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DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

17TH JUNE, 2020

A MEETING of the AUDIT COMMITTEE was held via Teleconference on Microsoft Teams on WEDNESDAY, 17TH JUNE, 2020 at 10.00 a.m.

PRESENT:

Chair - Councillor Austen White
Vice-Chair - Councillor R. Allan Jones

Councillors Charlie Hogarth, Tosh McDonald, David Nevett and Co-opted Member Kathryn Smart.

ALSO IN ATTENDANCE:

Debbie Hogg, Director of Corporate Resources
Scott Fawcus, Assistant Director, Legal and Democratic Services
Faye Tyas, Assistant Director of Finance
Peter Jackson, Head of Internal Audit
Holly Wilson, Head of Strategic Procurement
Perminder Sethi, Grant Thornton, LLP

34 DECLARATIONS OF INTEREST, IF ANY

There were no declarations made at the meeting.

35 MINUTES OF THE MEETING HELD ON 30TH JANUARY 2020

RESOLVED that the minutes of the Audit Committee Meeting held on 30th January, 2020, be approved as a correct record and signed by the Chair.

36 AUDIT COMMITTEE ACTION LOG

Peter Jackson, Head of Internal Audit presented the Audit Action Log which detailed all actions agreed at previous Audit Committee Meetings. It was noted that of the seven actions previously requested at the January and October 2019 meetings, no actions were outstanding, two had been completed, the remaining five were in progress and would be cleared in the course of future meetings. None of these represented longer running issues.

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

37 ANNUAL REPORT OF THE MONITORING OFFICER

Scott Fawcus, Monitoring Officer presented his Annual report on matters relating to ethical governance, including details of complaint handling activity carried out in consultation with the Independent Person in relation to allegations of Member misconduct, details of disclosures made under the Council's Whistleblowing Policy during the last 12 months, and reports under the Money Laundering Policy.

The Monitoring Officer reported that he had a statutory responsibility to consider matters in relation to potential breaches of the Member Code of Conduct in relation to Borough Councillors and Parish and Town Councils across the Borough. He was pleased to report that

the majority of Parish and Town Councils and the majority of Borough Councillors have carried out their roles in such a manner that no issues have been brought to his attention.

Following the presentation of the report, the Vice-Chair, Councillor Richard Alan Jones referred to an outstanding complaint from last year regarding a Borough Councillor and sought information as to its progress. The Monitoring Officer advised that the complaint was ongoing and still under investigation, and that he would report back his findings to the Committee at a future meeting.

Councillor Jones also made reference to the draft Members' Code of Conduct issued by NALC and asked whether the Council will have the opportunity to input into this process as part of the review currently being undertaken on the Member Model Code of Conduct. The Monitoring Officer confirmed that all Monitoring Officers across the country have been initially consulted on the Code and have had the opportunity to contribute as part of the consultation process. He advised that he did not know when the Code would come into force, however, he gave an undertaking to provide an early indication of the outcome of the consultation and an update on any changes, to this Committee, all Ward Councillors and Parish and Town Councillors as any changes occur. When an amended Code is enacted, Members and Parish and Town Councillors will be fully briefed on any changes and training will be provided.

Councillor McDonald expressed concerns with regard to the possibility of greater powers being afforded to the Monitoring Officer in relation to Member complaints under the Code and sought assurance that protections would be given to the subject member. The Monitoring Officer reminded Members of the complaints process and that ultimately decisions as to any sanctions are made by the Audit Hearings Sub-Committee, not by the Monitoring Officer. The available sanctions do not provide sufficient deterrent for the worst cases, and in the case of Town and Parish Councillors, the Hearings Sub-Committee can only recommend a course of action for the Parish/Town Council to undertake, they cannot require that their sanction is enforced. In view of this, as part of the review of the Code the Monitoring Officer wished to see greater powers by way of broader sanctions being introduced in respect of breaches of the Code of Conduct.

In noting the three whistleblowing returns for 2019/20, as set out at paragraph 13 of the report, Members asked whether the whistleblowing process was adequately promoted throughout the Council to enable staff to use the Policy. The Monitoring Officer confirmed that the Policy was widely publicised via the Councils internal and external website and information on the Policy is communicated to staff annually. However, it was acknowledged that due to recent internal communications relating to Covid 19 dominating the Intranet, it may be prudent to post a further communication on the website as a reminder to staff after this time. Following further questions, the Monitoring Officer reported that the range of Whistleblowers who had submitted complaints under the Policy suggests that staff were aware of the Policy and that in terms of benchmarking with other authorities, it was difficult to draw comparisons.

The Head of Internal Audit reported that the Whistleblowing Policy was currently being reviewed to ensure that it remained fit for purpose. Once completed staff would be informed of those changes and a report would be brought to the Committee in October 2020.

Arising from a question from Kathryn Smart in relation to the Council's ongoing investigation to the safeguarding concerns about a DMBC facility, as set out at paragraph 13 of the report, the Monitoring Officer reported that following the conclusion of the investigation, an update would be brought to the Committee as part of the Head of Internal Audit's Audit Committee Actions Log report.

In response to a question, the Monitoring Officer confirmed that the procedures in place to prevent money laundering were sufficiently robust.

RESOLVED that

- (1) the Monitoring Officer's Annual report on complaint handling activity for the period 1st April 2019 to 31st March 2020, be noted;
- (2) the whistleblowing return for 2019/20, be noted; and
- (3) the nil money laundering reports for 2019/2020, be noted.

38 BREACHES AND WAIVERS TO THE COUNCIL'S CONTRACT PROCEDURE RULES

The Committee received a report, presented by Holly Wilson, Head of Strategic Procurement which detailed all waivers and breaches to the Contract Procedure Rules (CPR's) for the period 1st September 2019 up to 29th February 2020. The report provided a summary of the number of new waivers and breaches recorded for each directorate since the last audit report presented to Committee in October 2019 for comparative purposes. Further details regarding each waiver and breach were summarised in Appendices 1-3 of the report.

The Head of Strategic Procurement reported that following the Covid 19 outbreak, there has been a significant increase in the number of waivers. She advised that a supplementary report on breaches and waivers would be presented to the Committee at its meeting in July.

The Committee was pleased to note that a long-standing issue in relation to the Solar Centre had since been resolved and thanked Officers who had been involved for the work undertaken.

The Committee commended the Strategic Procurement Team for the overall decrease in waivers and breaches for the period up to 29th February 2020, however, sought assurance that the procedures to manage, award and monitor waivers and breaches to Council Procedure Rules during the period since the date of this report and the Covid 19 outbreak have been followed correctly. The Head of Strategic Procurement reported that she had been given clear direction from the Council's Leadership Team to ensure that good governance was in place and whilst there had been an increase in the workload of the Procurement Team, she was confident that the correct processes had been followed. The report to be presented to the Committee in July would provide a full analysis and provide further assurance that procedures have been adhered to.

Members raised concerns that due to Covid 19 some suppliers have been charging vastly inflated prices for essential items, such as personal protective equipment, therefore have profiteered from the demand in supplies. Members asked that the report to the Committee in July provide information regarding poor practices from suppliers that had profiteered during the pandemic.

The Head of Strategic Procurement confirmed that the report in July would provide information regarding those waivers where the Council have had to block purchase for such items and explained that the Council's usual supply chain could not meet the Council's requirements. She assured Members that none of the Council's existing contractors had inflated prices and explained that contractually the prices had been fixed with the contractor. The Procurement Team have monitored this area and have endeavoured to get value for money, where possible. However, the Head of Procurement agreed to include in the report to Committee in July as to whether any of the Council's current contractors have inflated their prices.

Whilst recognising that there would be spikes in supplies for goods, that had been set at a fixed price, Members sought assurance that there would not be an increase in waivers as to that reported in previous years, as it was noted that they had notably decreased since that time. The Head of Strategic Procurement advised that unfortunately, there would be a

significant increase in waivers, as the work on reporting waivers had not yet been carried out, with the report only including waivers pre Covid, but would be done as part of the spend analysis, and included in the report to next month's Committee. She explained that there had been a delay in contract activity, due to companies furloughing staff, therefore, had not been in a position to tender. This had created an artificial economic situation and had inflated prices, therefore, the Council had decided not to procure goods at this time, as it would not be in the Council's best interests in terms of value for money. Furthermore, contract and procurement staff had been re-directed to deal with Covid 19 pressures. She assured members that contracts to be waived prior to Covid had been waived, so there should not be any breaches during this time. However, she reported there would be an increase in waivers going forward, but hopefully this would be in the short term and that normal tendering would resume, but was dependent upon how long the Covid 19 situation continued.

The Director of Corporate Services added that at the commencement of the Covid 19 outbreak, the Council has been operating within the Government guidelines, Cabinet Office Procurement Policy Note (PPN2) regarding payment of the Council's Suppliers to ensure service continuity during and after the outbreak, which would support the actions taken by the Council. She felt that it would be beneficial for this information to be included in the report to the Committee in July in order that Members are fully apprised. The Head of Procurement undertook to include this information in the report.

During subsequent discussion, Members were disappointed to note that some areas within the Council still had no understanding or awareness of the scope of corporate contracts and of the corporate framework in respect of waivers. It was reported that a lot of face to face training had been undertaken in relation to procurement and Contract Procedure Rules. Training was to be moved to a new learning platform and work would continue in this area to ensure that nobody would fall through the gaps.

In response to a question as to whether the breach as identified as item 3, 'Glass and Glazing supplier for the supply and install of doors, windows and board ups', and the waiver identified as item 2, 'Extra Care Housing', of Appendices 1 and 2 respectively, had been awarded, the Head of Strategic Procurement reported that the contracts may have been delayed due to Covid 19. She gave an undertaking to provide an update on these matters in the report to the Committee in July.

Members were reassured that the breaches and waivers during the period covered in the report had been reasonably controlled in terms of the procurement of services and thanked the Head of Strategic Procurement for the report.

RESOLVED that the information and actions contained in the report regarding waivers and breaches to Council Procedure Rules, be noted.

39 ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2019/20

Peter Jackson, Head of Internal Audit presented a report which provided information on the work of Internal Audit during 2019/20, including his overall opinion on the Council's governance, risk management and internal control arrangements. The report also informed Members of the team's compliance with Public Sector Internal Audit Standards.

The Head of Internal Audit provided an overview of the key headlines in the report. He was pleased to report that he was satisfied with the work of the Internal Audit Team during the year and gave a positive opinion over the risk, governance and control arrangements across the Council. Notwithstanding the current Covid 19 situation, he confirmed that he was not aware of any fundamental breakdowns which might affect his opinion on these arrangements for 2019/20 and advised that the implications of Covid would impact heavily on next year's audit opinion. Further details were provided for in Section 8 of the Appendix to the report. It was reported that the External Quality Assessments being carried out through a peer review

arrangement with two other local authorities and that Members would be updated if the timescales were not going to be met.

Members raised a few queries in relation to the areas with limited assurance audit opinion that were not sufficiently significant to require inclusion in the Annual Governance Statement. In relation to North Bridge Stores, it was reported that all recommendations have since been implemented and a follow up review was planned to confirm the continued effectiveness of the changes and identify any possible other uncontrolled risks in this area.

Members were informed that with regard to Mobile Devices and ICT Inventories there would be some slippage in implementing the recommendations which was due to the ICT team supporting the Council's systems during the Covid 19 outbreak. However, it was reported that there were no concerns regarding any significant losses of equipment to the Council. With regard to the risks associated with Council staff using mobile devices whilst working at home in lockdown, Members were assured that Officers would look to identify control problems or potential risks in this area and will be looking at the supply of ICT related issues going forward. It was noted that in respect of high value items such as laptops, Members were assured that controlled mechanisms were in place in terms of purchasing and the issuing of laptops.

RESOLVED that

- (1) the Internal Audit Annual Report for 2019/20, including confirmation that the Council's governance, risk management and control arrangements were adequate and operated satisfactorily during the year, be noted;
- (2) the Head of Internal Audit's self-assessment and the confirmation from the external peer assessment in 2016/17 that the service is compliant with the Public Sector Internal Audit Standards, be noted; and
- (3) the decision made for the Head of Internal Audit from Rotherham Council to lead on an external assessment of the Doncaster Internal Audit Service in late 2021 as part of triparty arrangements between Calderdale, Rotherham and Doncaster Internal Audit Services, be noted.

40 DRAFT ANNUAL GOVERNANCE STATEMENT 2019/20

Debbie Hogg, Director of Corporate Resources presented the draft Annual Governance Statement for 2019/20, which was a requirement under the Accounts and Audit Regulations (England) 2015, to be submitted as part of the annual accounts process.

It was noted that 6 out of the 10 key areas of improvement included on the 2018/19 Statement had been completed. The draft Statement for 2019/20 included 3 new areas of significant risk arising for inclusion in the Statement.

- Assurance over Financial Resilience and Service Sustainability in response to COVID 19
- Governance Functions
- Data Quality Arrangements within the Assistive Technology Service

The draft Annual Governance Statement was initially prepared pre Coronavirus, but the draft Annual Governance Statement has been updated to reflect known and projected impacts at this point in time

The statement had reflected strong governance in place during 2019/20. However, it was stated that the statement must also consider any significant governance issues up to the point of its approval which takes places when considered alongside the Council's Audited

Statement of Accounts currently scheduled for October 2020 Audit Committee and it was noted that Coronavirus would be a challenge and impact on governance going forward.

Arising from discussion, the Vice-Chair, Councillor Richard Alan Jones referred to the Councils Governance Framework, as set out in the Appendix to the report and felt that there should be an audit trail in relation to the work of the Council's Statutory Officers Governance Group. Officers explained the Governance Group was an officer working group established several years ago that had its own governance work plan and that its output and audit trail was what agenda items were presented at Audit Committee, e.g. the Annual Governance Statement itself had been inputted into and reviewed by the Governance Group.

In response to questions from Members, the Director of Corporate Resources reported that whilst the Council was largely on track to make the planned savings for 2020/21, there was currently a projected shortfall of £1.7m. The Council were currently under significant financial pressure and have pressures in the region of £15m and increasing due to the impact Covid 19 was having on Council Services. The Council had received £18m funding from the Government to support the impact Covid 19 was having on Council services. However, she stressed that the Council continued to face significant challenges. Should the Council not receive further funding from Government, the Council would need to bring in measures in order to ensure a balanced position in 2020/21.

In response to further questions regarding the payment of business rates and rate relief for businesses, it was noted that those business who qualified for the relief had received it. For those businesses who had been granted payment holidays, the Council would be contacting them from the end of June onwards to put in place payment plans for payment of business rates.

In answer to a question concerning the Adult Social Care Market Sustainability, as to whether more support would be provided to those businesses who were found to be in financial difficulties due to the Covid 19 pandemic, it was noted that both Supported Living and Residential Services have been supported during Covid 19, and measures have been introduced to support these areas going forward.

During discussion, it was noted that the carry forward of the 4 key areas of improvement from the 2018/19 Statement had been risk assessed as still being significant and warranted their continued inclusion in the Annual Governance Statement.

A question was asked as to what impact Covid 19 had on the Council's governance arrangements. Members were informed that the Council's Governance framework was robust and flexible to enable the council to conduct its business. A number of Special Urgency Rule 16 decisions had been taken to deal with urgent issues.

RESOLVED that the initial outline of the draft Annual Governance Statement, prior to being published for consultation as part of the Draft Accounts in June 2020 (revised timescales), be noted.

41 INTERNAL AUDIT PLAN 2020/21

Consideration was given to the Internal Audit Annual Plan for 2020/21 which had been prepared in line with the requirements of the UK Public Sector Internal Audit Standards. The Plan had been developed following a review of the risks and controls of Council activities (including partnership activities).

The Head of Internal Audit provided an overview of the items that were currently on the Plan, as set out at Appendix A of the report and those lower risk items at Appendix B. It was noted that the plan had been drafted before the Covid 19 crisis and had been subsequently subject to an initial review reflected in this Plan, and would be reviewed on a regular and ongoing

basis, with a particular regard to Covid 19, which had already resulted in significant changes to the Plan as also experienced by other Local Authority Audit teams.

In response to a question, it was confirmed that the Council would be looking at the resources provided to Care Homes and the ongoing issues that had arisen.

A further question was raised as to whether contingency plans had been put in place if there were to be a second spike of Covid 19 and how this may impact on Internal Audits ability to carry out work during the year and it was confirmed that these and many other issues had been considered, and were being worked through.

With more people working from home remotely and not having to travel to work, a Member asked whether there would be some savings to the Council post Covid 19. The Head of Internal Audit confirmed that the Council could work more efficiently in some areas, however, advised that they needed to assess these with perhaps some refinements to achieve longer-term efficiencies, as a result of the Covid situation.

RESOLVED that

- (1) the Committee to support and approve the principles and strategy underpinning the 2020/21 Internal Audit Plan, as set out in Section 1 and expanded upon in Section 7 of the Internal Audit Plan report; and
- (2) the Committee support and approve the plan itself as it stands, as set out in Appendix A of the report, noting the necessity for future full and ongoing reviews of the plan whenever it is appropriate to do.

42 AUDIT COMMITTEE ANNUAL REPORT 2019/20

Peter Jackson, Head of Internal Audit introduced the Audit Committee Annual Report for 2019/20, which set out the key aspects of work undertaken by the Committee during 2019/20.

It was noted that the Committee had made a positive contribution during the year and had fulfilled its Terms of Reference, which had included:-

- Helping to maintain and improve the Council's system of risk, governance and control by reviewing internal and external audit work carried out during the year.
- Supporting improvement in the Council's control arrangements by ensuring appropriate action is taken to implement audit recommendations and calling officers to account where explanations over any lack of progress are required..
- Critically assessing the Council's governance arrangements and supporting the production of an accurate Annual Governance Statement.
- Supporting the maintenance of the good standards achieved in producing the Council's Statement of Accounts, while meeting shorter timescales now required.
- Supporting the Council's antifraud and corruption arrangements and noting progress in this area as set out in the annual fraud report.
- Ensuring the Council's surveillance policies are kept up to date and reviewing surveillance carried out by the Council.

In connection with this item, Members raised the possibility of delivering the Committee's Work Programme by holding virtual meetings in the future.

RESOLVED that

- (1) the Audit Committee Annual Report 2019/20, be approved; and

- (2) that the Annual report to be presented at a future meeting of full Council, as set out at paragraph 3 of the report.

43 GRANT THORNTON - UPDATE TO AUDIT PLAN – (Minute No.33 – 30th January 2020 - External Auditor (Grant Thornton) Audit Plan 2019/20 and arrangements for the preparation of the 2019/20 Accounts)

Further to the above Minute, the Committee received correspondence from the Council's external auditors, Grant Thornton, LLP, (dated 21st April 2020) which provided an update in relation to the external auditors additional scope of work and the new significant risks to the Audit Plan for 2019/20, arising from Covid 19. A copy of the addendum to the Audit Plan highlighting the additional work was appended to the correspondence for Members information.

Perminder Sethi, Grant Thornton was in attendance at the meeting to update the Committee on the Audit Plan for 2019/20.

In presenting this item, Perminder Sethi drew Members' attention to the addendum Audit Plan 2019/20, which set out the reasons for the new identified significant risk as a consequence of Covid 19. An extract from the revised Audit Plan in the letter from Grant Thornton dated 21st April, 2020, highlighting the additional risks is shown below:-

- *Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation;*
- *Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates*
- *Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen*
- *Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.*

In response to a question from a Member as to the reasons why Grant Thornton had not provided an indication of the time to carry out the variation of work, Perminder Sethi informed Members that notwithstanding the delayed requirements for implementing the International Financial Regulation Standards (IFRS) 16, it was not possible to confirm that the revised Audit Plan could still be completed within the fee envelope and the timeframe provided.

Following a further question from a Member as to whether there would be cost savings to the Council due to Grant Thornton overheads being reduced because of its staff currently working remotely from home, Perminder Sethi advised that Grant Thornton still had to pay costs associated with the running and the upkeep of its offices. It was likely that remote working could potentially impact negatively on the time to complete the audit and could lead to additional costs for both Grant Thornton and the Council. However, it was noted that Grant Thornton were trying to minimise this where possible.

RESOLVED that the updated Audit Plan for 2019/20, be noted.

44 GRANT THORNTON - AUDIT SCALE FEE

The Committee received correspondence from the Public Sector Audit Appointments Ltd (PSAA) advising the Council that the audit scale fees for the Audit 2020/21, to be undertaken by Grant Thornton would be £126,930, which was at the same level as that set for 2019/20. It was noted that significant financial failures in the private sector (i.e. the collapse of Carillion), more recently the impact of Covid 19, and the resulting pressures on local authorities finances, has led to an expectation that audits need to be more challenging. Therefore, audit firms were finding it difficult to deliver the level of audit work to the standard that was now necessary within the fee envelope previously agreed. As a consequence of the above, the PSAA had approved the increase in the fees for the audit.

In response to Members questions seeking an explanation of the process involved in relation to determining the scale of audit fees, Members were advised that in common with many local authorities the Audit Committee had discharged this function through the appointment of external auditors to the PSSA. Therefore, the Council did not have the ability to have any influence on the fee rate.

RESOLVED that the proposed scale of audit fees for the Council's 2020/21 Accounts and update on 2019/20, be noted.

CHAIR: _____

DATE: _____

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