

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

WEDNESDAY, 24TH JULY, 2019

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER, CIVIC OFFICE on WEDNESDAY, 24TH JULY, 2019, at 10.00 am.

PRESENT:

Chair - Councillor Austen White

Councillors Charlie Hogarth and David Nevett

APOLOGIES:

Apologies for absence were received from Councillors Richard A Jones, Tosh McDonald and Kathryn Smart (Co-opted member)

11 DECLARATIONS OF INTEREST, IF ANY

There were no declarations reported at the meeting.

12 MINUTES OF THE MEETING HELD ON 19TH JUNE, 2019

RESOLVED that the minutes of the meeting held on 19th June 2019 be approved as a correct record and signed by the Chair.

13 AUDIT COMMITTEE ACTION LOG

The Committee considered the Action Log which updated Members on any actions agreed at the previous meeting of the Audit Committee. Officers reported that all actions were progressing well. The log showed details relating to 4 actions requested in the October 2018, January 2019 and April 2019 meeting. There were no actions outstanding from earlier meetings and of these all are in progress and will be cleared in the course of future meetings.

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

14 INTERNAL AUDIT STRATEGY AND CHARTER.

The Committee received a report seeking consideration to the attached Internal Audit Strategy and the terms of reference for internal audit, which were set out in the Internal Audit Charter. It was reported that the Strategy and Charter was last reviewed in July 2017 in order to take into account the significant changes to Internal Audit Standards and recommendations made in the peer review carried out by Kirklees Council in 2017. It was noted that the documents had been reviewed and updated annually to take into account changes required, primarily through the latest guidance issued in the form of an Application Note from CIPFA and to set the strategy for the period 2019-2022.

In response to a query raised by the Chair, Councillor Austen White, the Head of Internal Audit reported that there were no significant changes to report and the changes that had been made, were technical in nature and Doncaster Council's were comparable to other Local Authorities.

RESOLVED that:-

- (1) the Internal Audit Strategy for the period 2019-2022 be approved; and
- (2) the minor revisions to the Internal Audit Charter be approved.

15 INTERNAL AUDIT PROGRESS REPORT.

The Committee received an update report on the work undertaken by Internal Audit for the period April to June 2019. The report also included details on the implementation of internal audit recommendations and the Internal Audit Teams performance information. A summary of the main points from each of the sections were provided in paragraphs 4-15 of the report.

In relation to Section 1, Revisions to the Audit Plan, Councillor Charlie Hogarth made reference to the Planning Committee Peer Review Follow up and asked when this document would be made available to Members. He also expressed some concern with regard to the reporting mechanism and whether the recommendations should be forwarded to Members prior to implementation. In response, the Head of Internal Audit stated that he was not sure of the reporting lines but from his understanding once all the actions from the peer review had been implemented and he had signed off their implementation, Members were to receive a copy of the report.

Councillor David Nevett raised two typographical errors to the dates relating to Adults Payments Systems for Day Care and AHW Risk Development. These were noted and would be amended. Councillor Nevett also expressed some concern with regard to the Museum Inventory highlighted at page 54 of the report and asked when this it would be up to date. It was reported that there was a final date, however this would be into the future as further work was required. It was noted that a plan had now been agreed to carry out a full update and for the inventory to be maintained.

Members were presented with an update with regard to North Bridge Stores, 19 actions were outstanding of which 12 were overdue lower level recommendations. The Assistant Director of Trading and Property Services gave members assurance that the recommendations were progressing. He commented that regular meetings were taking place with the Director, Peter Dale as well as regular liaison with the Head of Service for North Bridge Stores.

In relation to the Bereavement Service, the Assistant Director stated that the nine outstanding recommendations had now decreased to five, two of which had been forwarded through to Internal Audit for their clearance. Members were advised that two of the remaining recommendations were in progress and were due to be completed within the next two weeks with the remaining action to be completed when the new IT system had been implemented.

In relation to the North Bridge Stores, the Chair sought assurance that Management were confident that the dates for completion would be achieved. Members were

assured that discussions were taking place and that stores officers were working with Finance on the IT related system issues as well as with Audit.

It was reported that there was now a process in place where the Assistant Director was responsible for the signing off any extensions to dates for recommendations. However, a very robust business case was required in order to extend a deadline. The Head of Internal Audit wished to report that there was a high level of Management awareness with regard to North Bridge Stores and was happy with the arrangements that were in place. A further update would be provided to Members in due course.

Councillor David Nevett raised some concern with regard to Deprivation of Liabilities Safeguards (DoLS) at page 62 of the report. He stated that previously members were provided with numbers. However, there was no data available at present. The Head of Internal Audit advised that previously there had been a backlog in the processing of applications but this had been previously reported as now being in an acceptance level which was why this information was not now provided to Committee. The Head of Internal Audit informed Members that he was unaware of any problems in this area but would confirm this to Members in the next report.

Councillor Charlie Hogarth asked whether the issues arising from stores had had an impact of existing and perspective customers. It was reported that whilst this had been a difficult period, customers had been supportive and understanding.

In relation to Strategic Asset Management, the Chair asked whether there were any revised dates for completion Members were advised that the income reconciliation had been completed but there were some queries from this which were being worked through.

In response to queries raised with regard to outstanding recommendations within Adults and the slippage in the Audit Plan, the Head of Internal Audit advised members that Audit were not too concerned with regard to slippage and reported that an additional member of staff had joined the team. He commented that the percentage of jobs completed within 110% was a difficult area to measure for the team. However, adjustments to the budgeted time can be made to accommodate problems encountered during the audit. With regard to the outstanding recommendations in Adults, it was advised that similar measures to those taken in Regeneration had been made for instance the requirement to have Assistant Director approval for extensions. There was now a lot more visibility on the overdue recommendations and further dialogue taking place at a higher level. It was noted that it was intended that this information would also be reported to the Directors meeting on regular basis. It was noted that Damian Allen had previously given assurance with regard to Adults, and the outstanding recommendations had decreased. However, there was further work and improvements to be made.

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) the information relating to Internal Audit's performance in the period be noted.

16 STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2018/19 - ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE.

The Committee received a report on the Statement of Accounts and Annual Governance Statement 2018/19 – ISA 260 Report to those charged with Governance.

It was reported that in accordance with Internal Standard on Auditing (ISA) 260, the Council's external auditor was required to issue a report detailing the findings from the 2018/19 audit and the key issues that the Committee should consider before the external auditor issues their opinion on the financial statements. A copy of the ISA report was attached at Appendix A to the report; this had to be considered by Committee before the external auditor signs the accounts which legally had to be done by 31st July.

The External Auditor (Grant Thornton) provided Members with their findings which were contained within pages 75-109 of the report. Members were advised that they were expected to issue an unqualified audit opinion on the Council's financial statements for 2018/19; subject to all outstanding queries being resolved to their satisfaction and an unqualified Value for Money (VfM) conclusion for 2018/19.

It was noted that overall, the ISA 260 report was a positive one, with five adjusted misstatements.

In response to a query raised on the red indicators shown on pages 10 and 11 of the document, it was reported that all arrangements were now in place and amendments had been identified and addressed to a satisfactory position.

The Chair asked whether a further final report would be forwarded for signing off. It was advised that this was not the intention and whilst there was an issue being worked upon with regard to South Yorkshire Pensions, it was the intention for the Statement of Accounts to be signed off today. However, if there were any changes, these would be discussed with the Chair.

In relation to a number of queries raised by Councillor David Nevett, Officers provided the following details:-

- With regard to the £5.7m undercharged depreciation for Schools and Children's Centres, it was advised that schools were valued as at 1st April 2018 and then again as at 31 March 2019. No depreciation had been charged on these assets for 2018/19 and the net cost of services was consequently understated. This error has been identified and the accounts have been amended.
- In relation to the peppercorn rent for the CAST theatre. It was reported that the Theatre should have been properly valued on a leasehold basis in 2013, at which time, the impairment resulting in the downward revaluation should have been recorded in the 2013/14 financial statements. A prior Period Adjustment was required impacting on the Authority's opening balances. Again the error has been recognised and the accounts have been amended.

- With regard to Council Dwellings, these were valued as of the 1st April, 2018. Further correspondence with the District Valuer indicated that the Beacon Values had increased between 0% to 2%. The Council agreed that the midpoint 1% increase was appropriate and the accounts have been amended to reflect this change.
- In relation to austerity, the Director of Corporate Resources gave a brief update to members stating that the graphs provided within the report showed a strong position. As part of the Medium Term Financial Strategy (MTFS) proposals were already being worked upon and it was intended that these would be considered at Cabinet on 1 October 2019. She indicated at present there was no clear understanding with regard to future settlement funding available, so the Council needs to prepare for every eventuality. As stated earlier, it was the intention for this to go out for consultation in October and it was envisaged that settlement information would be known in December. She stressed that the Council needed to continue to be as lean as possible whilst providing good services at a lower cost. There was also a need to improve services and processes even when austerity was over and continue to be adaptable to what resources are available.
- With regard to the audit adjustments highlighted at page 100 of the report, it was noted that these were all now completed.

In addition, it was reported that the Council was also required to prepare, approve and publish an Annual Governance Statement (AGS) in accordance with the Accounts and Audit Regulations and professional accounting practice. Since the draft AGS presented to Committee in April, there had been no further significant issues identified and the current issues contained within the AGS had been reviewed and reflected the latest position.

RESOLVED that:-

- (1) the contents of the external audit ISA 260 report be noted;
- (2) the contents of the letter of representation be endorsed;
- (3) the Statement of Accounts 2018/19 be approved; and
- (4) the Annual Governance Statement 2018/19 be approved.

CHAIR: _____

DATE: _____