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DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

WEDNESDAY, 27TH JANUARY, 2021

A MEETING of the AUDIT COMMITTEE was held at the VIRTUAL MEETING VIA MICROSOFT TEAMS on WEDNESDAY, 27TH JANUARY, 2021, at 10.00 am.

PRESENT:

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

Councillors Charlie Hogarth, Tosh McDonald, David Nevett and Kathryn Smart.

Peter Jackson	Head of Internal Audit
Debbie Hogg	Director of Corporate Services
Faye Tyas	Assistant Director of Finance
Mark Wakefield	Head of Service, Strategic Commissioning
Kathryn Anderson-Bratt	Head of Service, Quality & Safeguarding
Helen Potts	Principal Legal Officer
Perminder Sethi	Engagement Senior Manager
Gareth Mills	Engagement Lead, Grant Thornton

62 Declarations of Interest, if any

There were no declarations made at the meeting.

63 Minutes of the meeting held on 19th October 2020.

RESOLVED that the minutes of the Audit Committee meeting held on 19 October, 2020, be approved as a correct record.

64 Audit Committee Actions Log.

The Audit Committee were presented with the Audit Committee Actions Log, which provided an update on all actions agreed at previous Audit Committee meetings. Members noted that all actions were progressing well and the actions from the meetings during the previous year were no longer outstanding, with two having been completed, and the remaining action had been delayed due to the Covid Pandemic.

RESOLVED that the Audit Committee note the progress being made against the actions agreed at previous committee meetings.

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

Members received a report from Helen Potts, Principal Legal Officer that provided the Committee with its six monthly update on the Council's use of RIPA (Regulation of Investigatory Powers Act).

Helen Potts informed Members that due to the current restrictions that the country had been placed under since the last update report had been received, there had been less work undertaken, as many of the staff who were previously working in these roles were currently being reassigned to different areas of work as a result of the pandemic. Additionally, the nature of the investigations created additional social distancing risks which were unavoidable and therefore had been delays placed upon the service.

Information was still being received in relation to underage sales, illicit tobacco, alcohol, and counterfeit goods, but the surveillance that could be undertaken to respond to this was limited during the lockdown periods and also beyond.

Members voiced their concerns that due to the pandemic there was an impact on the ability to undertake required work but acknowledged the limitations. However, it was queried how many reports had been received from members of the public and how many warning letters had been sent to local businesses in advance of any further steps. Officers would endeavour to supply Members of the Committee with this information. Additionally, Members requested that further to that query, a breakdown be provided with data regarding the individuals against whom any action was taken in order to ensure that equalities were being adhered to.

RESOLVED that the Audit Committee noted that the Council has had no surveillance applications authorised under RIPA since the last report to the Audit Committee on 30 January 2020.

66 Update Report on Contract Commissioning in Adults, Health & Wellbeing.

Mark Wakefield and Kathryn Anderson-Bratt were in attendance at the meeting to provide an update to Members on improvements made within the Adults Commissioning and Contracts Service Area. This item had been a regular item on the Audit Committee Agenda since April 2017 due to a number of breaches and waivers to the Council's Contract Procedure Rules. Improvements had been made year on year and there had been vast improvements in all areas which was pleasing to see.

An update was also given in regard to the Adults Commissioning and Contract response to the Covid-19 Pandemic and how they were assisting with this. The Committee noted that there was a successful approach with funding from central government being used to mitigate the spread of infection across the borough.

Members had a broad discussion regarding the report and the thoughts it raised as a result. Whilst the progress that had been made was exceptionally pleasing and reassuring, a number of Members still had concerns with regard to standing down the reporting to Audit Committee, as it was felt it was then easy to lose sight of any problems that may reoccur. It was felt that added pressures of Covid-19 could create new problems moving forward, and potentially this was not the right time to do so.

Officers acknowledged the concerns raised by the Committee, but aimed to give assurance that the service was operating in a well-controlled manner, and whilst the comments and concerns were noted, they assured Members that a watching brief would be kept. Additional monitoring would be ongoing through the Breaches and Waivers report that was presented to the Committee on a regular basis. Should problems be indicated from these monitoring arrangements then enquiries could be made and a report brought to Committee. After a

comprehensive discussion, officers alleviated the concerns of Members and they were happy to accept the recommendations to stand down the reporting as it was acknowledged that the Service Area was in a much more stable and controlled position than it had been in previous years.

RESOLVED that the Audit Committee note the information contained within the report and agreed to stand down the reporting of progress by the Adult Commissioning and Contracts function to the Audit Committee. The Committee agreed to revert to 'business as usual' audit processes to provide oversight and assurance in respect of commissioning and contract going forward.

With regard to the recommendation approved by Members, Councillor Tosh McDonald requested that his dissent from the decision be noted.

67 Annual Governance Statement 2019/20 - Progress Update

Members considered a progress update with regard to the Annual Governance Statement that had been considered by the Audit Committee at its meeting on 18 October 2020. At the meeting in October, a number of issues and actions had been outlined that would need to be dealt with following that meeting.

Members noted that the only points to note were that there had been some slight slippage with regard to two issues. The completion date for the Doncaster Integrated People Solution (DIP's) had been moved from March 2021 to July 2021. The Committee were informed that this was being kept under close view after a number of challenges had led to the delay but that robust arrangements were in place.

Committee also noted that Governance Functions had also been moved from March 2021 to June 2021. Members noted that this was part of a wider piece of work around training and was being looked at closely by the Leadership Team.

All the changes were documented within the progress report contained within the agenda and Members would be updated further.

The Committee were given the opportunity to ask any questions of officers in relation to the report, which were largely focused on the following:-

- Were all items being monitored and reviewed;
- Was training continuing;
- What were the main areas of concern;
- Were there still ongoing issues regarding telecare and associated repercussions

The questions raised gave the Officers the opportunity to provide clarity on these issues and any progress already made.

RESOLVED that the Audit Committee note the content of the briefing paper and attached Appendix.

68 Internal Audit Progress Report for the Period: October to December 2020.

Members considered the Internal Audit Report for the period October to December 2020, which provided information on the work undertaken by Internal Audit in the period.

The report was split into four sections as follows:-

- The Audit Plan and any revisions to it;
- Audit work undertaken during the period;
- Implementation of Management Actions arising from Audit recommendations; and
- Internal Audit Performance.

It was reported that the routine audit work was now carrying on as normal, despite the impacts of the Covid pandemic.

With regard to the implementation of actions arising from recommendations, this was a high priority area, and the Internal Audit Team had worked with Management to ensure that any actions able to be implemented had been completed. However, in areas where this had not been possible, this was largely due to the reprioritisation of resources during the Covid Pandemic.

In terms of Internal Audit performance, the Committee noted that information on this area was limited but noted the prompt issue of audit reports to Management.

Members were invited to put any queries to officers on which they required further information.

The Committee noted that they had held a discussion with regard to the Internal Audit Plan before the meeting in their training session, and had acknowledged that even though the Council was working in unprecedented times, the Audit Team had delivered work appropriate to the circumstances and the work plan for the remainder of the year was reasonable. They were satisfied that the Internal Audit Function was performing satisfactorily.

A number of queries were also raised regarding the Economy and Environment area, and the support being given to this as it was evident that there were a number of overdue actions where improvements needed to be made. Officers assured Members that they were receiving support and it was a very fluid situation that was being monitored.

In terms of building up to giving his annual audit opinion, the Head of Internal Audit informed the Committee that a more lateral approach had to be used this year, gaining assurance from the unplanned work that the team had carried out as part of the initial pandemic response and the consequent work that had arisen as part of the pandemic. He stated he had also had to draw down into the “assurance reserves” that the team had built up from previous years’ work and also obtained from other sources. He stated that he would continue working through this with the Assistant Director of Finance including how to build back up the “assurance reserves” in the future. The team were very experienced with extensive knowledge of the Council’s operations. This had been invaluable in this very difficult period of time, and he provided reassurance to the Committee that coverage and support would always be given on a risk-based basis. The year had been considerably more demanding than previous years, and whilst a different approach was being taken in delivery of Internal Audit work and arriving at his annual opinion, CIPFA were recognising this within their guidance.

RESOLVED that:-

- 1) The Audit Committee note the position of the Internal Audit Plan;
- 2) The internal Audit work completed across the period be noted; and
- 3) The Audit Committee note the position with regards to the implementation of management actions arising from Internal Audit Recommendations.

69 Preventing and Detecting Fraud and Error - October 2019 to September 2020

Members considered the annual report for detecting Fraud and Error for the period 1 October 2019 to 30 September, 2020.

The report gave a summary of all the work undertaken during the period to prevent, detect and investigate fraud and corruption. Peter Jackson, Head of Internal Audit, outlined to Members that due to the Covid Pandemic, the fraud landscape of the Council had changed significantly over the past year due to the approach promoted by the government in supporting business through the period. This had resulted in a number of grants being offered and a change to rates and reliefs offered, that could potentially allow new opportunities for potential fraudsters to exploit.

Members noted that overall in Doncaster, fraud remained low, and the report was a positive report that outlined the good work being done to ensure that people were made aware of any corrupt activity, which was at a cost to the taxpayer.

Within the report, the following points were highlighted:-

- 22 cases of fraud or error in businesses rates grants
- 414 cases of single persons Council Tax Discounts cancelled
- 13 cautions and 16 pending cases relating to Blue Badge Fraud
- 1287 cases referred to the Single Fraud Investigation Service for housing Benefit and 284 Direct Earnings Attachments to recover historically written off debt
- Proactive checks by the Council detected 146 duplicate invoices.

Members had a brief discussion regarding the information contained within the report, and were assured that systems was working effectively. The Committee were informed that development of the Team was ongoing and fraud awareness was delivered by the team and would look to be rolled out as appropriate as part of a wider package of training and awareness. It was also noted, that due to all the additional grants and funding streams currently coming forward as a result of the support being offered nationally in response to Covid-19, there was the potential that further issues may arise in the future. Checks were being made at application to minimise fraud and error. It was a moving picture and looking forward, there would be a clearer view of what the impact had been in the next annual report.

RESOLVED that the Audit Committee support the production of the Preventing Fraud and Error repot and agree to appropriate publicity being produced to highlight the outcomes from the Council's anti-fraud activity and to act as a deterrent to Fraud.

70 Grant Thornton Annual Audit Letter 2019/20.

The Audit Committee were presented with the Key Findings from the Annual Audit Letter from Grant Thornton. The draft Audit Letter had been presented to the Committee at its previous meeting and had provided Doncaster with an Unqualified Opinion for 2019/20.

It was noted that a number of authorities had still not received their Annual Audit Letter due to the challenges faced by Covid-19 as it had placed a number of pressures across the industry.

The report informed the Committee that there had been excellent co-operation in challenging times and there had been no issue in giving Doncaster a positive Value for Money (Vfm) conclusion.

The ongoing Covid-19 Pandemic had been identified as an area within the financial statements with the following identified as further risks:-

- Management over-ride controls
- Valuation of Land and Buildings
- Value of Pension Fund net liability

Within the VfM conclusion, BREXIT was identified as a key risk, but this was to be expected due to the uncertainty surrounding this currently, and moving forward into the next year. Additionally, Financial Standing was identified as a further risk although this was a nationally identified issue and more towards commercial entities rather than local authorities.

The Committee were informed that it was hoped the Annual Audit Letter would have its final sign off following the Audit Committee, prior to its deadline of the end of January.

The Chair thanked Perminder Sethi and Gareth Mills for their attendance at the meeting, and on behalf of the Committee, Councillor White conveyed his thanks to all involved in Finance for working so hard in unprecedented times to achieve an Unqualified Opinion on the accounts.

RESOLVED that the Annual Audit Letter 2019/20 be noted.

71 Grant Thornton Briefing on the Financial Reporting Council (FRC) Report on Local Audit.

Gareth Mills, Grant Thornton, provided the Committee with a briefing with regards to the FRC report on local Audit. The report produced by the FRC detailed their findings of its review of local auditors, working across the public sector. It had selected a number of Audit files for review from across the public sector and within these; Grant Thornton as the largest provider in the market, had been asked for the largest selection of files.

Grant Thornton had been asked to provide six files, and out of these, one had been described as requiring limited improvements, and five required improvements. Additionally, 6 had been reviewed from Value for Money files, and of these, it was noted positively that none of these required any more than limited improvements.

One point that had been noted during the review was that there needed to be more concentration on PPE (Property, Plant, Equipment) and Grant Thornton would respond to these actions accordingly. Additionally, EQCR, Fraud Risk Factors and completeness of expenditure were also highlighted in their other key findings. It was reported that they would ensure more measures were put into place with regard to these recommendations in order to ensure that there was stronger audit quality moving forward.

RESOLVED that the report on the FRC Report on Local Audit be noted.

72 Grant Thornton Presentation - The Redmond Review.

Gareth Mills, Grant Thornton, gave a briefing to the Committee on the Redmond Review, which was a review undertaken by Sir Tony Redmond, the former president of CIPFA. This had been published in September 2020 and had looked at the effectiveness of audit in Local Authorities. It was reported that Local Audit was now facing unprecedented set of challenges for a number of reasons, and it was felt that radical reforms were needed as a result.

The current system, Members noted, was not working and as a result, the service provided was not as higher standard as it should be. There was huge difficulty in attracting and retaining employees within the Audit Industry, which placed added strain on meeting expectations. The 31 July deadline for the final accounts had placed added further pressure

on auditors and as a result, it had been proposed that a number of recommendations were put into place. These included:-

- A new regulator – the Office of Local Audit and Regulation would be brought in to replace the FRC and the PSAA;
- Scope to increase fees – The current fee structure for local audit be revised (i.e. increased) to ensure that adequate resources were deployed to meet the full extent of local audit requirements;
- Move back to a September deadline – The deadline for publishing audited local authority accounts be revisited with a view to extending to 30 September instead of 31 July every year.

Following the briefing given by representatives from Grant Thornton, Members of the Committee were invited to comment on the Review and discussion ensued, with particular emphasis placed on the fee system and how this would be agreed. Members were assured that this would be done through the proper tendering process to ensure it was done openly and transparently.

RESOLVED that the briefing on The Redmond Review be noted.

CHAIR: _____

DATE: _____

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