

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

THURSDAY, 26TH JULY, 2018

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER on THURSDAY, 26TH JULY, 2018, at 10.00 am.

PRESENT:

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

Councillors Iris Beech, Mark Houlbrook and David Nevett

Co-opted Member

Kathryn Smart

9 DECLARATIONS OF INTEREST, IF ANY

No declarations were reported at the meeting.

10 MINUTES OF THE MEETING HELD ON 21ST JUNE 2018.

RESOLVED that the minutes of the meeting held on 21st June, 2018, be approved as a correct record and signed by the Chair.

11 AUDIT COMMITTEE ACTION LOG

The Committee considered a report which updated members on the actions agreed during Committee meetings. It was reported that the action log showed details relating to 11 actions requested in previous meetings and of these:-

- 7 had been completed and would be removed from the next action log;
- 4 had yet to reach the agreed action date and were on track (they are either in progress and in time, or are scheduled for completion within the expected time);
- Further details were provided on two of the longer running issues that had been previous causes of concern for the Committee as follows:-

**Business Waste Income Reconciliation** – The first Business Waste reconciliation of income due to income charged had now been completed with all accounts checked and accounts raised as appropriate. Internal Audit will continue to monitor this area and report any problems as required to future committees.

**Deprivation of Liberty Safeguards (DoLS)** – An update was set out in the table within the report which identified strong progress in dealing with the backlog. A follow up review following the DOLS audit was scheduled for October 2018 Audit Committee which will provide a further update on the backlog position.

Following the introduction of the report, members made the following comments:-

The Chair Councillor Austen White noted the positive progress made in completion of the reconciliation of the Business Waste Income, however, wished that Audit Members be kept informed of any further progress. In relation to DoLS, he acknowledged that this was showing an improved position, but sought clarity with regard to target levels set, who set the targets and whether the Cabinet member responsible was kept informed and gave any input. Damian Allen, Director of People reported that the number of assessments with regard to DoLS was ongoing and varies continually and whilst there was no target set, the Council had procured an external provider to focus on the backlog. He pointed out to Committee that a Rapid Improvement Plan had been developed to manage the surplus as the numbers do fluctuate. Damian also stated that the Cabinet member was aware of the issues through regular Portfolio Holder meetings. However, he stressed that this was a management responsibility.

Councillor Iris Beech sought clarity with regard to the BIA forms and where the hold up on completion lay. Damian Allen reported that resources had been applied to improve the flow of assessments through middle manager level. He also stressed that the service were also aiming to address the matter through the introduction of the Rapid Improvement Plan.

Councillor David Nevett expressed his surprise with regard to the fluctuations in the number of assessments and why there seemed to be such a wide swing. Damian Allen reported that the flow had increased and whilst the external provider was dealing with the backlog, the standing capacity had not been addressed. He suggested that a progress report with regard to this issue be brought to a future meeting of the Committee.

RESOLVED that:-

- (1) the progress being made against the actions agreed at the previous committee meetings, be noted; and
- (2) the Committee receive a further update for DoLS at a future meeting.

## 12 UPDATE REPORT ON CONTRACTS AND COMMISSIONING IN ADULTS, HEALTH AND WELLBEING.

The Committee considered a report updating Members on the progress within the Adult Commissioning and Contract function.

It was reported that in March, 2018, Cabinet approved the proposals regarding the re-commissioning of 30 contracts which were due to expire in this financial year. Further details with regard to the activity of the Commissioning and Contracts team was highlighted within paragraph 8 of the report.

Following the introduction of the report, the Committee were given the opportunity to make comments and ask questions as follows:-

Kathryn Smart welcomed the progress report and commented that paragraph 8 showed real progress. She asked whether there were any other key risks still to be addressed that had not been progressed. Denise Bann, Strategic Lead for Adults, Health and Wellbeing Commissioning and Contracts reported that the Team were fully

focussed. She reiterated that in March, Cabinet had approved the proposals regarding the re-commissioning of 30 contracts which were due to expire and was pleased to announce the appointment of two permanent Heads of Service. She was also happy to inform members that since the last report there had been no further breaches to the CPR's and the number of waivers had also decreased.

The Chair, Councillor Austen White commented on the positive aspects of the report, however, sought explanation in relation to the slippage with regard to the Solar Centre stating he and the Committee were a little dismayed. He asked what the reasons were for the slippage, what support could be offered and what assurance could be given to bring the issue to a conclusion. Damian Allen reported to members that work was continuing with Partners i.e CCG, Rdash and South Yorkshire Homes in relation to consultation on the residential homes and it was envisaged that a report would be submitted to Cabinet next month on this issue. He stated that many residents within the homes use the day care service provided at the Solar Centre and an outcome with regard to the centre was very much dependent on the outcome of procuring the residential home contract. Damian pointed out that it was hoped that this would have been concluded by June, 2018, however, the service was slightly in arrears of that timescale. He stated that it was dependent on the residential homes contract being re-procured and it was an expectation that a conclusion could be met by the end of this current financial year.

In response to the Chair's question regarding timescales for the temporary agreement outlined at paragraph 11 of the report, Damian Allen reported that the nature of the provision within the Solar Centre was of highly complex needs and there was a mixed economy of use within the centre. He commented that all reviews were due to be completed by Christmas/New Year and whilst the council were in receipt of all the information and requirements needed, there was a need to procure for a more specialist day care provision, which may or may not be with the existing provider.

RESOLVED that the information, progress and actions made by the Commissioning and Contracts function in Adults Health and Wellbeing (AH&W) be noted.

### 13 MONEY LAUNDERING ARRANGEMENTS

The Committee received a report seeking approval prior to its implementation, on the Council's revised policy on Anti-Money Laundering. It was reported that new regulations came into force on 26 June, 2017 and whilst they do not place specific responsibilities on the Council/local authorities in respect of money laundering, it is accepted best practice for the Council, as a guardian of public finances, to comply with the spirit of the legislation and put in place appropriate anti-money laundering safeguards.

It was reported that the Policy, which was attached at Appendix A to the report, takes a risk based view of the activities of the Council and aimed to put in place procedures to prevent and detect (and ultimately report on) money laundering activities without being onerous or excessive to the Council's overall risk. It was further noted that the Council's overall risk in respect of money laundering had been judged as low.

Members were advised that the Money Laundering Regulations (2017) require the completion of a documented risk assessment for money laundering activity and the implementation of appropriate procedures to prevent, detect and report on money

laundering activity. It was noted that the regulations also require the appointment of a Money Laundering Reporting Officer and the role had been reassigned to the Chief Financial Officer.

Members were given the opportunity to make comments and ask questions as follows:-

Councillor Iris Beech asked whether the team were aware of any substantial money laundering cases and whether the procedures were working as they should be. Peter Jackson stated that cases were very few and far between and there hadn't been any transactions that had caused any concern, so assured members that arrangements were working effectively.

In relation to the fact sheet at page 31 of the report, Councillor Mark Houlbrook asked whether point 5 should fall within the Whistleblowing procedure. In response, it was advised that a change in the regulations had been made and any suspected money laundering would be reported to the National Crime Agency who require a specific form to be completed outside of the Whistleblowing Policy. Councillor Houlbrook asked what protection was in place for employees reporting suspicions. It was advised that Legal were required to inform the National Crime Agency, however this would be processed in a strictly controlled way and safeguards within the policy state that information should not be kept within that persons record.

Kathryn Smart asked whether there were any examples to look back on to ensure that risks were not taken on any potential future cases. It was reported that there were very few examples as the ability to make cash transactions had been limited, There were a few exemptions i.e Right to Buy, where larger sums of money were being processed, however, there were procedures and due diligence for these issues. It is was further advised that no cases had been referred to the National Crime Agency. Peter Jackson wished to advise Committee that there was currently an e-learning training package which was due to be tested shortly and whilst it was envisaged that this would not be a mandatory module, it was noted that there would be an additional mandate for all relevant Heads of Service to complete the training. It was noted that the training would be on-line by the end of September.

Councillor David Nevett commented on the cash transactions limit of £10,000 for when checks were made and asked whether this was prescriptive or could this be lowered. He also sought clarification with regard to cheque transactions and whether these were dealt with in the same way. In response, it was stated that in terms of cheque transfers, a cheque would be supplied through a bank, so appropriate checks would have been carried out by the bank prior to receipt by the Council. It was stated that the amount was set by the Council at £10,000 in order to fall under the level set by the Act of €15,000 (currently around £11,000).

The Vice-Chair, Councillor R.A. Jones, asked whether the team had any areas of concern in relation to services dealing with cash transactions and whether these could be reformed. In response, it was reported that any areas of concerns would already be flagged up within the regular audit plan. Members were advised that in the case of Right to Buy's a review of the service was currently being undertaken. It was also advised that it should be noted that the Council no longer have cash offices in operation albeit there is a cash machine within the Civic Office reception.

In reference to penalties, Councillor Mark Houlbrook stated that if there had been found to be a breach, would the policy not recommend immediate referral to the Police for not reporting the crime and asked what the sanctions for a member of staff would be. In response, it was reported that this would be very difficult to detect. However, if detected then the National Crime Agency and the Police would deal with the matter and the Council would deem the matter to be a gross disciplinary offence.

RESOLVED that the Council's revised Anti-Money Laundering Policy and associated arrangements be approved and the change of the Money Laundering Officer be noted.

#### 14 INTERNAL AUDIT REPORT FOR THE PERIOD: APRIL TO JUNE 2018

The Committee received an update report on the work carried out by Internal Audit for the period April to June 2018, and showed this in the context of the audit plan for the year. The report also included details on the implementation of internal audit recommendations and the Internal Audit Teams performance information.

The report highlighted that there had been 4 new jobs that had been added to the plan. Internal Audit continued to experience a high level of unplanned work in response to requests from management. There were currently 5 ongoing investigations and the planned audit work done continued to confirm the Council generally had appropriate controls in place and that the controls were operating effectively.

In relation to Section 3, it was reported that there were now 16 overdue major recommendations which all fell within Adults, Health and Wellbeing, this had increased since the last report which was due to several high level pieces of audit work having been completed around the same time for that Directorate. It was noted that the current number of audit recommendations outstanding overall was 154 of which 114 had revised implementation dates that were beyond their original agreed implementation date.

With regard to performance information, four out of the services six key performance indicators were above target and were currently below target on the other two.

Following the update, Members made the following comments:-

Kathryn Smart made reference with regard to items added to the plan, but sought clarity as she felt this was not clear on what may have dropped off the plan. It was reported that the first two issues had come out of the contingency reserve and the remaining two had been allocarted from the advice reserve. It was advised that no issues had been dropped from the plan.

Councillor Mark Houlbrook commented on the Occupational Therapy Service and the apparent backlog of referrals being experienced by residents and asked what was being put in place to address the situation. Damian Allen reported that in response to this issue and other factors including the audit report, the service had commenced a rapid improvement project. He recognised the difficulties which were not acceptable and the service were trying to respond and assessing people at the point of need.. He reported that there were issues regarding accessibility homes which were proving to be challenging as there is not a sufficient supply of homes coming forward from St Leger Homes. He wished to assure members that whilst the service was at the start of

the process, work was continuing and with the introduction of the rapid improvement plans, it was envisaged that improvements would be forthcoming.

Councillor Houlbrook went on to say that elderly residents awaiting assessments had a knock on effect to other service targets. He asked how many Occupational Therapists were currently employed by the Council. Damian Allen stated that he didn't have an exact number but would circulate that information to Members following the meeting. He reported that previously there had been issues around leadership management. However, the service had recently employed a new Principal Occupational Therapist which would provide more stability for the service.

Kathryn Smart stated that the Occupational Therapy had been highlighted through the responsive work carried out and asked whether there were any other areas that Audit should be looking at particularly. Damian reported that members can expect the same pace and rigour which was adopted a few years ago when the service responded to the outcome of audit recommendations for SAPAT and DoLS etc. He commented that extensive work had been carried out with colleagues within Audit who had helped improve these services. He commented that the service were dealing with historical poor performance management, however a decision had been taken on the audit cycle for this year to prioritise resource to areas in most need. Peter Jackson added that management had highlighted concerns over Occupational Therapy to Audit who had then reprioritised this areas for a review.

The Chair, Councillor Austen White, asked Audit whether they were contented with responses to the levels of overdue actions within the Adults directorate. It was advised that Audit were happy with the response taken. It was stressed that a better pace had been applied by management in implementing audit recommendations with over 100 being implemented in the directorate in this period and over 160 across the council which compared to 216 in the full previous year.. Members were advised that there seemed to be a much better grip corporately around audit recommendations. In response to the Chair's comments regarding paragraph 3.7 of the report, it was advised that the audit team were happy with the outcome, staff had been instructed to deal with major actions as a priority and whilst 117 recommendations seemed to be high, the team were happy with the overall arrangements in place to address the issues.

In relation to Bereavement Services Stocks and Sales, Councillor Iris Beech asked what stock was referred to and were the Council experiencing a significant amount of people requiring help with funerals. With regard to stock, it was reported that this referred to monumental items such as urns and plaques. In relation to Public Health funerals carried out by the Council, it was advised that the number had increased significantly and there was a serious demand for this service. It was noted that the increase was similar to that found in the NHS. Members were also advised that this service was currently being audited.

In reference to the above comments, Councillor Beech asked whether there was a cut off with regard to the amount of money provided for such funerals. It was reported, if a person dies and they have insufficient funds for their funeral, family members would organise and fund those arrangements. However, the DWP provide supportive loans. In the case of the person not having any family or refuse to act, then the service would be provided by the Council under the Public Health Act. The Council would assess the individual and make all the arrangements for a funeral and recover any monies from any assets of the estate. Councillor Beech also asked whether funerals were burials

as she highlighted that in her ward, space in the graveyard was very limited. Committee were advised that all public health funerals were cremations unless specifically specified within a persons will/documentation that a burial was preferred. Dave Wilkinson, Assistant Director of Trading Services advised Members that the Assets team were continuing to look for available land to expand cemeteries. It was suggested that the service liaise with Parish Councils as it was thought that the administering of land for burial sites would be carried out by them. This matter would be taken up with the relevant officer outside of the meeting.

In response to a question raised by Councillor Mark Houlbrook regarding schools catering and whether the Council provide this service to Academies. Dave Wilkinson advised that the Council do provide that service to Academies and had also been the successful in the bid for the contract for the XP School at Lakeside.

Kathryn Smart asked Internal Audit whether they were happy with the partial assurances given in relation to SAPAT, given the amount of significant work carried out by the team in this area. It was noted that a lot of work had been put into this service by Audit and now there were no major risks on the outstanding actions so the team were happy with the actions taken and had no concerns to report.

Further discussion took place on the Rapid Improvements Plans for the 7 areas identified, it was suggested that dependent on the capacity of the agenda, an update on 3 of the plans and Transformation Programme be brought back to the Committee at its October meeting. Peter Jackson clarified that specific reports by the audit team would cover DoLS and Direct Payments and the progress report would update on other areas covered by these plans.

RESOLVED that:-

- (1) the changes to the original audit plan be noted;
- (2) the internal audit work completed in the period be noted;
- (3) progress made by officers in implementing previous audit recommendations be noted; and
- (4) Information relating to Internal Audit's performance in the period is noted.

15 STREET LIGHTING PROJECT - AUDIT REPORT

Prior to the introduction of the report, the Chair, Councillor Austen White wished to stress that despite a rather sad story of poor management of this project, together with the problems that had arisen and which remained, this had been a very effective and well delivered project, and he felt that it was important not to lose sight of this. Members were advised that progress had been made following the publication of this report, and the current situation looked a lot differently today.

Tracey Harwood, Acting Assistant Director of Environment updated members on the progress made, stating that she echoed the comments made by the Chair, reporting that Smart Light had delivered an effective scheme and wished to advise that it was important to note that energy savings had exceeded what was originally forecast.

Tracey advised Committee that work had been carried out within the last 2-3 weeks on developing a recovery plan for the scheme which included:-

- Existing lighting classifications – possibility of dimming lights in specific areas and specific times.
- Smarter Town Centre Lighting
- Reviewing inventory and installation

It was also advised that further negotiations were taking place with Urbis the suppliers of the lamps to find a solution for the lamps ordered but not yet supplied, i.e. for them to be supplied to another local authority. It was noted that whilst the situation was not favourable, the service were confident that the budget pressure had been heavily reduced through the introduction of the recovery plan to £50k. Other action to reduce the excess stock included holding some stock as spares and allowing for future housing and other commercial developments in the borough.

Members were afforded the opportunity to make comments and ask questions as follows:-

Councillor Iris Beech asked whether there was the possibility of dimming the lights as she felt especially within her ward lights appeared to be brighter than they needed to be. Dave Wilkinson reported that the first priority was to install the lights, following that the light levels can be assessed and through the intelligent software dimming lights can be achieved. He also stressed that if there was an emergency like a road traffic accident at night, the lighting could be brightened to assist the emergency services.

In reference to the phase 1 audit review, Kathryn Smart asked whether all the recommendations had been clearly understood. It was reported that all apart from 1 had been dealt with and taken on board, which was around only ordering to specific need. Due to the 6 week lead in time from the requesting of the lights to the delivery and the design teams being understaffed, some lamp orders had been estimated. Kathryn asked whether there were appropriate programme/project management in place to mitigate. It was advised that this was in place but not to the extent it should have been.

Further discussion took place in relation to safeguards and lessons that should be learned from this project for the future and whilst this was considered to be a large oversight, officers had worked hard to mitigate the overall impact which was now considered considerably smaller than from the time the report was initially produced.

Councillor Joe Blackham was in attendance at the meeting and wished to state that there had been a systematic failure in the project which had been poorly managed. The lessons had been learnt and there should not be a repeat of working in silos in the future.

The Vice-Chair, Councillor R A Jones asked whether street lighting can be adjusted in order to reduce costs. Members were advised that the lamps were self-reporting, they are automatically pre-programmed and if there was an issue then these would be manually changed. It was reported that the Central Management System (CMS) was currently programmed to have savings of £1.4m per annum.

The Chair noted that discussions were taking place with the supplier Urbis. He asked whether all the lamps were bespoke to Doncaster or could they be used elsewhere. Alternative can we return to Urbis and pay a restocking charge. In relation to the

orders stated at page 97 of the report, he asked what the reason was for the difference between what was ordered and what was delivered. Officers advised that once the problems were detected, the orders for the lamps were ceased which was the reason for the difference and in relation to discussions with Urbis regarding the stock, it was stated that following further negotiations, officers will be in a position to provide the Committee with a full update at its October meeting.

RESOLVED that the contents of the report and the action taken as a result be noted.

16 AUDITED STATEMENT OF ACCOUNTS 2017/18 AND KPMG REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260 REPORT) 2017/18

The Committee received a report stating that in accordance with International Standard on Auditing (ISA) 260, the Council's external auditor was required to issue a report detailing the findings from the 2017/18 audit and the key issues that the Committee should consider before the external auditor issues their opinion on the financial statements. It was advised that the ISA 260 report attached at Appendix A of the report had to be considered by 'those charged with governance before the external auditor can sign the accounts which legally has to be done by 31st July, 2018.

It was reported that the external auditor expects to issue an unqualified audit opinion on the Council's financial statements for 2017/18; subject to all outstanding queries being resolved to their satisfaction. KPMG also expected to issue an unqualified Value For Money (VfM) conclusion for 2017/18.

Members were advised that overall the ISA 260 report was an extremely positive one, with two adjusted audit differences. The report also detailed that overall good quality working papers with a clear audit trail were provided and generally responses to audit queries were provided timely.

It was further reported that the Chief Financial Officer & Assistant Director of Finance, as the responsible financial officer, re-confirmed on behalf of the Council that he was satisfied that the statement of accounts presented a true and fair view of the financial position of the Council at the end of the 2017/18 financial year and the Council's income and expenditure for the 2017/18 financial year.

Following the introduction of the report, members made a number of comments as follows:-

With regard to the valuation of assets such as buildings, the Vice-Chair, Councillor R.A Jones asked why there was a need to have valuations every year. It was advised that it was a professional duty for KPMG to ensure that the materiality was accurate. If for any reason an adjustment was required there would need to be evidence provided. In reference to buildings, the Chair recognised that KPMG used square meterage. However what data base was used and were regional differences included. It was advised that regional variances were used and data provided from the estates department and the use of google sites were obtained to ensure the data provided was accurate.

Following on from the comments above, Councillor Mark Houlbrook asked whether the Council used one insurance company to insure its assets as there could be advantages gained for using one insurance company as a long term policy. Members

were advised that the Council do use one insurance company for their assets and it was noted that a lot of work was carried out a few years ago on a re-tendering exercise. Committee were assured that officers revisit insurance policies annually and extension clauses were assessable which had saved quite a considerable amount of money in the past.

Kathryn Smart sought an explanation with regard to the recommendation at page 22 of the Appendix 1 "Universal Housing Password Controls" and why this had not been picked up. It was advised that St Leger Homes had tested the service, however not to the extent that should have been undertaken. It was also stated that whilst other controls were in place to highlight these issues, the comments would be taken on board and a suitable way of updating members on progress in implementing these recommendations would be found.

Kathryn Smart also queried the deadline date of the 31<sup>st</sup> January, 2019 for "Link Asset Services Contract" being some way off and the reasoning behind this. Officers advised that at present this issue was at an impasse regarding the form of contract to be adopted with neither party willing to adopt the others form of contract which was why the issue was taking longer to conclude. Officers also advised that when the Council go out to tender again, a different process would be followed to avoid this situation.

The Vice-Chair, Councillor R A Jones asked whether this service was available within a framework. It was reported that this was specific treasury management advice and the company were not likely to walk away from the contract. It was further noted this issue wasn't considered as a high risk and there were limited players for this service within the market. Councillor Jones asked whether there was more the Council could do to engage with the market for this service. It was advised that the company in question were considered to be a good firm supplying treasury management services across a number of authorities and were considered to be good value for money.

In conclusion, KPMG stressed that they would be providing a clear opinion in relation to resources and were comfortable on the delivery for value for money (vfm)

The team wished to thank Clare Partridge and all officers at KPMG for their continued support. These comments were echoed by all members of the Committee.

RESOLVED that:-

- (1) the contents of the external audit ISA 260 report be noted;
- (2) the Letter of Representation be endorsed; and
- (3) the Statement of Accounts 2017/18 be approved.

## 17 2017/18 ANNUAL GOVERNANCE STATEMENT

The Committee received the Annual Governance Statement for 2017/18. The Council's governance arrangements in place during 2016/17 had been reviewed and an annual governance statement had been produced which was attached at Appendix A to the report.

Members noted that there had been 6 significant weaknesses reported in 2017-18, which were detailed at page 4-6 of Appendix A of the report.

The Annual Governance Statement highlighted the following:-

- Key areas of improvement from 2017-18 that have been completed and have been effectively managed to the extent that they were no longer significant in 2017-18 (Appendix Page 10)
- Identifies new significant issues arising from the 2017-18 review of effectiveness of the corporate governance arrangements (Appendix page 4-6); and
- Provides an update on the key areas identified during previous years that remain an issue in 2017-18 (Appendix Pages 6-9).

Committee were advised that the report was the same statement reported at the last meeting albeit a few minor amendments. It was also noted that KMPG the external auditors had given assurances that the Annual Governance Statement (AGS) was consistent with their understanding of the authority and they had no concerns to raise.

Kathryn Smart queried the dates highlighted on page 154 of the AGS. The comment was taken on board and would be looked at for future reports to Committee.

RESOLVED that:-

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

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

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