EOYCa Return

The Committee were informed that with regard to the Housing Benefit Subsidy, this had received a qualified opinion, with 7 errors identified, but Members were provided assurance that due to the highly prescriptive way the work was carried out, this was 'as good as it gets', and was extremely hard to achieve an unqualified opinion in this area due to the need for 100% accuracy which was exceptionally hard to achieve.

The report made two recommendations in relation to Housing Benefit Subsidy in order to improve the claim in the future and the Committee were informed that these had been fully addressed. These were as follows:-

- The Council should provide additional training for their assessors in the calculation of earned income; and
- The Council should provide additional training for their assessors in the assessment as to what was the cause of the overpayment and whether this is reflected correctly in the subsidy claim. The Council should consider sample testing the overpayments identified in the subsidy claim.

RESOLVED that the Audit Committee note the report.

122 Re-appointment of Independent Member of the Audit Committee.

Members considered a report which sought the Committee's agreement to recommend to Council the reappointment of the current co-opted Member, Kathryn Smart for a further 4 years.

The Co-Opted Member appointed to the Committee was a non-voting, independent Member and whilst it was not mandatory to appointment someone, it was in line with CIPFA best practice. The co-optee was to be of a financial background and have some expertise in some areas of the roles and responsibilities of the Audit Committee, therefore able to add value to the Committee.

Kathryn Smart had been appointed on 13th June 2014 by Council, following a robust appointment process, and this appointment was now due to expire in May, 2018. Kathryn Smart has a wealth of experience and knowledge in finance and was considered to have competently undertaken the role since 2014, and therefore Members would like to see her continue in this position for a further four years.

RESOLVED that the Audit Committee recommend to Full Council for approval the appointment of Kathryn Smart as a co-opted, non-voting member to sit on the Audit Committee for a further 4 year period until 31 May, 2022.

CHAIR: \_\_\_\_\_

DATE: \_\_\_\_\_