

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

THURSDAY, 28TH OCTOBER, 2021

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER - CIVIC OFFICE on THURSDAY, 28TH OCTOBER, 2021, at 10.00 am.

PRESENT:

Chair - Councillor Austen White
Vice-Chair - Councillor Glenn Bluff

Councillors Barry Johnson, Sophie Liu and Dave Shaw.

APOLOGIES:

Apologies for absence were received from Kathryn Smart and Gareth Mills, Grant Thornton.

16 DECLARATIONS OF INTEREST, IF ANY

No declarations of interest were reported at the meeting.

17 MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 8TH JULY, 2021

RESOLVED that the minutes of the meeting held in 8th July 2021, be approved as a correct record and signed by the Chair.

18 SUMMARY REPORT ON ACTIONS FOLLOWING THE IN-QUORATE AUDIT COMMITTEE MEETING ON 29TH JULY 2021

Members received a report which sought approval to formally receive and note the reports presented at the inquorate meeting of the Audit Committee held on 29th July 2021, as detailed at paragraph 6 of the report, and receive and agree the notes of the inquorate meeting on 29th July 2021, as attached to the report at Appendix 1.

Due to the last meeting of the Committee on 29th July, being inquorate, Members in attendance were advised that in the absence of a quorum, no formal decisions could be taken, but, the business on the agenda could be discussed amongst Members on an informal basis. The notes of any discussions and any proposed recommendations would be ratified by the Committee at a future meeting.

At the inquorate meeting, an opportunity was provided for those present to discuss issues relating to reports on the agenda, as detailed at paragraph 6 of the report, which had been previously published and made available to Members of the Committee since 21st July 2021. This had provided all Members with an opportunity to consider and raise issues with officers, or seek further information outside of the meeting.

As formal approval was required for the minutes of the Audit Committee held on 8th July, 2021 and the Internal Audit Strategy and Internal Audit Charter, these items have been scheduled for consideration as separate agenda items at this meeting. Therefore, Members were asked to agree the notes of the inquorate meeting which provided additional information, summarised relevant issues and provided a record of the challenge and assurance provided by those in attendance.

RESOLVED that

- (1) the reports scheduled for consideration by the Audit Committee at its meeting held on 29th July 2021, be formally received; and

- (2) the notes of the inquorate meeting of the Audit Committee meeting held on 29th July 2021, be received and agreed.

19 AUDIT COMMITTEE ACTION LOG

The Committee considered the Audit Committee Action Log report which updated Members on actions agreed during Audit Committee meetings, allowing Members to monitor progress against the actions ensuring that satisfactory progress was being made.

It was noted that all actions were progressing well. Of the three actions requested at the 29th July meeting and the three actions from the 29th April 2021 meeting, five had been completed and the remaining item was scheduled for completion at the January 2022 meeting of the Committee. No actions were outstanding from previous meetings.

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

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

Holly Wilson, Head of Strategic Procurement presented a report which detailed all Waivers and Breaches to the Council's Contract Procedure Rules (CPR's) for the period 1st March 2021 to 31st August 2021. 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 2021 for comparative purposes. Further details regarding each waiver and breach were summarised in Appendices 1-3 of the report.

Members were informed that between the periods February to September 2021, there had been 3 new breaches, as detailed in Appendix 1 of the report. It was reported that one breach had been resolved, however, there remained three existing unresolved breaches. There had been an increase in the amount of waivers granted from the previous period reported to the Committee in April 2021, which had increased from 15 to 18. The Head of Strategic Procurement highlighted that as the Council was still in recovery stage following Covid 19, there had been some delays in the commissioning cycle and that many existing contracts had been extended to allow time for commissioning practices to occur. Further to the Committee's request at a previous meeting, Appendix 3 of the report had been updated to incorporate information regarding the percentage of the number of waivers, versus the amount of contracts that had been awarded for the reporting period, including the value of those contracts.

The Head of Strategic Procurement responded to questions from the Vice-Chair, Councillor Glen Bluff seeking clarity as to the reasons for the waivers in respect of Waivers, 4, 10 and 15, as set out at Appendix 2 of the report, it was noted that :-

- The waiver in relation to the 'Extra Care Housing' (Adult Social Care Directorate) had been put in place as an interim measure for 6 months to allow a procurement exercise to take place due to delays in the commissioning of the contract, as a consequence of having to deal with Covid-19 outbreaks. The procurement process had now been completed and a new contract had been awarded which was anticipated to commence in January 2022.
- With regard to the 'Homelessness Accommodation and Support Service', in the Adults. Health and Wellbeing Directorate, this was part of a wider programme which linked to the Council's Homeless Strategy which was a complex area as many of the contracts tied in with the overall Strategy. Significant changes were to be made to the commissioning model for homelessness provision due to complex historical issues with the leases which needed to be resolved before the contract could move forward.
- The waiver in the Economy and Environment Directorate with regard to 'Ecologist Planner', related to monies given to the Yorkshire Wildlife Trust (YWT) regarding biodiversity gains

land. The Council own a piece of land that is adjacent to land that is owned by the YWT. Due to the proximity of the land, the Council have entered in to an agreement with YWT to manage and fence off the land on behalf of the Council, to be sold for a biodiversity gains project. The Council would generate income from the contract, however, the Council had pay out an initial fee to YWT to manage the land.

Following further questions from the Vice-Chair seeking further clarity in relation to the Homelessness Accommodation and Support Service waiver, the Director of Corporate Resources reiterated that the Homelessness Accommodation was part of a wider programme which linked to the Council's Homeless and Rough Sleeping Strategy, which set out the Council's strategic approach to tackling and preventing homelessness. The Council had commissioned consultants Imogen Blood to carry out a review of Doncaster's homelessness and the whole system that supported homelessness provision. She outlined the context and the complexities around the review of the Homelessness Strategy and spoke of the challenges for the Council in having to re-engineer a whole systems approach which involved different partnerships with different elements of service delivery. The Director of Corporate Resources further explained that the Strategy was established pre-pandemic. The Council was transitioning its services, then the Covid 19 pandemic had placed additional pressures on the Council to provide emergency rental and hostel accommodation which was provided by external providers and had created further complexities. There were different commissioning cycles to meet the Strategy, which had been had been delayed and impacted by the Covid pandemic with staff being deployed elsewhere focussing solely on the Covid response, therefore a waiver had been sought and was granted due to the delay in the commissioning cycle.

In response to a question from the Vice-Chair querying whether the waiver had been granted out of necessity to avoid a breach occurring, the Head of Strategic Procurement provided assurances that the waiver was not granted to avoid a breach to CPRs. The Adults Commissioning team had sufficient plans in place and had effectively planned for the contract in advance. She explained that there was robust processes in place to examine waivers and due to the value of the contract, the Monitoring Officer would not have authorised the waiver without him having the confidence to do so. It was further explained that the Council had no other option than to grant the waiver and spoke of the critical need to continue with the service delivery of the homelessness provision as the Council had an obligation to provide hostel provision for homeless people.

The Director of Corporate Resources explained that the Council had an obligation to provide hostel provision for homeless people and had to respond to the demand in homelessness due to Covid-19. The Council had no other option than to grant the waiver.

In answer to a question from the Vice-Chair which had been submitted in advance of the meeting, the Head of Internal Audit having reviewed the waivers, gave assurances that the Council has robust governance arrangements in place and that all due processes had been followed in relation to the approval of the waivers for the current reporting period and the waivers granted from the previous 6 months, the majority of which had been signed off by the Monitoring Officer, with the remained by the Section 151 Officer. Many of the themes used for the waivers, related to the Adults, Social Care. He explained that the staff usually involved in carrying out the commissioning work and dealing with contracts had been re-directed elsewhere dealing with operational issues, such as helping homeless people in to safe accommodation therefore, this had impacted on their ability to re-tender contracts and at that time it was not appropriate to go to market, due to suppliers not being in a position to tender and due to inflated pricing in procuring a new contract.

The Head of Strategic Procurement outlined that the Government had recognised that the pandemic presented extremely challenging circumstances and a difficult environment for both suppliers' ability to tender and the Council to procure contracts. The government had therefore issued advice and guidance to local authorities in relation to Procurement Policy Notices 02 and 03. The Head of Strategic Procurement had subsequently issued guidance to Officers across the Council and discussions had taken place with suppliers.

A Member acknowledged that the Homeless Accommodation was a complex issue, which required changes to the system in place in order to provide better outcomes for both the residents of Doncaster who were effected by homelessness and the residents that it impacted by those who used the services. Whilst assurances had been provided that the correct procedures had been followed in granting the waiver, the Vice-Chair felt that this should be investigated and requested that Internal Audit carry out a review of the Homeless Accommodation and Support Service waiver. The Head of Internal Audit undertook to look at this.

In referring to breach regarding the Conservation contract, it was noted that controls were working effectively.

In response to a question regarding Archives Storage, the Head of Internal Audit advised that the breach was being managed and was confident that this would be resolved.

The Chair noted that the number of waivers continued to be higher than pre-Covid-19 and the majority of which had been extended due to Covid-19 related pressures being cited as the reason. He asked what checks were carried out by the Procurement team to ensure that the requests for waivers were genuine as a result of dealing with Covid-19 related work and not due to an oversight or Covid-19 being used as a reason to grant the waiver. The Committee was reassured that all waivers cited as Covid-19 being the reason for the waiver were robustly scrutinised by the Procurement team and the Head of Strategic Procurement prior to being sent for authorisation by the Monitoring Officer or Chief Financial Officer. The Strategic Procurement team continued to work closely with directorates across the Council to monitor the situation.

In response to questions from the Chair whether it was expected that there was to be a reduction in the number of Covid-19 related waivers in the future and that the Committee be provided with an indication in terms of what was expected in the next reporting period as to whether these would be reduced, the Head of Strategic Procurement confirmed that the majority of waivers that were currently being processed had been anticipated and therefore had been put in place at an early stage. She stated that she had not had sight of the figures for the next reporting period, however she anticipated that there would be a reduction in waivers going forward. She pointed out that there was still a lot of recovery work being carried out due to Covid-19. Additional pressures were put on teams in receipt of funding from central government to support Covid-19 in having to spend the monies quickly and to ensure that it was commissioned in compliance with Contract Procedure Rules. This could potentially be problematic as waivers may need to be authorised to avoid losing the monies.

To conclude, the Chair, in recognising that Covid-19 related waivers could continue for some time, requested, that a report be submitted at the next meeting, to provide Members with information on the status of contracts across the Council and their preparedness to be able to be renewed without breaching Contract Procedure Rules or requiring a waiver

RESOLVED to

- (1) note the information and actions contained in the report regarding Waivers and Breaches in relation to the Council Procedure Rules;
- (2) note any new procurement and contracting activity matters; and
- (3) a report be submitted at the next meeting of the Committee, to provide Members with details in relation to what new waivers are coming into the system and what is in the current system for the next reporting period; as to whether waivers had reduced or continued to increased.

Peter Jackson, Head of Internal Audit presented a report which summarised the work of the Internal Audit team during the period July to September 2021. The report set out details of the planned audit work completed in the period which had not previously been reported and the level of management actions and revised implementation dates, which were appended to the report at Appendices A and B, respectively.

The Head of Internal Audit advised that the work of the Internal Audit team was returning back to normality, however he highlighted that there remained a lot of outstanding Covid related work that was being progressed. In summarising the key points in the report, the Head of Internal Audit highlighted in particular, two main areas of work relating to the North Bridge Stores Transformation Project which required additional work in supporting this area and Covid-19 Grants which had taken more time than anticipated. He also referred to the overdue management actions, as set out in Section 3 of the report which showed a static position with regard to the number of overdue actions. Internal Audit had continued to work closely with management during this period to bring the actions forward. He highlighted that the main area of concern relating to regulation and enforcement around Trading Standards and Food Safety which remained a problem and that there was limited progress in this area.

Members were informed of the results of a Pulse Survey carried out in July 2021, which had provided reassurance and very positive feedback that the service was working well and was valued by its customers.

It was also reported that an External Quality Assessment review was currently being carried out in the form of a Peer Review by Dave Webster, the Head of Internal Audit at Rotherham Council, to assess the Internal Audit team's compliance against the United Kingdom Public Sector Internal Audit (PSIA) Standards. Further to the request of the Chair, the Head of Internal Audit provided an update on progress on the review which was progressing well. Internal Audit had submitted a self-assessment questionnaire against its compliance against the standards that had been forwarded to the Head of Internal Audit at Rotherham. File reviews of work by the team were being undertaken and interviews being undertaken with key stakeholders, including the Assistant Director of Finance finishing with the Head of Internal Audit in mid-November. The outcome of the review would be reported at the Audit Committee meeting in January 2022.

The Chair and Members welcomed Dave Webster who was in attendance to observe the meeting. Further to a question from the Chair, he confirmed that he was on track to complete the External Equality Assessment in January. The Chair pointed out that the membership of the Audit Committee had changed this year to previous years and that there were a number of new Members on the Committee. As a consequence of this, Member training had been tailored for both new Members and long standing Members of the Committee to take place prior to each meeting, to coincide with items for consideration at the next Committee meetings. The Head of Internal Audit at Rotherham confirmed that there had also been a change to the membership at Rotherham Council Audit Committee and that training was being tailored to agenda items at Audit Committee meetings.

The Head of Internal Audit in referring to Sections 4.10 and 4.11 of the report advised that presently there was sufficient coverage to be able to provide an annual opinion on risk, governance and control arrangements and confirmed that there was nothing to date that would result in a negative audit opinion over the risk, governance and control arrangements. He added that no items had been identified for inclusion in the Annual Governance Statement for consideration at the next meeting of the Committee in November 2021.

Councillor Dave Shaw in noting the revised timescales of 31 March 2022 for implementation of the high risk level overdue management actions in the Trading Standards and Food Safety department, expressed strong concerns regarding the limited progress being made and sought clarity as to the reasons why the agreed implementation dates were being extended further and was concerned whether the revised dates would be met in future. Councillor Shaw asked why

there was no representation from Trading Standards at the meeting to explain the reasons for the delay given the seriousness and length of time taken to resolve the issues.

The Head of Internal advised that the Trading Standards and Food Safety team had only been able to carry out a limited amount of the enforcement aspect of their work due to being heavily involved in Covid-19 related work, and as a result had accumulated a large backlog of work which had created additional pressures for the team who were working extremely hard to clear the backlog. The Head of Audit gave assurances that recent discussions had been held with senior management and Internal Audit to progress this matter and it was anticipated that over the next few days an action plan was to be agreed with management in terms of how the issues were to be addressed and to determine whether the actions were achievable. This would be overseen by the Director of Economy and Environment in order to ensure that progress was made.

Members were informed that the Head of Regulation and Enforcement had been expected to attend this meeting, however the Head of Internal Audit was not aware of the reasons for the non-attendance. The Assistant Director of Finance assured the Committee that a more detailed update would be provided to Members at the January meeting and that the Head of Service of Regulation and Enforcement be asked to attend that meeting to provide assurance to the Committee.

The Committee welcomed the assurances provided by the Head of Internal Audit that the Internal Audit team were working with Officers to progress this issue, and looked forward to receiving an update in January and hoped to see a strategy in place to bring about change.

Further to a request from the Chair, the Head of Internal Audit updated Members on a new significant piece of work that had been added to the work plan in relation to the Suez Supplier Relief and Support. It was noted that work ongoing and it would be reported on at the meeting in January 2022.

In referring to the summary of findings of the Audit Reviews during the period, as set out at Appendix A of the report, the Chair was reassured to observe the substantial assurance that had been given in relation to Core Financial Processes, Benefits, particularly in view of benefits being a vital service especially, during the current climate.

RESOLVED 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 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 councils risk, governance and control arrangements

22 NORTH BRIDGE STORES TRANSFORMATION PROJECT - PROGRESS REPORT (MINUTE NO.14 – 29 JULY 2021)

Scott Cardwell, Assistant Director of Development and Dave Stimpson, Head of Property Services presented a report which updated Members of progress in the Stores management review regarding the long standing concerns relating to North Bridge Stores operational activities The review was instigated following audit work carried out by Internal Audit in 2019 and their involvement in the Personal Protective Equipment (PPE) stocktaking in 2020.

This management review was implemented in May 2021. The review has identified the key issues that were driving the shortfalls and a plan was now being executed to correct the issues and operate Stores using the correct operating processes by the end of December 2021, with a further review period to assess wider service area impacts to take place up to the end of March 2022. The

review would also look at the interactions of other service areas and processes that were involved with the entire Stores process, either as a customer or a stakeholder.

The Assistant Director of Development and Head of Property Services outlined the key developments in relation to progress made since the last update provided to the Committee in July, in particular, with regard to early completion of the stocktake of the stores in mid-September and the departure of the Stores Supervisor. It was noted that following a comprehensive stock take of the Stores and interventions now put in place, the Council was in a much better position and it was expected further improvements would be made with regard to variances. An officer had been seconded into the Stores Supervisor post. Positive changes had been made which also involved reconfiguring the stores. Since the Committee's last meeting, the Transformation Board had met on 3 occasions to assess the progress being made with positive feedback received from stakeholders who sat on the Board. It was anticipated that during December the standard operating procedures and physical reorganisation of the stores would be put in place as well as a stock take and staff ICT training with completion of the supply chain contracts next year.

In response to a question from the Chair, it was reported that whilst there had been a change in management at the stores, this had not negatively impacted on the delivery of the review and the operation of the stores function. The stores had continued to operate and had been resilient in resolving ongoing issues and managing day to day work and the review of the stores. It was noted that during the last 6 weeks there had been significant improvements to the day to day operations of the stores which was more streamlined and operating effectively. Within the last 3 weeks the physical reconfiguration of the stores had changed. Staff were being more proactive in terms of the day to day management of stores activities in relation to the creation of goods in and goods out, preparation of goods in advance of collection and prompting customers and stakeholders regarding goods ready for collection. Work had also started to define the roles and responsibilities of staff and the supporting activities of the stores

In response to a further question from the Chair querying as to the reasons why it taken a long time to revisit the stock take from March, it was reported that Officers had used that time to better understand what the shortcomings of the previous stock take were and to address these in preparation for the next stock take. Further stocktakes would be carried out in order to show progress made. This would also allow time for improvements to be made to some of the internal processes to ensure that stocktaking was effective.

The North Bridge Stores had been a long standing issue and an area of concern at previous Audit Committee meetings, where assurances had been given by Officers that the improvements required would be implemented, however, those improvements had not been delivered. The Committee therefore had reservations as to whether the actions set out in the Project Plan would come to fruition and sought Officers assurance that the actions would be implemented. The Head of Internal Audit advised that he was encouraged by the progress and changes made and there had been marked improvements at the stores, with feedback received from the Strategy and Performance Improvement Manager who has supported the Assistant Director of Development in managing the project and had seen evidence of the recent changes reported by Officers today. He informed Members that there was an improving picture being presented and that the Internal Audit team would continue to monitor progress and would report back at the Committee's meeting in January.

The Assistant Director of Development provided further assurance that there was now a commitment from senior management to that of the past to ensure that the review was followed through and that regular meetings were taking place with the Director of Economy and Environment to monitor progress. A new governance structure had been established with key stakeholders which was both inclusive and responsive to any issues that may arise. The Committee looked forward to seeing the report in January 2022 and hoped to see an efficient functioning facility that fully supported all of the key Council services.

In order to gain an in-depth understanding of the scale of the operation at the stores, a Member asked about the annual turnover of the Stores. The Head of Property Services advised that he did

not have the figures to hand, however gave an undertaking to circulate the information to Members following the meeting. He explained the operational activities at the stores and advised that the North Bridge stores site comprised of a collection of buildings and external storage that held different products and was used for different purposes. A review of the configuration the stores was to be conducted as well as how the stores site works operationally.

Reference was made regarding product variances being attributed to poor stock control and items being stored incorrectly at the stores facility. A Member asked whether Officers had details regarding the monetary value of the variances from the last two stock takes. The Head of Property Services did not have this information but committed to providing the information. In terms of improving management control of variances and bringing them back up to an expected standard, it was felt that it would be beneficial to identify the areas where variances occurred and then track them over time. Members spoke of the frustrations of customers when items were not in stock and how variances had a major impact on stores depending what the items were and the customers experiencing delays in collecting ordered items.

It was noted that feedback received from stakeholders and customers using the stores had indicated that the stores was not operating how they would want it to be. Members asked what plans were in place to stress test and assess the operational performance and effectiveness of the stores. Also, in order to gain a true picture of whether the stores service was working effectively to hear feedback from customers and stakeholders to seek their views. A Member spoke of how it would be advantageous for the Council to capture information at a low level regarding the stakeholders and customers ordering the products and their expectation for the stores to deliver and communicate with them in relation to reasons why products had not arrived on time. He asked whether Officers had considered capturing information in terms of gauging the customer experience, opinions and perceptions of its stakeholders and customers in terms of what's happening on the ground, the quality of service provided and shortfalls in the service. It was felt that this would be beneficial for both the Council and its customers in terms of what expectations were from both sides. The Head of Property advised that this was to be addressed through the Stakeholders management meetings and the standard operating procedures, where officers were liaising with staff to understand the day to day activities of the stores. The Head of Property advised that he was attending those meetings and seeing the outcomes which were now being embedded. It was also noted that prior to the stores review, meetings had taken place with individual stakeholders. Going forward Officers acknowledged Members comments that as part of the review would look to build in the process of having separate meetings with stakeholders so they are able to speak to the stores team with regard to any issues they may have and to better understand the user experience at every level. It was noted that the Council were to develop a suite of Key Performance Indicators (KPIs) over the next few months to provide both a baseline and for best practice purposes. Once the operating procedures were confirmed and meaningful KPIs established, it was anticipated that performance would be reviewed and it was hoped to see a reduced pattern of problems and errors going forward.

Officers in attendance responded to further questions from Members. In response to a further question from the Vice-Chair whether the Council had considered commissioning external consultants to provide advice in terms of the operation of the stores and in terms of a set of standards and best practice, it was stated that the Council firstly wanted to get the stores fully functioning so that it was working effectively and ensure that improvements were being made to the service. The next stage of the process was to look at the stores function and then compare it with others, for example, Councils partners, CIFPA network etc to look at best practice.

To conclude, reference was made to the recent Pulse survey carried out by Internal Audit and it was suggested that a similar survey be undertaken with the stakeholders and customers of the stores, and that the questions could be specifically tailored to gauge whether the stores function was working effectively and to ascertain whether improvements have been made to the stores service.

RESOLVED that

- (1) the update on the progress report on the North Bridge Stores Transformation Project be noted and the outlined approach be supported; and
- (2) information in relation to the annual turnover of the Stores be circulated to Members.

23 GRANT THORNTON - AUDIT PROGRESS REPORT AND SECTOR UPDATE

Perminder Sethi, Engagement Senior Manager, Grant Thornton introduced the external auditors progress report for year ending 31st March 2021, which highlighted the progress made on work undertaken by external audit as at 11th October 2021 in delivering their responsibilities in auditing the Council's accounts. The report also provided a summary of emerging national issues and developments of relevance to the Council.

The Engagement Senior Manager gave an overview of the following key aspects of the report:-

- Progress at 11 October 2021
- Audit Deliverables
- Results of Interim Audit Work
- Sector Update

The Chair asked whether Grant Thornton were still on track to complete the audit by the end of November. The Engagement Senior Manager advised that work was in progress and was currently on plan, however he highlighted that there were issues that were currently being discussed with management in relation to the significant risk area of Plant Property and Equipment and that subject to completion of this work, it was anticipated that the audit was to be completed by the end of November, however he was unable to provide a definite answer at this stage.

Following a further question from the Chair whether there were any issues that had come to light that needed to be addressed at the interim stage of the audit, the Engagement Senior Manager confirmed that no issues had been identified that needed to be brought to the Committee's attention but, pointed out work was yet to be completed including over ICT controls.

RESOLVED that the contents of Grant Thornton's, External Auditor's progress report and Sector Update as at 11th October 2021 (for Year Ending 31st March 2021) be noted.

24 INTERNAL AUDIT STRATEGY AND INTERNAL AUDIT CHARTER

The Head of Internal Audit presented a report, setting out the Internal Audit Strategy for the period 2021 to 2024 and the Terms of Reference for Internal Audit, as set out in the Internal Audit Charter, for Members consideration and approval.

The Strategy and Charter had been reviewed in July 2017 in order to take into account the significant changes to the Public Sector Internal Audit Standards (PSIAS) and recommendations made in the Peer Review carried out by Kirklees Council in 2017. The Strategy and Charter had been reviewed and updated annually since then and this review was to ensure that it was 'fit for purpose' as a consequence of recent changes to the operation and work of the Internal Audit service with special regard to working during and after the Covid-19 pandemic.

It was noted that three main updates to the Charter were; Agile audit approach, Agile audit plans and Assurance Services provided by External Parties which were detailed at paragraph 10 of the report.

The Head of Internal Audit, in summarising the key points in the report, highlighted the importance of the Charter which sets out the role and responsibilities of the Internal Audit and its priorities and work programme for the coming year. He drew Members' attention to Pages 14 and 15 of the reports, which set out the factors that had been considered when compiling the Charter and Strategy, which had brought together the Audit Plan for this year, which would evolve as the year progressed.

In answer to a question from the Chair, the Head of Internal confirmed that the Internal Audit team had sufficient skills, experience and capacity in the team to deliver the requirements of the Charter. He further advised that developmental areas had been identified in the Strategy, which were subject to a review of the resources, skills and capacity of the team going forward. It was anticipated that this would allow the team to operate in a more efficient way, but he highlighted that this required a certain level of investment. He assured Members that no areas of concern had been identified in delivering the work going forward, but envisaged a slight change in terms of service delivery.

RESOLVED that

- (1) the Internal Audit Strategy for the period 2021-2024 be approved; and
- (2) the Internal Audit Charter be approved.

25 AUDIT PLANNING RISK ASSESSMENT AND ACCOUNTING ESTIMATES

The Committee considered a report which informed Members that as part of the external auditors, Grant Thornton risk assessment procedures in respect of the audit of the Council's financial statements, the external auditor was required to obtain an understanding of the Council's management processes and the Audit Committee's (as 'those charged with governance') oversight on the following areas:

- General Enquiries of Management,
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates

The Appendices to the report set out the management process and accounting estimates for the 2020/21 audit for consideration and approval by the Committee. The Council's management had considered a series of questions on each of these areas and the responses received were detailed in the report. The Committee were invited to confirm whether these responses were consistent with its understanding and whether there were any further comments it wished to make.

Faye Tyas, Assistant Director of Finance explained that whilst the document was used for internal purposes, explained the benefits of bringing the report to the Committees' attention to provide the opportunity for questions. It was also felt that this would provide Members with a greater understanding of the figures in the accounts in terms of what were the identified risks and the circumstances when accounting estimates were used, and the reasons for management reliance on experts to provide such estimates. It was further highlighted that two significant areas where accounting estimates were used related to property, plant and equipment and pensions and were areas that were mostly scrutinised.

The Engagement Senior Manager further added that the update report also included general enquiries regarding fraud, laws and regulations which had previously been reported to the Audit Committee separately, however this year they had been incorporated into one document including the accounting estimates.

In response to question from the Vice-Chair, the Engagement Senior Manager confirmed that nothing had come to light to indicate that there was an increased risk in terms of directing their audit work. He explained that the process in relation to accounting estimates was a new addition to the auditors work this year as part of the final accounts. He pointed out that as part of the Council's arrangements in place, the Council engaged with external management experts. He indicated that the challenge for the Council this year as with other authorities, was to look at what the Council have done in terms of challenging the work of external experts and being satisfied that the advice given was reasonable and appropriate.

Following further questions, the Engagement Senior Manager confirmed that given changes to the audit environment, there was an increased level of challenge and scrutiny from both the external auditor and from management. The Financial Planning and Control Manager added that the Council's finance team robustly challenged the assumptions by the Council's external experts in order to gain reassurance that the figures provided were reasonable and appropriate.

RESOLVED that the contents of the report, 'Audit Planning Risk Assessment and Accounting Estimates', be noted.

26 ARRANGEMENTS FOR THE APPOINTING OF EXTERNAL AUDITORS

The Committee considered a report which provided a summary of the arrangements for appointing External Auditors from April 2022 and sought the Committee's approval to recommend to Full Council in January 2022 to appoint Public Sector Audit Appointments Ltd (PSAA) to negotiate and appoint the External Auditor for the Council.

The report outlined three options open to the Council under the Local Audit and Accountability Act 2014 as follows:-

- Option 1 To make a stand-alone appointment
- Option 2 Set up a Joint Auditor Panel/local joint procurement arrangements
- Option 3 Continue to take part in the national procurement undertaken by PSAA

The report proposed option 3 as the preferred option to recommend to full Council for approval on the basis of the financial benefits anticipated through the PSAA's ability to offer large contract values to firms who would be able to offer better rates and lower fees than are likely to result from local negotiation, and removing the costs of setting up a local audit panel. There were also advantages in that conflicts of interest would be managed by the PSAA who would have a number of contracted firms to call upon and that the appointment process would be more independent than by a local panel.

It was noted that nationally virtually every local authority had identified a preference to choose the sector led-option.

RESOLVED to:-

- (1) note the options for appointing External Auditors from April 2022, resulting from the Local Audit and Accountability Act 2014, and the advantages and disadvantages of each option, and
- (2) support the recommendation to the full Council in January 2022 to appoint the Public Sector Audit Appointments Ltd to negotiate and appoint the External Auditor for Doncaster Council.

CHAIR: _____

DATE: _____