

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

THURSDAY, 29TH JULY, 2021

NOTES of an INQUORATE MEETING of the AUDIT COMMITTEE, held at the COUNCIL CHAMBER - CIVIC OFFICE on THURSDAY, 29TH JULY, 2021, at 10.00 am.

PRESENT:

Chair – Councillor Austen White

Councillor Sophie Liu.

ALSO IN ATTENDANCE

Debbie Hogg - Director of Corporate Resources
Faye Tyas - Assistant Director of Finance
Scott Cardwell - Assistant Director of Development
Peter Jackson - Head of Internal Audit
Neil Concannon - Head of Service Litigation and Regulatory
Dave Stimpson - Head of Property Services
Gareth Mills - Engagement Lead, Grant Thornton (External Auditor)
Perminder Sethi - Engagement Senior Manager, Grant Thornton (External Auditor)

APOLOGIES:

Apologies for absence were received from the Vice-Chair, Councillor Glenn Bluff, Councillor Dave Shaw and Co-opted Member Kathryn Smart.

INQUORATE MEETING

With only appointed Members, the Chair, Councillor Austen White and Councillor Liu in attendance, the meeting was inquorate, therefore, no formal decisions could be made. The meeting was conducted to discuss and note the reports on the agenda. Any decisions relating to the reports on the agenda requiring endorsement would need to be ratified at the next quorate meeting of the Audit Committee.

7 DECLARATIONS OF INTEREST, IF ANY

There were no declarations of interest.

8 MINUTES OF THE MEETING HELD ON 8TH JULY, 2021

PROPOSED: The minutes of the meeting held on 8th July, 2021, be approved as a correct record. The minutes of this meeting will be submitted to the next meeting of the Committee for approval.

9 AUDIT COMMITTEE ACTION LOG

Peter Jackson, Head of Internal Audit presented a report which updated Members on actions agreed during Audit Committee meetings, allowing Members to monitor progress against actions, ensuring that satisfactory progress was being made.

It was noted that all actions were progressing well. Of the five actions requested at the April and July 2021 meetings, two had been completed, and the remaining three were in progress and were scheduled for completion at the October meeting of the Committee. There were no actions outstanding from earlier meetings.

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

10 COVERT SURVEILLANCE - REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE

Neil Concannon, Head of Service, Litigation and Regulatory presented the annual update report in relation to the Authority's use of the Regulation of Investigatory Powers Act (RIPA) 2000.

It was reported that since the last report to this Committee in January, 2021, there had been no surveillance authorised applications under the Regulations of Investigatory Powers Act. Legal Services had provided online training to 8 environmental/community officers on 9th June 2021 and prior to this, 5 training sessions had been completed with relevant Enforcement Officers covering 75 staff in 2019/2020. An online training module was available to all staff and members.

It was noted that there had been no further changes proposed to the Council's RIPA Policy and Procedures, further to minor amendments being approved by the Audit Committee in June, 2019, following the Investigatory Power's Commission Inspection recommendations.

In answer to a question, it was noted that pre-Covid-19 training had previously been undertaken face to face, however, due to the pandemic training was currently being held on-line. Moving forward it was anticipated that training would be held as a hybrid model, both face to face and e-learning. In view of new Members being appointed to the Committee and the time since other members had carried out their training, the Chair felt that training should be undertaken by all Members. The Head of Service, Litigation and Regulatory undertook to ensure that a reminder be sent to all Members of the Audit Committee to attend training, as a refresher for existing Members, or training for new Members of the Committee.

PROPOSED:

- (1) To note that the Council has had no surveillance applications authorised under the Regulation of Investigatory Powers Act (RIPA) 2000, since the last report to the Audit Committee on the 30th January, 2021 and on that occasion there had also been no surveillance authorised;
- (2) To note that online training presented by legal was made to 8 environmental /community officers on 9th June 2021 and prior to this, 5 training sessions have been completed with relevant Enforcement Officers covering 75 staff in 2019/2020. (The online training module is available to all staff and members); and
- (3) To note that there are no changes proposed to the Council's RIPA policy and procedure. The last minor amendments were approved by the Committee in June 2019, following the Investigatory Powers Commissioner's Inspection recommendations.

11 2020-21 DRAFT ANNUAL GOVERNANCE STATEMENT - PROGRESS UPDATE

Members received the draft Annual Governance Statement (AGS) update for 2020-21, which provided Members with an update on progress made against the significant governance issues identified within the current draft AGS, since the report was last presented to the Committee on 29th April, 2021. The report also provided an update on the progress against the improvement areas previously identified and those areas that remained an issue in the 2020-21 Annual Governance Statement.

The finalised AGS would be presented to the Audit Committee meeting scheduled in November, 2021, together with the 2020-21 Statement of Accounts. The issues in the draft AGS would be reviewed again and updated to reflect the latest position.

Discussion followed the presentation of the report, during which, the Director of Corporate Resources responded to questions from the Chair seeking clarity and assurance on a number of aspects within Appendix A of the report, in particular with regard to progress made on completion of the actions and whether the completion dates were achievable and it was noted that:

- The Food Safety and Trading Standard inspection arrangements are anticipated to remain on the Annual Governance Statement due to the continued reduction in capacity to complete some areas of statutory work and the national shortage of qualified Officers.
- In relation to the Partnership Recovery and Resilience Doncaster Children's Services Trust (DCST) – The effects of the Covid-19 pandemic over the last twelve months had presented major challenges nationally which had resulted in a demand for services, due to the increased number of children that have been referred within the care system, the complexity of cases and the demand for fostering and residential placements had also increased. In terms of the Council's relationship with DCST, it was noted that effective contract management mechanisms were in place in order to escalate any matters through the process supporting effective governance and ensuring that child protection arrangements were reviewed as far as possible through the Trust. This issue would continue to be closely monitored and would remain on the AGS for some time because of the Council's responsibility as a Corporate Parent and the financial impact it places on the Council.
- In connection with the Cyber Attacks Business Continuity risk – During the Covid pandemic, cyber-attacks had increased significantly due to more activity being done online rather than face to face. The Council had taken steps to enhance its online security to combat threats and in developing systems had regard to the lessons learnt from Redcar and Cleveland Authorities who had been affected by cyber-attacks. It was agreed that all members be offered a training/awareness session on the Council's security arrangements.
- Governance Functions – Mandatory training was to be held in September, 2021 as part of the senior management meetings for all senior staff to improve awareness of key governance policies, procedures and arrangements including training on the Council's Constitution, Financial Procedure Rules and Contract Procedure Rules.
- In relation to the Adult, Social Care Market Sustainability, it was reported that the development of the Market Position Statement had progressed. However, due to the ongoing unprecedented challenges over the past year due to Covid in dealing with infection control, ensuring staffing levels were maintained which had exacerbated the situation in residential care sector, the completion date of 21st June had not been achievable therefore the date was to be reviewed. A lot of work was taking place on an ongoing basis. Meetings were taking place with specific parts of the sector in order to ensure that the Council can respond to the situation accordingly.

In the absence of the Vice-Chair, Councillor Sophie Liu asked the following question on behalf of Councillor Glenn Bluff who was unable to attend this meeting

'With reference to Section 9, 'Doncaster Integrated Peoples Solution', given the number of outstanding actions how were these going to meet the November 2021 deadline. Have budget and resources been ring fenced and are they adequate?'

The Director of Corporate Resources advised that good progress was being made with regard to the programme for implementation of the integration technology solution. At the outset of implementation of the programme, it was necessary to carry out a review and redesign of all business processes in order to ensure that the resources associated with the people's solution were all in one place. Assurance was provided that all the necessary skills and competences and resources were now in one place and any shortfalls in skillset, had been sourced from a partner organisation, or a temporary agency provider.

It was noted that a Steering Group overseeing the work, chaired by the Director of Corporate Services, continues to meet regularly to maintain oversight of delivery. The Adults Case Management and Finance (Phase 1) went live in March and the Children's Social Care and Finance is planned to go live mid-August. Therefore, a significant proportion of work will be implemented prior to November 2021. A phased approach was being considered for Phase 2, with some aspects being implemented after November. Any changes would be reported within the final AGS at the Committee's meeting in November.

In response to a question from the Chair seeking assurance that all items would be completed for inclusion on the final AGS to be presented to the Committee in November, 2021, Members were advised that due to the unprecedented challenges faced by the Council including, Covid-19, some of the issues, including the Partnership Recovery and Resilience Doncaster Children's Services Trust would continue to remain as residual risks and Cyber Attacks would be a recurrent issue. It was pointed out that whilst the Council was in recovery phase, there would still be potential risks therefore the Council would need to continue to closely monitor the governance and delivery of activity.

PROPOSED: that the draft Annual Governance Statement for 2020-21, as attached at Appendix A of the report be noted.

12 INTERNAL AUDIT STRATEGY AND INTERNAL AUDIT CHARTER

Members considered a report which sought approval of the Internal Audit Strategy and Internal Audit Charter for the period 2021-24, as required by the Public Sector Internal Audit Standards.

The Strategy and Charter had been 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. The Strategy and Charter had recently been reviewed further and updated to reflect recent changes to the operation and work of the Internal Audit Service with special regard to working during and after the Covid-19 pandemic.

In response to a question from the Chair, the Head of Internal Audit advised that presently he was confident that the Internal Audit team had the necessary skills, experience and capacity to deliver the changes to the Strategy and Charter. It was noted that in relation to capacity of the team, the Head of Internal Audit was to carry out a review of the resources and skills of the Internal Audit service. The team currently comprised of experienced Auditors who were able to deliver the service to meet the needs of the organisation going forward. It was noted that as part of the review, the Head of Internal Audit would be conducting a skills gap analysis of the service. However, it was anticipated that no fundamental changes would be made to the service, it would be a case of continuing to develop the team and evolving the service. Moving forward, the Assistant Director of Finance and Head of Internal Audit had discussed ways of how to share knowledge across specialisms within the Internal Audit service.

In the absence of the Vice-Chair, Councillor Glenn Bluff, who was unable to attend the meeting, Councillor Liu asked the following question on his behalf:

In reference to pages 45 and 46 of the Strategy, whether additional automated and system controls could be incorporated in recommendations and whether the use of data analytics /

automated auditing could be increased in audits. In response, the Head of Internal Audit gave an undertaking that he would look at the feasibility of introducing this approach and would reflect this within the Charter and Strategy.

PROPOSED: that the Internal Audit Strategy and Internal Audit Charter for the period 2021-24 be noted. The report will be submitted to the next meeting of the Committee for approval.

13 INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD: APRIL TO JUNE 2021

The Head of Internal Audit presented a report which provided an update of the work undertaken by Internal Audit for the period 1st April, 2021 to 30th June, 2021 and showed this in the context of the Audit Plan for the year. The report also included progress on the implementation of management actions arising from Internal Audit recommendations and performance information, as detailed in Sections 3 and 4 of the report.

A query was raised regarding two high risk actions in relation to the review undertaken on the Corporate Information Governance Audit current CCTV procedures, as detailed in paragraph 2.5 of Appendix 1 of the report. It was noted that with regard to CCTV, there was an ongoing work programme of actions required to achieve accreditation which was progressing well, however, there were still outstanding issues that required attention and needed finalising before accreditation which provided assurance regarding CCTV arrangements and also linked to Cyber Security.

In relation to a question raised regarding Internal Audit's involvement in supporting the Council's Covid response work and future related work, it was reported that whilst Internal Audit continued to provide support, the work had been considerably less than previous periods and mostly related to Covid grant work.

Arising from a further question regarding the high risk level management outstanding actions within the Trading Standards service area, it was reported that a further update had been received earlier today confirming that some of the outstanding actions had been completed. It was anticipated that the remaining actions would now be achieved in a shorter timescale as the pandemic impacts on the team lessened. However, it was noted that whilst some of the actions may still take some time to address, from an Annual Governance Statement perspective, they would be less significant. Internal Audit would continue to monitor and manage the situation. Members welcomed the progress made.

In answer to a question regarding the review of the risks of all management actions awaiting implementation, the Head of Internal Audit assured Members that the position was stable and was not a cause for concern. The Chair was pleased to see a reduction in the overdue management actions and hoped that this would continue.

The Chair requested an update in relation to Internal Audit performance, particularly, in view of reduced performance information being made available during last year due to the impact of Covid-19. It was noted that work was still progressing in developing more meaningful performance indicators regarding the work of Internal Audit. In terms of customer satisfaction, a Pulse survey had been recently been carried out with key stakeholders and the findings of this would be submitted to the next meeting of the Committee and proposals to develop the future delivery of the Internal Audit Service having regard to the Internal Audit Strategy.

It was noted that due to the Covid-19 pandemic, the Internal Audit team had undertaken lighter touch reviews in some areas, taking assurance from the outputs from Corporate systems. Moving forward, the Internal Audit team would continue the development and utilisation of technology to provide smarter, more efficient ways of working, in particular, by using data analytics and automated testing. The Internal Audit team would also undertake reviews as identified in the Audit Plan to build up assurance.

The Head of Internal Audit confirmed that his audit opinion was a snapshot of the current position and would be reviewed on an ongoing basis until the AGS was finalised. This would allow any issues of concern to be flagged up at an early stage and included on the AGS, where appropriate. The External Auditor was supportive of this approach.

PROPOSED that:-

- (1) the position of the Internal Audit Plan, be noted;
- (2) the Internal Audit work completed in the period, be noted;
- (3) the position with regards to the implementation of management actions arising from Internal Audit recommendations, be noted; and
- (4) the current position regarding the ability to deliver the annual opinion over the Council's risk, governance and control arrangements, be noted.

14 PROGRESS REPORT ON NORTH BRIDGE STORES TRANSFORMATION PROJECT

Members received a progress report on North Bridge Stores operational activities following the Stores Management Review, in response to the Internal Audit carried out in 2019, and their involvement in the Personal Protective Equipment (PPE) stocktaking in 2020.

The North Bridge Stores had been a long standing area of concern which had previously been brought before the Committee on numerous occasions due to a number of overdue recommendations.

Scott Cardwell, Assistant Director of Development and Dave Stimpson, Head of Property Services were in attendance to update Members on progress in implementing Internal Audit recommendations and to respond to questions.

It was reported that good progress was being made and more robust checks and balances were being implemented as part of the action plan in place and governance process, which was overseen by a Transformation Board. This comprised of senior management and was chaired by the Assistant Director of Development and accountable to the Director of Economy and Environment. The Board met on a monthly basis to monitor progress and review the actions that had been put in place and the impact on the Stores service. Stakeholder management meetings have involved key stakeholders within work areas that impacted, supported and used the Stores function. The Committee would be informed of progress through update reports at future meetings until the position was considered to be satisfactory.

Members raised a number queries in particular in relation to the following issues:-

- Lessons learnt from St. Leger Homes of Doncaster stores arrangements, it was noted that a report had been commissioned previously to combine DMBC Stores with SLHD Stores, but this had not progressed. Officers were however, liaising with SLHD in terms of best practice.
- Floods and Covid-19 related work, it was noted that the distribution and storage of PPE was a major operation for the service and had caused a shift in focus of the stores work and that this issue had been prioritised over other functions of the service. This had meant that the normal day to day business of the stores had changed the nature of the work in terms of the scope of the customer base, the receipt of large volumes of stock and how stock was processed and recorded, and changes to staffs working patterns.

- Internal Audit had recommended that a full management review be undertaken of the North Bridge Stores to initially get the stores operating effectively, to ensure that the stock was accurately recorded and ensure interaction with all the other operations and services that supported the stores function. Moving forward, the next stage would be to ensure that the stores was a modern stores function that was fit for purpose.

Members expressed their disappointment, that the issues regarding previous management actions had not been addressed and sought assurance that the failures in the stores was to be addressed as part of the review. Members were informed that positive feedback had been received from some Stakeholder groups who interacted with the stores service. The Assistant Director of Development assured Members that he was confident that the action plan and governance structure would bring about changes in the Stores service. This was welcomed by Members.

The Chair thanked the Assistant Director of Development and the Head of Property Services for their attendance at the meeting.

PROPOSED: to note the progress report on North Bridge Stores Transformational Project and that the outlined approach be supported.

15 GRANT THORNTON - PROGRESS REPORT AND SECTOR UPDATE

Members considered a paper from Grant Thornton that provided an update on delivering their responsibilities as the Council's External Auditors for the year ending 31st March, 2021 and Sector update.

Gareth Mills, Engagement Lead and Perminder Sethi, Engagement Senior Manager, Grant Thornton highlighted the key headlines in the report and provided an overview of the planned scope and timing of the statutory audit of the Council to comply with the statutory timescale in relation to:-

- Key Matters
- Group Audit Accounts
- Significant Risks
- Auditing estimates and related disclosures
- Other Matters
- Progress against prior year recommendations
- Materiality
- Revised Approach to Value for Money
- Audit Logistics and Team
- Audit Fees
- Independence and non-audit services

Gareth Mills explained that in the current regulatory framework, the threshold for providing quality documentary evidence to support audits was high, as recommended by the Financial Reporting Council. He reported on the challenges for External Auditors in completing the accounts this year. In relation to the External Auditors fee arrangement and the significant uplift in audit fees for Doncaster, it was confirmed that the Public Sector Audit Appointments (PSAA), third party regulatory body had reviewed the fees and the outcome of the Redmond Review had recognised that External Auditors fees had reduced significantly over previous years and that External Auditors work was now more complex.

Members briefly discussed the uplift in External Audit fees for this year and the timeframe for completion of the accounts in future years. In relation to the £15m funding to be provided by the Ministry of Housing, Communities and Local Government to support local authorities for the uplift in Auditors fees, Debbie Hogg, Director of Resources pointed out that the funding would not be sufficient to cover the increase in External Audit fees and would place further

financial pressures on the Council. Whilst acknowledging the External Auditors reasons for the delay to the timetable for completion of this year's accounts due to completion of NHS audits and the problems with recruiting and retaining Public Sector staff, the Director of Resources spoke of the challenges faced by the Finance Team in managing the cycle of budget activities in relation to the accounts, with the same level of resources, and explained how the timing of External Audit's work impacted upon the work of the Finance Team.

Faye Tyas, Assistant Director of Finance provided an update on actions in relation to the audit. It was reported that the recent training to Audit Committee Members on the evaluation techniques in respect of risk estimates had now been completed. With reference to Section 7 of the report regarding progress made against prior year audit recommendations in respect of the un-actioned recommendation in relation to the assessment of Economic lives, Infrastructure assets, this was currently being reviewed and an update would be provided to External Audit. With regard to the Value for Money assessment, a response would be provided to the External Auditor next week.

To conclude, the Chair thanked Gareth Mills and Perminder Sethi for their report and attendance at the meeting.

PROPOSED: that the External Auditor's progress report and sector update be noted.

CHAIR: _____

DATE: _____