

CITY OF DONCASTER COUNCIL

AUDIT COMMITTEE

THURSDAY, 27TH JULY, 2023

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER, CIVIC OFFICE, WATERDALE, DONCASTER DN1 3BU, on THURSDAY, 27TH JULY, 2023, at 10.00 am.

PRESENT:

Chair - Councillor Austen White
Vice-Chair - Councillor Glenn Bluff

Councillors Sue Farmer, John Healy and Dr Stuart Green.

APOLOGIES:

An apology for absence was received from Councillor Dave Shaw.

93 DECLARATIONS OF INTEREST, IF ANY

No declarations of interest were made at the meeting.

94 MINUTES OF THE MEETING HELD ON 27TH APRIL 2023

Re. Minute No. 86 - 'Annual Report of the Monitoring Officer 2022/23'

Further to the above Minute, a request was made for the Monitoring Officer to attend the next meeting to clarify the contact arrangements and issues around confidentiality and anonymity of officers wishing to raise issues through the Whistleblowing Policy.

RESOLVED that

- (1) the minutes of the meeting held on 27th April 2023 be approved as a correct record and signed by the Chair; and
- (2) the Monitoring Officer be requested to attend the next meeting of the Audit Committee to clarify the contact arrangements and issues around confidentiality and anonymity of officers wishing to raise issues through the Whistleblowing Policy.

95 WELCOME TO NEW MEMBER

The Chair extended a warm welcome to Councillor Sue Farmer, who had recently been appointed to the Audit Committee.

96 AUDIT COMMITTEE ACTION LOG

Peter Jackson, Head of Internal Audit presented the Audit Committee Actions Log report, which updated Members on actions agreed at previous Audit Committee meetings, allowing the Committee to monitor progress against the action log.

Members noted the completed actions from the Committee's last meeting held on 27th April and outstanding actions were being progressed in line with their timescales.

RESOLVED that the progress being made against the actions agreed at the previous Audit Committee meetings be noted.

97 COVERT SURVEILLANCE - REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE

Helen Potts, Principal Legal Officer, presented the annual update report on the use of the Council's statutory powers provided under the Regulation of Investigatory Powers Act (RIPA) 2000 for the purposes of detecting and preventing particular crimes.

For several years, Trading Services had utilised this power in the use of covert recordings for test purchases of illicit counterfeit products, such as, alcohol, tobacco, and branded goods, or for underage sales. The recording negated the need for a witness to attend court or provide evidence in the event there was a dispute over the sale. On such occasions, the RIPA Act 2000 provided a mechanism to make it lawful for public authorities to use direct covert surveillance and covert human intelligence sources, for example, undercover officers and informants. The Council have an established RIPA Policy and procedures in place that govern the Council's use of such powers. In addition, the Home Office issues statutory codes of practice on the use of RIPA powers that must be complied with, including requiring elected Members to have oversight of the use of RIPA powers and agree the RIPA Policy/Procedures on an annual basis. Only covert surveillance requires authorisation; where techniques are used which are hidden or disguised so that the subject does not know they are being monitored or watched. Overt surveillance does not require RIPA surveillance.

Members were provided with an update regarding the reduction in the number of times RIPA had been used. Since the last report to the Committee in January 2023, there had been no surveillance applications authorised under RIPA. It was noted that Trading Standards, in conjunction with Public Health partners have undertaken significant work in relation to the proliferation of nicotine inhaling products within the market over the last year and have made significant seizures. However, it was reported that Trading Services have not had to use covert surveillance powers to carry out this work and that other methods were being utilised to access information and carry out the seizure of illicit tobacco, and that the use of RIPA would only be used as a last resort.

Paragraph 9 of the report set out details of the number of RIPA authorisations each year for the last 7 years.

Due to the low number of covert surveillance authorisations now being made, it was considered appropriate for the Committee in future to receive a yearly report rather than every six months. However, the Committee was advised that if authorisation activity did increase or change, or specific concerns arise, the reporting frequency could be reviewed by the Audit Committee.

Members were further advised that RIPA training had recently been carried out for newly appointed Environmental Officers joining the Council. It was noted that the on-line covert surveillance RIPA training has recently been updated and that Members of the Audit Committee have completed the training. Newly appointed Members of the Audit Committee could access this training via the HR Portal.

In relation to the date of the Investigatory Powers Commissioners Office next inspection, the Principal Legal Officer gave an undertaking to inform the Committee via email of the

date of when the next inspection was due and whether a report would be required to be brought to the Committee at an earlier stage.

No changes were proposed to the RIPA Policy and Procedures, noting that minor amendments were made by the Committee in June 2019, in line with the Investigatory Powers Commissioner's Inspection report.

RESOLVED:-

- (1) to note that the Council has had no surveillance applications authorised under the Regulation of Investigatory Powers Act (RIPA) since the last report to the Audit Committee on 26th January 2023;
- (2) to agree to have yearly reports to the Audit Committee rather than every six months due to the low number of authorisations under the Regulation of Investigatory Powers Act (RIPA); and
- (3) to note that there are no changes proposed to the Council's RIPA Policy and Procedure.

98 AUDIT COMMITTEE PROSPECTUS, TERMS OF REFERENCE AND WORK PROGRAMME 2023/24

Members were presented with the Audit Committee Prospectus, which set out the scope and standards applicable to the Audit Committee and showed how these and the Terms of Reference enable the Committee to comply with Local Government Audit Committee standards, and the Council's requirements of the Committee. The Prospectus included a draft work programme, setting out the business for the Committee, to demonstrate how the Committee would fulfil its Terms of Reference for the year. It also scheduled an indicative programme of training and awareness sessions for Audit Committee Members.

The Committee's Terms of Reference had been updated in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance published in late 2022. The Terms of Reference had been amended to reflect annual reporting of compliance and monitoring of RIPA and expanded to incorporate the City of Doncaster Council's specific local arrangements including, responsibility for the Hearings Sub-Committee.

Members were asked to review the work programme and reminded that the work programme was indicative at this stage and may be subject to change. Member training would be reviewed on an ongoing basis.

RESOLVED that

- (1) the Prospectus setting out the Audit Committee's scope, standards and work programme for the year be noted; and
- (2) the updated Terms of Reference for the Audit Committee for the 2023/24 Municipal Year be noted.

99 INTERNAL AUDIT REPORT FOR PERIOD: APRIL 2023 TO JUNE 2023

The Head of Internal Audit introduced a report which updated Members on progress in relation to the work undertaken by Internal Audit for the period April to June 2023 and showed this in the context of the Audit Plan for the year. The report also set out significant revisions to the Plan to date, audit work carried out for the period, progress on

the implementation of management actions arising from Internal Audit recommendations and Internal Audit performance information, as detailed in Sections 1 to 4 of the report, respectively.

The Head of Internal Audit provided an update and summarised each of the four sections of the report and responded to questions and comments from Members as follows:-

Section 1 – The Audit Plan / Revisions to the Audit Plan

The Head of Internal Audit reported that an officer with the right skills and attributes had recently been seconded to the Senior Auditor post within the Internal Audit team. He stated that he was hopeful that the officer would be appointed to the post permanently in the future, which would assist with the team's programme of work. In response to a question from the Chair, the Head of Internal Audit confirmed that he was satisfied with the current level of resources in the Internal Audit team, however, in the future he was hoping to increase capacity within the team. The Committee was supportive of this.

Section 2 – Audit Work undertaken for the period

The Head of Internal Audit highlighted the work undertaken by the Internal Audit team following a review of the Taxi Licensing Service during 2022/23, as outlined in detail at paragraph 2.7 of the report.

Further to questions from the Vice-Chair, the Head of Internal Audit clarified that Internal Audit had carried out a review of the Taxi Licensing Service, as part of Internal Audits planned risk assessment work for 2023/24 in relation to safeguarding risks in the Taxi Licensing service. He gave assurance that this matter was not now an area of concern as significant progress has been made in this area and with Internal Audit's oversight of the situation, the major problems have now been resolved, with an updated software system, providing longer term improved service. He explained the rationale for a partial assurance being given in relation to the service and not a limited opinion due to the improvements made, the major one being the processes for routinely checking taxi drivers current DBS status had been brought into line with best national guidance

The Committee whilst acknowledging the significant progress made to the Taxi Licensing service area, requested that a progress report be presented to a future meeting of the Audit Committee.

Section 3 – Implementation of Management Actions arising from Audit Recommendations

The Head of Internal Audit reported that implementation of the agreed overdue management actions has been maintained at extremely low levels and the existing arrangements were operating well. However, he highlighted a high-risk level overdue management action in the Place Directorate, as set out at Appendix B of the report. He gave assurance that the work would not be signed off by the Internal Audit team until they were satisfied that the reconciliation arrangements had become embedded.

In response to questions raised by Dr Green, the Head of Internal Audit clarified the reasons for the delay in implementation of the actions and work undertaken by the Internal Audit team relating to high-level risk relating to Strategic Properties/land Income 2021/22, as outlined at Appendix B of the report was due to staffing vacancies in the Assets and Property Team but would be mitigated by improved ICT solutions.

Dr Green welcomed the work being undertaken by the Internal Audit team and following a further question raised by Dr Green, the Head of Internal Audit advised that he was unable to provide financial information regarding the level of income raised in this area. However, he gave an undertaking to provide this information at a later stage.

Councillor Farmer queried whether revenue received by the Council from Section 106 agreement contributions from developers was included as part of Internal Audits audit of the Council's properties / land income 2021/22. She highlighted the importance of this issue being included on the Audit Plan, particularly in view of the number of planning applications being submitted and housing developments currently being built in the city with Section 106 agreements and stated that it was imperative that an audit be carried out of Section 106 monies generated from housing developments to ensure that each area in the city received the right allocation of monies in a timely manner. In response the Head of Internal Audit advised that the auditing of Section 106 agreements and monies received by the Council through Section 106 agreements was not included in the Audit Plan for this year as currently this area was not regarded as a high risk. However, Members were informed that an internal review was currently being undertaken by Officers regarding the governance, and decision-making process in respect of Section 106 agreements. The Internal Audit team would have the opportunity to contribute to this process and to look at ways to make improvements. The outcome of the review would determine whether Section 106 agreements would be included in next year's Internal Audit Plan.

Section 4 – Internal Audit Performance

It was noted that the performance indicators for the period April to June 2023 were positive, with major recommendations and customer satisfaction remaining positive.

In relation to Internal Audits performance, the Head of Internal Audit confirmed that he was satisfied with that the work delivered in the year to date and had not identified any new areas of concern that should be considered for inclusion in the Annual Governance Statement for 2023/24. Additionally, work completed at the end of the year had not identified any reason to result in a negative or limited assurance opinion over the Council's risk, governance, and control arrangements. The Head of Internal Audit hoped that the positive position regarding the Council's governance arrangements would be maintained in the future.

RESOLVED to note:-

- (1) the position of the Internal Audit plan;
- (2) the Internal Audit work completed in the period;
- (3) the position with regards the implementation of management actions arising from Internal Audit recommendations;
- (4) the current position regarding the ability to deliver the annual opinion over the council's risk, governance, and control arrangements; and
- (5) a progress report on the Taxi Licensing service area be presented to a future meeting of the Audit Committee and be included on the Committee's Work Plan.

Consideration was given to a report which set out the Council's unaudited Statement of Accounts for the 2022/23 financial year and highlighted the overall financial position for the year, a summary accounts closure timetable and information on performance, including improvements achieved in accuracy and quality. The Committee also received the External Auditors, Grant Thornton's report, Informing the Audit Risk Assessment 2022/23, as part of their risk assessment procedures where the auditor was required to make inquiries of the Committee under auditing standards and contributed towards the effective communication between City of Doncaster Council's external auditors and the Audit Committee, as 'those charged with governance'.

The Assistant Director of Finance in presenting the report, wished to place on record her thanks to the Finance Team for their achievements in the production of the Statement of Accounts in such challenging timescales.

In noting the Council's budget deficit, Dr Green asked whether the Council had a Strategy in place to build up Council reserves and how this related to the Medium-Term Financial Plan. The Assistant Director of Finance outlined the current outturn forecast position and explained that there had been an overspend on the Council's general revenue budget, however, the outturn position had since been reduced in the last quarter to £3m compared to a £7.8m overspend forecast at the quarterly reporting period for quarter 3. She outlined the actions that had been taken by the Council to reduce the overspend, which included the receipt of one-off income received by the Council and action taken by management to reduce the financial burden. Members were advised that whilst a balanced budget for 2023/24 had been agreed by full Council in February, she highlighted the further budgetary challenges faced by the Council including, the national pay award which was higher than what had been earmarked in the budget. It was noted that the Council had plans to replace the earmarked reserves and continued to look at ways to make savings. She emphasised the need for the Council to have a budget that was sustainable and not offsetting ongoing pressures by using reserves and highlighted the budgetary challenges nationally.

In response to a question from the Vice-Chair, it was clarified that the reason the Council's pension scheme had moved from being a liability to an asset was due to the strong financial performance of the pension fund, which has considerably increased the value of the pension scheme and was showing in the draft accounts as an asset and was based on the Actuary's assumptions. However, it was highlighted that future valuation of the Pension Fund could see it revert back to a liability, depending on the performance of the fund. It was reported that further information from the actuary regarding the asset valuations and assumptions to the pension fund that had been shared with Members prior to the meeting, would be included in future reports.

The Director, Grant Thornton explained that this was a unique situation in terms of his time as an external auditor carrying out public sector audits where the pension fund has become an asset on local authority accounts. It was noted that Doncaster's draft accounts currently showed the pension fund valuation on its balance sheet as an asset value of £30m, however, some local authorities (under the ISA 19) had recognised and shown their pension fund asset in a prudent way by recording the asset as a zero value on the balance sheet. The Director, Grant Thornton stated that presently there was no definitive national view or guidance from auditors and financial regulatory bodies, CIPFA and the FCA on how pension fund assets should be treated in the accounts and that discussions were currently taking place regarding how pension fund assets should be treated and whether either option as referred to above was appropriate. The Assistant Director of

Finance advised that she was working with Grant Thornton in terms of whether an adjustment was needed to be made to the accounts and explained that due to having to meet the accounting deadline of 31st May, a judgement had to be made based on the information at that time. Grant Thornton would be reviewing the situation over the coming months and the Committee would be kept fully apprised of developments.

Members welcomed the decrease in the pension liability resulting in a pension asset, although raised some concern as to whether the pension fund should have been shown on the Council's accounts as zero on the balance sheet. However, the Director, Grant Thornton reaffirmed that as this was an unusual situation and that as of 31st May 2023 when the draft accounts had been produced there was no judgement made by the financial regulatory bodies or national guidance available to local authorities as how the pension fund becoming an asset should be recorded in the accounts, therefore the Council had presented the pension fund asset whilst other Councils had not. He emphasised that the different options presented in the treatment of the valuation of the pension fund by the Council and other local authorities was not incorrectly recorded and that when a decision was made regarding this matter at the end of the year, it may be that either option were acceptable. He provided assurances that if the national outcome differed to that of Doncaster's treatment of the pension fund liability in the accounts, their audit opinion would not be critical in relation to how the pension fund had been presented or reflect negatively in the ISA 260 report when the accounts would be signed off and presented to the Committee in November. The Assistant Director of Finance advised that due to Officers having to meet the accounting deadline of 31st May, based on the advice given by the Actuary at that time was to continue with the current pension contributions. The pensions situation would be reviewed in two years and advice would be sought from the Actuary as to the contributions required. The Director, Grant Thornton informed Members that the Council meeting the deadline was a significant achievement and that that only 30% of local authorities had met the statutory deadline.

The Assistant Director of Finance drew Members' attention to the report and advised that Grant Thornton were due to present their findings on the draft accounts to the Committee on 2nd November 2023. However, due to staff reductions and difficulty in recruiting an auditor with the necessary skills to undertake the audit, Grant Thornton had requested that the meeting be rescheduled to 23rd November 2023.

Following questions from the Chair, the Director of Grant Thornton reassured the Committee that he was confident that the ISA 260 report, setting out the audit findings would be presented to the Audit Committee on 23rd November and that he and his team would make every effort and were committed to signing off the audit opinion of the accounts by 30th November. However, he highlighted that due to the significant work pressures on the team to deliver audits across the South Yorkshire region, there was the potential risk that their audit opinion may not be available until December. He further advised that it was anticipated that the Value for Money report would be shared with the Council's management team before Christmas and then subsequently presented to the Audit Committee in the new year. The Director of Grant Thornton confirmed that the Council's Finance team would be informed of progress in completing their audit work.

Further to questions from the Chair, the Financial Planning and Control Manager advised that he did not anticipate any changes to the figures relating to the Council's land and buildings and infrastructure assets and pointed out that the valuations would be reassessed as part of the ongoing auditing process and if at that point they become material the accounts adjustments would be made. The Director of Grant Thornton advised that any audit adjustments arising from the accounts would be included in the ISA 260 report, however he pointed out that based on the outcome of previous audits, the

Council's useable reserves would not be affected, unless the valuations related to fixed assets and the pension fund.

In response to questions from the Chair, the Director Grant Thornton confirmed that he was satisfied with the Council's arrangements for completion of the accounts which had been produced within the deadline. He added that in terms of his client base, Doncaster was one of the strongest performing local authorities and to date no adjustments had been required to the accounts.

To conclude, the Chair on behalf of the Audit Committee gave recognition and thanks to the Assistant Director of Finance, the Financial Planning and Control Manager and the Finance Team for their efforts in continually meeting the deadline for completion of the Statement of Accounts.

RESOLVED that:-

- (1) the 2022/23 Unaudited Statement of Accounts be noted;
- (2) it be noted that the Committee was satisfied with the responses in the 'Informing the audit risk assessment for City of Doncaster Council 2022/23' report; and
- (3) that the Audit Committee meeting scheduled to be held on 2nd November 2023, be rescheduled to 23rd November 2023.

CHAIR: _____

DATE: _____