

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

THURSDAY, 21ST JUNE, 2018

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER - CIVIC OFFICE on THURSDAY, 21ST JUNE, 2018, at 10.00 am.

PRESENT:

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

Councillors Iris Beech, Mark Houlbrook, David Nevett and Co-Opted Member, Kathryn Smart,

ALSO IN ATTENDANCE:

Debbie Hogg – Director of Corporate Services
Scott Fawcus – Monitoring Officer & Assistant Director of Legal & Democratic Services
Peter Jackson – Head of Internal Audit
Helen Potts – Principal Legal Officer
Faye Tyas – Head of Financial Management
Alison Ormston – KPMG, External Auditors

1 **Declarations of Interest, if any**

Councillor Mark Houlbrook declared an interest in Agenda Item 6, by virtue of being a Member of Thorne and Moorends Town Council.

Kathryn Smart informed the Committee that she had completed a new Declaration of Interest Form following changes in her job roles and gave a brief outline to the Committee of what these changes were in terms of her interests.

2 **Minutes of the meeting held on 5th April, 2018**

RESOLVED that the minutes of the meeting held on Thursday 5th April, 2018, be agreed as a true record and signed by the Chair.

3 **Audit Committee Action Log.**

The Committee considered the Audit Committee Action Log that updated Members on actions agreed at each Committee meeting in order to ensure that all actions were monitored and that satisfactory progress was being made.

Members noted that this continued to be an ever improving picture, and demonstrated that good progress was being made. The report detailed that since the last Committee, 3 actions had been completed and would be removed from the next action

log, 5 remained in progress and were on track for completion within their prescribed timescales, and 1 action continued to progress but was behind its original timelines.

The outstanding action that remained of concern was that in relation to the Business Waste Reconciliation and whilst it was in progress, it remained behind its original timelines. However, in relation to Members' concerns regarding this issue, Officers assured the Committee that this was now reaching the end with the reconciliation now being 95% complete. This had been downgraded from Red to Amber, and once officially completed, Internal Audit would review the actions taken and ensure future reconciliations were being carried out.

RESOLVED that

- 1) The progress being made against the actions agreed at previous Committee meetings be noted; and
- 2) Any further updates be provided to Members at the next Audit Committee.

4 Monitoring Officer Annual Whistleblowing and Standards Report 2017/18

The Committee were presented with a report by the Monitoring Officer that provided information on ethical governance and details of any complaints received in relation to allegations of Member misconduct, disclosures or whistleblowing over the last 12 months.

Members noted that Appendix 1 of the Report, contained a summary detailing the formal complaints that have been dealt with in the 12 months since the last report received by the Committee. The Monitoring Officer explained this covered 42 Town and Parish Councils across Doncaster, which encompassed 304 Councillors. Measured against those numbers, Members could see that the number of formal complaints received was in fact very small.

In terms of Whistleblowing, Members noted that two incidents had been raised with the Monitoring Officer over the 2017/18 period. Members queried if this was an accurate reflection or if in fact it was the case that people weren't reporting issues. The Monitoring Officer commented that he could look at the statistics of the other South Yorkshire Authorities and share the figures with the Committee in order to get a flavour of how these compared. However, it was also pointed out that prior to a formal whistleblowing case, there were other avenues that people may choose to go down, including voicing concerns with Directors or Senior Officers and this could result in a more appropriate process being followed.

With regard to code of conduct complaints received, Members discussed these, and acknowledged that there had been a number related to one particular Town Council over the period, but it was hoped that these problems had now been resolved. However, it was pointed out to Members that the sanctions available remained inadequate and it was felt that were there stricter sanctions available, such problems may have been resolved much sooner. It was reported that Monitoring Officers and other interested commentators continued to push for the reintroduction of suspensions and exclusion in the most serious cases, as the sanctions now available were not fit for purpose and were inadequate in addressing matters of significant bad behaviour. Members acknowledged that the work of Philip Beavers, the Independent Person on

the Standards Committee was very useful and he had proven to be a valuable asset, but Members also felt that Parish Councils should look to utilise bodies such as the YLCA (Yorkshire Local Councils Association) in their provision of advice and support.

RESOLVED that:-

- 1) The Monitoring Officer's annual report on complaint handling activity for the period 1 April 2017 to 31 March 2018, be noted;
- 2) The Whistleblowing Return for 2017/18 be noted;
- 3) The nil money laundering report for 2017/18 be noted; and
- 4) The report on the existence and effectiveness of the Council's ethical arrangements be noted.

5 Covert Surveillance - Regulation of Investigatory Powers Act 2000 (RIPA) Update.

Members considered a report that provided an annual update on Covert Surveillance, Regulation of Investigatory Powers Act 2000 (RIPA). It was noted that the Council occasionally had a need to conduct covert surveillance in the investigation of matters for which it had a responsibility to prosecute, or for other authorised intelligence gathering, and in such matters, RIPA regulates how this is undertaken.

Officers informed Members that the RIPA procedure had been amended as part of the Annual Update a year ago, and no further changes had been made since then, as it was deemed to be fit for purpose. One point to note however, that was brought to Members attention was in relation to social media. It was felt that it was now timely for the Monitoring Officer to contact the Leadership Team to highlight the need for consideration of the covert surveillance requirements where social media was repeatedly used for monitoring an individual as authorisation was needed for this prior to it being undertaken.

Members noted that training on RIPA was provided on a yearly basis to Trading Standards, who often had the need for this in their area and whilst it was reported that the Police used it on a wider scale than officers from the Council, it often proved to be a very useful tool in investigations.

RESOLVED that:-

- 1) The Audit Committee note that 3 RIPA applications have been authorised since the last report in January 2018, the details of which were attached at Appendix 1, and none of these had been refused by the Magistrates;
- 2) The Council's RIPA procedure, as attached at Appendix 2, be approved, with no amendments since the last approval in June 2017;
- 3) The proposal for the Monitoring Officer to email Directors, Assistant Directors and Heads of Service concerning RIPA and particularly when

using social media for intelligence may become covert surveillance, be noted.

6 Unaudited Statement of Accounts 2017/18.

The Audit Committee were presented with the Council's Unaudited Statement of Accounts for the 2017/18 financial year, which highlighted the overall financial position for the year, providing a summary of the accounts closure timetable and information on the performance of the Council.

Members noted that the 2017/18 unaudited accounts had been made available on the Council's website and would be available for public scrutiny until 12 July, 2018. It was expected that following finalisation of the audit opinion by 16 July, the Council would complete its audited accounts by 26 July, when a report would be presented to the Audit Committee by KPMG which would formally set out their findings of their audit of the Council's financial statements.

Alison Ormston, KPMG, reported that they would be holding their closure meeting the following week for the accounts, and all areas were currently progressing with no major issues emerging which was positive to note.

Following consideration of the report, Members were afforded the opportunity to make any comments or raise any points that they requested clarity on, and officers endeavoured to provide them with the information they required. Members raised queries on the following points:-

- Componentisation – in relation to a query on this issue, Members were provided with information on the value of componentisation and its effect on the Council's accounts.
- Members raised a query regarding the PFI and asked officers whether it would be more beneficial to pay off or buy out the schools funded by a PFI, Members were informed that the penalties for withdrawing would be extremely costly, and it was more about managing the contracts effectively to ensure it was financially beneficial.
- With regard to a query concerning the £2.5M overspend, Members were informed this was significant, but would be monitored regularly to ensure it was managed effectively.
- Adult Services was an issue that was referred to in depth through the course of discussions, with Members raising several points of concern. Members were reassured that at the present time, the budgets were being monitored and over the longer term, improvements were expected to be seen.
- Concerns were also raised regarding the use of Consultants across the Council, but the Committee was assured that these were only used if the skills were not available in house and other avenues needed to be explored.
- Finally, Members queried if the External Auditors were happy with the Council's arrangements to produce the financial statements, which they were assured

they were, adding that the accounts team were very responsive to questions which were answered in a timely manner.

RESOLVED that the 2017/18 Statement of Accounts be noted.

7 Draft Annual Governance Statement 2017/18.

Members received the draft Annual Governance Statement for 2017/18 which detailed the annual review of the Councils Governance arrangements. This was a statutory requirement to undertake and demonstrated governance compliance over the period.

It was reported that the draft Annual Governance Statement may be updated prior to its final sign off in July, but it endeavoured to be as open and transparent in its demonstration that there was good governance in place in Doncaster, and that services were provided well and that public money was safeguarded and properly accounted for.

Members noted that the Annual Governance Statement undertook to do the following:-

- Highlight key areas of improvement that had been completed and effectively managed to the extent they were no longer significant;
- Identified significant issues arising from the 2017/18 review of the effectiveness of corporate governance arrangements
- Provide an update on the key areas identified during previous years.

The report stated that there had been 6 significant weaknesses identified in 2017/18, which were outlined in detail on pages 4-6 of the document, and were as highlighted below:-

- Alarm Receiving Centre (ARC)
- General Significant Financial Challenges
- Doncaster Integrated Peoples System (DIPS)
- General Data Protection Regulation (GDPR)
- Devolved Budgeting in Adults
- Management and Stock Control Relating to the Smart Lights Project

Members were invited to pose any questions to officers in relation to the report, with the following points raised:-

Concerns were voiced in terms of the Smartlight project and whether the timescale outlined was achievable. Members were informed that an update report on this issue would be presented to the July meeting of the Audit Committee.

With regard to Income management and Direct Payments, Members looked for assurance that this was being adequately dealt with and that monies were being collected. Officers reported that this was an extremely complex issue, but training had been implemented, and the issues had been identified. Each recovery case was dealt with on an individual basis, but payment could not be recovered from a Council administered account if an individual was not in credit and therefore was not a simple process to achieve.

Members of the Committee raised concerns in terms of the Corporate Risk Register and whether this was an accurate reflection of issues arising throughout the Council. However, it was reported that it was important to acknowledge that more items would be included on this in the future, as it was aiming to become more pro-active in its approach. It was intended that it wasn't to be seen as a weakness if an issue was included on this, and more that it was actively challenging areas. The organisation needed to become more pro-active as a whole, and encompassing risk within its revised Resource Management arrangements would ensure that it was moving at greater speed and improving and progressing at a more positive rate.

RESOLVED that

- 1) The draft Annual Governance Statement be approved; and
- 2) Following the agreement of the draft Annual Governance Statement it be noted that the Mayor and Chief Executive be asked to sign this prior to its publication along with the Statement of Accounts.

8 Audit Committee Prospectus, Terms of Reference and Work Programme 2018/19.

The Audit Committee were presented with a report that detailed its Prospectus, Terms of Reference and Work Programme for the 2018/19 Municipal Year.

The Terms of Reference of the Committee had been approved by Full Council at its Annual Meeting on 18 May, 2018. There had been minimal changes made to these, and had been reviewed purely to simplify the wording. A more comprehensive review would take place this year following new guidance from CIPFA.

The report also encompassed the Audit Committee Prospectus, which provided an oversight of the role of the Audit Committee and set out the scope of the Committee and how it would manage risks across the Council.

Finally, also attached was the Audit Committee Work Programme for the coming year, which highlighted what areas were planned to be covered at each Committee meeting. This included issues prescribed within the Terms of Reference, including:-

- Internal Audit
- External Audit
- Accounts / Financial reporting
- Risk Management
- Ethical Governance
- Other Matters.

In addition to this, it was also proposed to maintain the regular reporting of the following items on a six monthly basis:-

- Compliance with Contract Procedure Rules and Procurement Breaches; and
- Regulation of Investigatory Powers Act 2000 (RIPA) Surveillance.

RESOLVED that:-

- 1) The Terms of Reference for the Audit Committee for the 2018/19 Municipal Year be noted; and
- 2) The Prospectus setting out the Audit Committee's scope, standards and work programme for 2018/19 be approved.

CHAIR: _____

DATE: _____