

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

THURSDAY, 28TH APRIL, 2022

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER, CIVIC OFFICE, WATERDALE, DONCASTER DN1 3BU, on THURSDAY, 28TH APRIL, 2022, at 10.00 am.

PRESENT:

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

Councillor Sophie Liu and Kathryn Smart, Co-opted Member.

APOLOGIES:

Apologies for absence were received from Councillors Barry Johnson and Dave Shaw.

ALSO IN ATTENDANCE

Debbie Hogg – Director of Corporate Resources
Faye Tyas – Assistant Director of Finance
Scott Fawcus – Assistant Director of Legal & Democratic Services & Monitoring Officer (Minute No. 42)
Peter Jackson – Head of Internal Audit
Holly Wilson – Head of Strategic Procurement (Minute No.43)
Gareth Mills – Director, Grant Thornton (External Auditor)
Perminder Sethi – Engagement Senior Manager, Grant Thornton (External Auditor)
Scott Cardwell – Assistant Director of Development (Minute No. 45)
Dave Stimpson – Head of Property Services (Minute No. 45)

39 Declarations of Interest, if any

There were no declarations made at the meeting.

40 Minutes of the meeting held on 26th January 2022

RESOLVED that the minutes of the Audit Committee meeting held on 26th January, 2022 be approved as a correct record and signed by the Chair.

41 Audit Committee Action Log

Peter Jackson, Head of Internal Audit presented the Audit Committee Actions Log report which updated Members on actions agreed at previous Audit Committee meetings.

It was noted that all actions were completed and there were no actions outstanding from previous meetings.

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

42 Annual Report of the Monitoring Officer 21/22

Scott Fawcus, Monitoring Officer (MO), introduced 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 made under the Money Laundering Policy.

The Monitoring Officer provided a brief overview of the complaint activity during the period 1st April 2021 to 31st March 2022, which remained mainly static; with 8 complaints received in relation to Borough Councillors, in comparison to 12 complaints received against Parish and Town Councillors (9 Parish Council complaints were received in the previous 12 months). Of the 12 Parish Councillor complaints received, 9 related to one particular Parish Council which was reflective of the fallout, tensions, and dissatisfactions regarding a decision which had been taken by the Parish Council which was locally controversial. Appendix A of the report provided a detailed summary of the anonymised complaints dealt with by the Monitoring Officer, in consultation with the Independent Person during 2021/22.

The Monitoring Officer positively reiterated his annual comments that the levels of complaints received and the number of breaches remained very low and that most Councillors and Town and Parish Councils did not appear on his radar. He highlighted that Doncaster has 37 Town and Parish Councils across the Borough and 350 serving Councillors which when put into this context, the total number of 20 complaints received remained proportionately extremely low.

It was noted that two Whistleblowing complaints had been received during this period, details of which were set out at paragraph 16 of the report. No reports had been made to the Money Laundering Reporting Officer in relation to Anti-Money Laundering returns for the period 2021/22. The Monitoring Officer reported that currently there was a reminder to all staff on the Intranet raising awareness regarding on-line training available on money laundering and their responsibilities in this respect.

The Vice-Chair made reference to the number of complaints received relating to one particular Parish Council and asked whether it would be possible for the Monitoring Officer, or a member of Legal Services to attend the a meeting of that Parish Council and to liaise with the public to inform them that the complaints have been investigated, and for the Monitoring Officer to observe how that Parish Council conducts its proceedings at meetings. The Vice-Chair felt that the Parish Council would benefit and welcome any guidance and assistance from the Council in respect of the rules and procedures required at meetings, in particular, in relation to the interpretation/application of their Standing Orders. He also highlighted that their Parish Clerk was newly established at the Parish Council.

The Monitoring Officer advised that he had spoken to members of the Parish Council and the complainant had received a full response to the complaint, setting out the rationale for any action, or any recommendations arising from the investigation of the complaint. He confirmed that he would be happy to attend a future meeting of the Parish Council to provide advice and guidance. The Vice-Chair welcomed this and gave an undertaking to advise the MO of the date of the next meeting.

Further to a question, the Head of Internal Audit confirmed that investigations into the Whistleblowing complaint regarding concern over a contractors use of Covid 'furlough funding' was still ongoing.

RESOLVED that

- (1) the Monitoring Officer's Annual report on complaint handling activity for the period 1st April 2021 to 31st March 2022, be noted;
- (2) the Whistleblowing return for 2021/22, be noted; and
- (3) the nil money laundering reports for 2021/2022, be noted.

43 Report on any non-compliance with Contract Procedure Rules.

The Committee considered a report of the Head of Procurement which detailed all breaches and waivers to the Contract Procedure Rules (CPR's) for the period 1st September 2021 to 28th February 2022.

The table at paragraph 2 of the report provided a summary of the number of new waivers and breaches recorded for each Directorate since the last audit report presented to the Committee in October and April 2021.

There were 2 new breaches, and 14 waivers reported to Contract Procedure Rules for this 6 month period, details of which were provided within Appendices 1 and 2 of the report, respectively. Updates on 2 existing unresolved breaches, and 4 resolved reported previously to the Committee were also provided. Details of the number and value of waivers granted against the amount of contracts awarded for this period were set out at Appendix 3.

The third wave of the Covid-19 had impacted on the Council resources and capacity, particularly with regard to the Adult Social Care teams. The impact of Covid-19 continued to cause challenges for the procurement and contracting of goods and services. The number of approved waivers had reduced from 18 to 14 compared to that of the previous quarter. The Strategic Procurement Team continued to be proactive and supportive in helping alleviate increased pressures with regular reporting and attendance at key stakeholder meetings.

There had been a change in Public Procurement thresholds on 1st January 2022, and that Council Procedure Rules had been updated to reflect this change. These details were set out at Paragraph 10 of the report.

In response to a question regarding the Breaches, as outlined on page 28 of Appendix 1 of the report, the Head of Procurement advised that there were no repeat offenders in terms of breaches to Contract Procedure Rules, and that training would be provided to those Officers who had been in breach of the rules.

Following further questions from the Vice-Chair, querying the high value of the Adult Substance Misuse Recovery System Waiver of £5.5m in the Adults, Health and Wellbeing directorate, as set out Appendix 2, the Head of Procurement confirmed that the waiver had undergone a rigorous examination process, particularly due to its high value. She explained that whilst the value of the waiver was above the Public Procurement threshold, the waiver had been granted as it had met the criteria set out in the Public Contracts Regulations 2015. Further to clarity being sought by the Vice-Chair, the Head of Strategic Procurement explained the circumstances that permitted the modification of a contract without any procurement procedure being required that could not be made for economic, or technical reasons. It was noted that a report relating to the Substance Misuse contracts within Public Health had been approved by Cabinet at the end of 2020. It was explained that there was a large number of pilot schemes taking place within this service area and that in order to allow the extension of pilot schemes to continue, the existing contracts had been approved.

The Head of Procurement informed Members about new regulations coming into force which proposed changes to the future of healthcare commissioning, called the 'NHS Provider Selection Regime'. This is to be introduced under the Health and Care Bill which was currently being enacted by Parliament and these regulations would replace the existing procurement rules. They will encompass health related contracts that would no longer fall under the Public Contract Regulations, which would have their own methodology. It was noted that currently, the rules that governed the arrangement of healthcare services contracts were complex and hindered the letting of certain health contracts. An update on the proposals would be provided to the Committee in October.

In answer to questions from Kathryn Smart, the Head of Procurement advised that she did not have any concerns regarding the existing breaches, which had arisen mainly due to officers misunderstanding of the contract requirements. She outlined the actions taken to address those

breaches and advised that Heads of Service were now provided with quarterly reports so they were fully aware of what contracts were coming forward. The Officer training programme on Contract Procedure Rules had since been reactivated due to the relaxation of rules.

The Monitoring Officer provided further assurance to the Committee, commenting that he gave serious consideration before signing off any waivers. He acknowledged that Covid-19 had impacted Council resources and capacity, which had brought challenges for the procurement and contracting of goods and services, in particular, for the health and social care sector, who had found difficulty responding correctly to tenders and that allowances had been made to accommodate this. However, he pointed out that as the Council moved to a more stable period in future, he and the Procurement team were taking a more robust approach regarding waivers and that the Covid-19 pandemic should not be cited as a reason for the waiver, unless there was a valid reason and he hoped to see a decrease in the number of waivers being sought. The Procurement Team would receive additional resource to ensure that the procurement of goods and services were planned properly and that waivers were not granted through lack of awareness, or lack of training, but due to genuine reasons.

Following a request from the Chair, the Head of Internal Audit provided an update on the ongoing storage breaches in relation to the Council's Archives offsite storage facility which was now based at the former Doncaster Museum.

The Chair was pleased to note that training was provided for potential repeat re-offenders in terms of breaches to CPRs, which he hoped would have a positive effect next year and in future years. He also welcomed that Heads of Service receive quarterly reports, as a timely reminder, giving advance notification of contracts within their service area, including the determination dates for the commencement and end date of contracts. He hoped this would remove the excuse for officers not having a new contract in place.

RESOLVED to

- (1) note the information and actions contained in this report regarding waivers and breaches in relation to the CPR's; and
- (2) note any new procurement and contracting activity matters.

44 Local Code of Corporate Governance review and production of the 2021-22 Draft Annual Governance Statement.

Consideration was given to a report which informed Members of a review that had been undertaken of Doncaster's Local Code of Corporate Governance to ensure that the guidance was relevant and up to date. A copy of the Local Code was appended to the report at Appendix A. The report also sought the Committee's approval of the outline draft Annual Governance Statement (AGS) for the 2021/22 financial year, which the Council was legally required to produce.

The report outlined the process for the preparation of the Annual Governance Statement, which the Committee was asked to review and to endorse the initial draft Statement, prior to publication of the Council's final Accounts in October 2022.

In introducing the report, the Director of Corporate Resources stated that the report was a positive report and further to last year's AGS which had contained 9 significant issues, it was proposed that only 2 of the issues identified on last year's plan would be carried forward into next year's plan. All other issues had been effectively managed and were considered complete, or could be stepped down from the plan. During this year's process, 1 new area of significant risk had been identified relating to Doncaster Inspection of Local Authority Children's Services, as detailed at page 6 of Appendix B of the draft AGS. Members were informed that 2 of the items represented on the AGS related to issues within Children's Services and the Doncaster Children's Services Trust. It was noted that the start of the financial year had been another very challenging environment for the

Council, as a result of the Covid-19 pandemic. Despite this, Doncaster Council continued to ensure that its internal control arrangements were relevant, appropriate, well governed and effective, as evidenced in the draft AGS. The AGS would be reviewed and updated throughout the year to reflect progress before the production of the final AGS, which was anticipated to be presented to the Committee in October 2022.

The Vice-Chair raised a query regarding two items that had been brought forward from the previous year and one significant issue that had been identified for improvement in relation to 'Doncaster Ofsted Inspection of Local Authority Children's Services'. In response, the Director of Corporate Resources explained the complex nature of this issue which related to two separate matters regarding the Ofsted inspection report. This report referred to both the sustainability of the Council providing quality, safe and secure care provision for the delivery of children's services and outlined the mechanisms in place for the transfer of the DCST function to the Council.

The Vice-Chair further sought assurance that the Council had the commitment, budget and resources in place to be able to deliver on the transformation of Children's Services programme, whether this would be included on the Internal Audit Work Programme, or whether assurance would be sought from External Audit. The Director of Corporate Resources outlined the governance arrangements in place for overseeing the transition of the DCST, with input from the DfE which was ongoing. The transition of the Trust would be overseen by 3 sub-groups, with 2 of the sub-groups focussing on Performance and Systems modifications, chaired by herself as Director of Corporate Resources and the third group to look at Practice Improvement, chaired by the Director of Learning and Opportunities and Skills. The Audit Committee would be kept informed of progress going forward.

In response to questions regarding the Adult Social Care Market Sustainability, the Director of Corporate Resources provided an update with regard to the work and engagement that was being undertaken by the Council with the NHS Commissioning teams, care providers and the Integrated Care Systems. This included funding and resources to support the Adult Social Care sector which had been a challenge due to the recruitment of staff to the sector. She spoke of the need to ensure that the Council had a sustainable market to deliver the needs of both Adults and Children's Services and confirmed that the Market Position Statement would be completed this year.

In relation to the extended timeframe of April 2023 for the completion of the Adult Social Care Market Sustainability work, it was reported that there was a significant amount of work required and changes to take place in this area through the coming year. The Council have been developing modules in terms of the Council's market position statement and extensively working with the market. The timeframe had been extended to allow more time, due to negotiations taking place regarding the implementation of the 2022 fee uplifts of care providers and commissioning of services, changes to the government's White Paper, and as a consequence of the Covid-19 pandemic.

Members were pleased to note the positive progress being made with regard to the 7 areas removed from the AGS. In response to questions regarding the cost pressures within the Dedicated Schools Grant (DSG) budget and implementation of the DSG deficit, as outlined in the External Auditor's report, which had increased during the year and was projected to increase to over £14m by the end of March 2022, and whether this item was to be included on the AGS, it was noted that these issues would be addressed as part of the improvement plan for Children's Services. It was explained that separate funding sources were involved which included the future Placement Strategy and the Special Educational Needs and Disability (SEND) strategy.

Following further questions, the Head of Audit confirmed that the AGS had been prepared in line with best practice guidance.

In relation to assurance regarding the Council's future Financial Sustainability following recovery from the Covid-19 pandemic, which had been removed from the AGS, but would remain on the risk register, due to the Council maintaining a stable budget, the External Auditor confirmed that this

area would continue to be an area of focus as part of External Audit's work for 2021/22. The rationale for removing this item from the AGS was based on the good financial performance of the Council over the years and the levels of Council reserves. In spite of the DSG challenge, no significant issues had been identified with the AGS, including the judgement on the Council's financial position. This would be kept under review and the AGS would remain a live document until the Statement of Accounts was signed later in the year.

The Head of Internal Audit confirmed that he was satisfied regarding the governance arrangements of the Council and that no items had been identified for inclusion on the AGS.

RESOLVED that the outline of the draft Annual Governance Statement be endorsed, prior to it being published for consultation as part of the 2021-22 Council Draft Accounts.

45 Audit Committee Annual Report 2021/22.

The Chair, Councillor Austen White presented the draft Audit Committee Annual report, which set out key aspects of work undertaken by the Audit Committee during 2021/22.

The Annual report demonstrated that the Committee had fulfilled its Terms of Reference, had made a positive contribution to the good governance and internal control within the Council, and had shared its achievements with the Council, 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 management actions and holding 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 and its Audit within timescales not achieved by many other Local Authorities.
- 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.

The Chair thanked Members of the Audit Committee for their contributions to the work of the Committee throughout the year. He highlighted some of the positive outcomes achieved from the Committee's work during the year, including:-

- Trading Services, Standards and Food and Animal Safety Reviews progress in implementing the overdue actions and remaining overdue actions at the end of the year. It was noted that the Chair of the Audit Committee has had discussions with the Chief Executive to ensure that momentum is retained going forward.
- Improvements being made at North Bridge Stores Operations and Transformation Project, particularly in relation to the storage and distribution of Personal Protective Equipment in the 2020/21 year. Good progress was being made over this function through its Transformation Programme.

The Head of internal Audit drew Members' attention to a new section of the Committee's Annual report in relation to Evaluation of the Effectiveness of the Audit Committee, which was appended to the report at Appendix B.

To conclude, the Chair acknowledged that this was the last meeting that Kathryn Smart, would be attending as she would be stepping down from her position as Independent Member. The Chair

formally expressed his and the Committee's heartfelt thanks to Kathryn for her valuable contribution, help and support she had given to the Audit Committee over the last eight years.

RESOLVED that the Audit Committee Annual Report 2021/22, be approved and that it be published on the Council's website.

46 Annual Report of the Head of Internal Audit 2021/22.

The Committee considered a report which provided information on the role and work of Internal Audit during 2021/22, as set out at Appendix 1 of the report, including the Head of Internal Audit's overall opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. The report was also used to support the annual review of the Council's Governance arrangements and Annual Governance Statement.

Despite the challenges and changes to the work undertaken by the Internal Audit Team, the Head of Internal Audit confirmed that sufficient work had been carried out and that he was pleased to report a positive opinion with regard to the Council's governance, risk management and control arrangements, which were adequate and had operated effectively during the year. He highlighted that this achievement was a credit to the culture and tone from the top of a well-managed and governed authority.

The Head of Internal Audit outlined the significant progress made in relation to implementing the overdue management actions across the Authority, which at the end of the year, had since reduced to 7 actions overdue. This meant that the Authority was in a very strong position in relation to the follow up arrangements over agreed management actions which were considered effective. It was noted that the areas of concern during 2021/22 related to completion of remaining actions regarding the Trading Standards and Food and Animal Safety and progress on improving operations and revised arrangements at North Bridge Stores, which was still ongoing, as detailed in paragraphs 4 to 8 of the report. The Head of Internal Audit also highlighted the Covid-19 associated work which had been carried out, notably in the area of Business Rates post assurance checks.

As part of the Internal Audit's work this year, the Head of Internal Audit reported that he had not identified any areas for inclusion in the Council's Annual Governance Statement and therefore, he was able to give a full and clear opinion over the Council's governance arrangements.

The Committee, in welcoming the report, was pleased to note the number of overdue management actions across the Council had reduced significantly and the arrangements to monitor the management actions were effective and that the Council was in a much stronger position in terms of the very low number of overdue actions which was a great achievement.

RESOLVED that

- (1) the Internal Audit Annual Report for 2021/22, including confirmation that the Council's governance, risk management and control arrangements were adequate and operated effectively during the year, be noted; and
- (2) the Head of Internal Audit's self-assessment and the confirmation from the External Quality Assessment that the service is compliant with the Public Sector Internal Audit Standards and meets the highest assessment standard against their professional auditing standards in the external assessment, be noted.

47 Counter Fraud Activity report 2022/23.

The Head of Internal Audit, Peter Jackson, presented a report which sought the Committee's approval of the Council's Counter Fraud Plan for 2022/23 which had been constructed in line with the Council's Anti-Fraud, Bribery and Corruption Framework, (as approved by the Audit Committee

in April 2021) and in line with the Fighting Fraud and Corruption Strategy 2020 for Local Government.

The Counter Fraud Activity report outlined the Council's approach to counter fraud activity within Doncaster Council and St. Leger Homes of Doncaster for the 2022/23 financial year. The report contained the following elements:-

- An assessment of compliance with the Fighting Fraud and Corruption Locally Strategy 2020, as required by the Strategy;
- Horizon scanning for new fraud risks and the assessment of fraud risks for the Council;
- Assessments of Counter Fraud resource levels; and
- Presentation of the new Counter Fraud Plan for Doncaster Council and an assurance map mapping coverage of the Plan and activities to the risks on the fraud risk register, (as required by the new strategy).

Fighting Fraud and Corruption Locally Strategy 2020 had resulted in the Audit Plan last being presented in a different way to previous years, in that it has a plan for both non-fraud and fraud related work. This has been continued this year. Having a clearly set out Plan of proactive and reactive fraud work is designed to meet the requirements of the new Strategy and make the Counter Fraud Plan more transparent.

A self-assessment with the Fighting Fraud and Corruption Locally Strategy 2020 had been completed, which was attached to the report at Appendix 2. This was an updated version of the previous self-assessment which showed that the Council are compliant with the requirements of the Fighting Fraud and Corruption Locally Strategy.

Kathryn Smart made reference to bank mandate fraud which was prevalent in both public and private sector organisations and sought confirmation of where this risk was referenced in the report. The Head of Internal Audit was unable to direct Members to the section in the Counter Fraud Plan, however, he assured Members this issue had been considered and was included in the plan and that mitigation was in place to manage the risk.

In response to a query from the Vice-Chair seeking clarity regarding the level of available resources in relation to the 'Amber' rating, as part of the self-assessment evaluation, as set out at Appendix 1 of the report, Members were assured that currently sufficient resources were in place to deliver the Plan and respond to any risks

Following a further question, it was noted that the Council had arrangements in place to obtain external resources in the event of an emergency. The skills and expertise in the Internal Audit Team were utilised to deliver the priorities at the point of need for both the Internal Audit Plan and the Counter Fraud Plan, and that external support would be sought as and when required.

In response to a question from the Chair regarding the adequacy of the Council arrangements. The Head of Internal Audit confirmed that at the time of writing the report, the assessments were regarded as appropriate and that he did not have any particular concerns to raise and that the Authority had strong counter fraud arrangements in place.

RESOLVED that

- (1) the Fighting Fraud and Corruption Locally Self-Assessment, as appended to the Counter Fraud Activity report as Appendix 1; be supported and approved; and
- (2) the Counter Fraud Plan and the assurance map which maps all the proposed activities to fraud risks, as appended to the Counter Fraud Activity report, be supported and approved.

The Committee considered the Internal Audit Plan for 2022/23, which had been prepared in line with the requirements of the UK Public Sector Internal Audit Standards. The Plan had been created following a comprehensive review of all risks and controls of Council activities, including partnership activities. The report provided a summary of the 2021/22 Plan and the proposed plan for 2022/23 Municipal year, including a breakdown of the Plan by type of work and assurance and consultancy work by Directorate (excluding ongoing work).

The Head of Internal Audit drew Members' attention to the items currently on the Plan for each Directorate, as detailed at Section 6 of Appendix A of the report and the Counter Fraud Plan, as detailed in the report appended at Appendix B. Section 7 of the report was also highlighted, which set out the key factors taken into consideration when producing the plan, including, increased allowances for contingency and proactive and reactive work, works associated with Covid-19 grant verification work, and core work needed to discharge internal Audit responsibilities.

In answer to a questions regarding the continuous assurance work in relation to the use of data analytics to strengthen counter fraud activity, the Head of Internal Audit confirmed that this area of work had been included in the Internal Audit Plan for the last 5 years and that continued analytics were currently operating in some areas, as set out in the work plan. The Internal Audit team had expected to make progress in this area during the past year, however due to some members of the Team who were skilled in this area of work being involved in the post assurance checks on the business grants work, less progress has been made than planned. It was anticipated that this area of work would be developed further during the year and that discussions had taken place with data officers within directorates. The Head of Internal Audit emphasised the need to have capacity across the Council to further develop this area of work. Kathryn Smart spoke of the need to continue to develop this area of work which would provide the Committee with real time assurance throughout the year on the key controls working within the Council.

The Head of Internal Audit confirmed that Doncaster was operating as most progressive Internal Audit teams and had moved to more agile audit planning which was more responsive and had moved away from previous reporting over completion of the Audit Plan. The Assistant Director of Finance added that she had been assured by the positive report following the recent external assessment undertaken of the Internal Audit Team. The Chair endorsed her comments and noted that the Head of Internal Audit had entered into dialogue and had regular discussions with other Heads of Internal Audit Teams, in particular, those in the South Yorkshire region.

The Engagement Lead, Grant Thornton when asked to comment on the Plan, advised the Audit Committee of the key areas for the Committee to focus on when reviewing the Plan and reiterated the need for the Plan to be flexible and agile and to have the ability to change over the year in the event of any emerging risks, and that there was sufficient resources in place to deliver the Plan.

RESOLVED that

- (1) the Committee support the principles and strategy underpinning the 2022/23 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 consequently support the Plan itself as it stands, as set out in Appendix A, noting the necessity for future and ongoing reviews of the Plan whenever it is appropriate to do so and accordingly to approve the Plan.

49 Order of Business

In accordance with Council Procedure Rule 4, the Committee agreed to the variation of the order of business that Agenda Item No. 14, 'External Auditor (Grant Thornton) Auditor Annual Report 2020/21' report be considered at the next part of the meeting. This was in order to await the

attendance of officers to present the report on North Bridge Stores Transformation Project – Progress Report.

RESOLVED that in accordance with Council Procedure Rule 4, the order of Business on the agenda be varied by considering Agenda Item 14, 'External Auditor (Grant Thornton) Auditor Annual Report 2020/21, before Agenda Item 13, 'North Bridge Stores Transformation Project – Progress Report', in order to await the attendance of relevant Officers to present the report.

50 North Bridge Stores Transformation Project - Progress Report.

The Committee received a report which provided Members with a quarterly progress update on North Bridge Stores operational activities instigated 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. Scott Cardwell, Assistant Director of Development and Dave Stimpson, Head of Property Services were in attendance at the meeting and provided an overview of the positive progress made since the last update report to the Committee in January 2022, in particular in relation to:-

- The results of the analysis of the end of year stock - take had shown a significantly improved position from previous stock takes in year and from previous years. The October 2021 stocktake had showed variances of 18.8% and following the stock take carried out in December 2021, the variances had reduced further to 4.15%. The end of year stocktake in March 2022 had significantly reduced variances down to 0.2%, However, further work was required to reduce the number of variances further.
- 47 perpetual inventory stock takes will be carried out by the Stores team throughout the year.
- The format of the stock takes had been adapted to include the dates of the commencement and end dates of the stocktakes which would allow for larger stock takes to begin in a timely way.
- A full suite of Key Performance Indicators (KPIs) had been developed and implemented from 1st April 2022, which was to be reviewed monthly. The KPIs would be refined and the outcomes of which, would be reported monthly to management, the Transformation Board and the Audit Committee in order that the Committee can measure performance.
- A second Stores User Survey was to be carried out at the end of June and the results would be reported to the Audit Committee in June;
- Standard operating procedures continued to be embedded within the Stores team and with key stakeholders to ensure the most efficient practices were implemented into the Stores function.
- Stakeholder management meetings continued to take place which were now to meet on a quarterly basis and monthly meetings were to take place with team leaders which had been adapted and continued to be embedded;
- Recruitment of the permanent Stores manager post was ongoing and it was anticipated that the post would be advertised next week.
- Embedding of the standard operating procedures. - A work programme was to be established to have oversight of and in order to review the work being carried out which would be reported to the Transformation Board.

Since the writing of the report, the Head of Property Services provided an update to the Committee in relation to the Next Steps in terms of the ongoing operational activity of the Stores on a day to day basis and the improvement of the Stores across the board. It was noted that an analysis of the Stores stock holdings was to be carried out and work was currently underway on reviewing Metro Cleans stock holdings, which formed part of the Stores day to day stock, and would review obsolete stock and write offs. Operational admin trackers had also been established to allow a thorough understanding and analysis of the operation of the Stores.

To conclude the presentation, the Assistant Director of Development provided assurance to the Committee that when recruiting to the Stores manager post that the post holder would not only be

able to manage the efficient operation of the stores function, but also to manage the transformation of the service.

In noting the results from the key stakeholder survey of the stores where there had been a recognition from management of the importance of feedback from the workforce, Kathryn Smart asked whether management planned to get general feedback from the Stores team. The Head of Property Services advised that there was an understanding from the Stores staff regarding the purpose and circumstances of the transformation of the stores function and that staff had been provided the opportunity to engage in the process and had provided suggestions in terms of positive changes to the stores. Feedback would continue to be embedded through staff PDRs and one to ones throughout the year.

The Committee welcomed the positive progress made to the North Bridge Stores which had been a long standing area of concern and Members were pleased to observe that some improvements were being achieved. However, in order to provide further assurance to the Committee that progress continued to be made and to retain momentum on what has already been achieved, it was agreed that going forward two further progress reports be provided to the Committee at future meetings. The Head of Internal Audit gave an undertaking to include the update reports on the Committee's Work Plan for 2022/23. When the transformation of the Stores was completed and got back to business as usual, the Committee hoped that Internal Audit would be in a position to carry out an internal review of the Stores. If and when progress was maintained, the Committee would then consider stepping down this item at that time.

The Chair, on behalf of the Committee thanked Scott and Dave for presentation of the report.

RESOLVED that

- (1) the Audit Committee note the updates to the North Bridge Stores operational activities and support the outlined approach;
- (2) two further progress reports on the transformation of the North Bridge Stores be provided to the Committee at future meetings and further update reports be included on the Audit Committee's Work Plan.

51 External Auditor (Grant Thornton) Auditor Annual Report 2020/21.

Gareth Mills, Director, Grant Thornton introduced the External Auditor's Annual Report for the Council for 2020/21 which informed the Committee of the key matters arising from the audit of the Council's financial statements, and key recommendations as part of their work in delivering their responsibilities as the Council's External Auditor.

Members were informed that the report was a positive report and this was the first report presented to the Committee under the new approach introduced last year, following changes made to the reporting for External Auditors' on Value for Money arrangements resulting from a review undertaken by the National Audit Office Code of Audit Practice. The External Auditor was required to consider whether the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The External Auditor was no longer required to give a binary qualified/unqualified Value for Money conclusion. Instead, Auditors reported more in detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The External Auditor's work had focussed on 3 particular themes in relation to the Council's arrangements in respect of Financial Sustainability, Governance and how the Council was Improving Economy, Efficiency and Effectiveness of the performance arrangements of the Council and this was a more wide ranging review to the previous VFM money conclusion. An update report would be provided to the Committee in the autumn as part of the 2021/22 Value for Money work to monitor how the Council was progressing in these areas.

Perminder Sethi, Engagement Senior Manager, Grant Thornton provided an overview of the key messages from the report.

Overall, no risks of significant weaknesses and related key recommendations, including the Authority's response to Covid-19 had been identified under the risk assessment of the Council's Value for Money arrangements. However, the External Auditor had identified 5 suggested improvement recommendations to further enhance the Authority's arrangements, in respect of the following areas:-

- Financial Sustainability

Recommendation 1 - the Council should clearly identify statutory and discretionary spending in budgetary information which is provided to members and the public when setting the budget each year.

Recommendation 2 – The Council should routinely monitor the Dedicated Schools Grant (DSG) budget and implementation of the DSG deficit plan to ensure expected planned cost reductions and savings were delivered, and where slippage arises, remedial action is taken. Routine reporting should also take place to members.

- Governance

Recommendation 3 - the Council should formulate an action plan to address the issues identified in the Ofsted inspection of the Council's Children's Services. The action plan should include clear target dates and be formally reported to Ofsted and members, and monitored routinely by senior management with regular progress reports presented to the Cabinet.

- Improving economy, efficiency and effectiveness

Recommendation 4 - The Authority should further develop the Council's performance reporting by including performance indicators in tabular form showing the complete set of the Council's key performance indicators by service area and their current period performance, comparison from the prior period, RAG rating movement and comparison with the Council's stated targets.

Recommendation 5 - The Authority should finalise the procurement strategy which is currently being developed as soon as possible. This should set out the Council's objectives and approach to procurement.

In relation to the Council's arrangements in responding to the Covid-19 pandemic, no significant weaknesses had been highlighted and no recommendations made.

The Council's management had responded to the External Auditors Improvement Recommendations, which were set out at pages 11 to 21 of the report.

The External Auditors wished to place on record their thanks to the Director of Corporate Resources, Assistant Director of Finance and the Internal Audit team who had provided the External Auditors with the information required to enable them to undertake their work.

In response to a question from Kathryn Smart seeking clarity in relation to the action taken by the authority and management's response to the External Auditors Improvement Recommendation 1, as outlined above, the Assistant Director of Finance confirmed that if in future years, the Council was unable to balance the budget an assessment would be undertaken of the statutory and discretionary spending and publish the budget proposals, however she emphasised that this was dependent on the circumstances presented at the time. She explained that previously the Council had undertaken a detailed analysis of statutory and non-statutory services which had identified challenges for the Council in categorising costs and that the cost and the extent of provision for individual services could vary. The Assistant Director of Finance confirmed that presently the Council was comfortable with the budget setting process in terms of how pressures and savings had

been assessed, therefore it would continue on this basis, however, advised that in the event of further financial pressures in the future, the budget would need to be looked at more closely.

Following a further question, the External Auditor confirmed that it was at the Councils discretion with regard to what action it took to bring down the level of expenditure, or increase the level of income. He advised that based on the Council's Medium Term Financial Strategy, the Council was managing its financial pressures and therefore the External Auditor had not felt that this was a significant issue that they would wish the Council to take action on.

The Director of Corporate Resources highlighted one key area that had emanated from the External Auditor's report which was the Council's status and spending in comparison to that of other local authorities. It was noted that discussions had taken place with management in the Council in relation to how this information could be utilised as a starting point for the Council to look at the reasons for the Council's areas of high levels of spend. The Director of Corporate Resources highlighted areas the Council was already aware of, in particular, with regard to the proportion of the budget being spent on Doncaster Children's Services Trust (DCST) and that as part of the AGS the Council was to look at how better to improve service delivery.

The Director of Corporate Resources outlined the arrangements to monitor the implementation of the actions relating to the External Auditors' 5 Improvement recommendations. She highlighted the range of mechanisms of how these would be reported to the Committee and that implementation of the actions would possibly feature as standard monitoring reports, but would not feature as a separate report to the Audit Committee nor would be an action on the Internal Audit Work Plan.

In referring to the Improvement Recommendation 3 regarding the action plan to address the issues identified in the Ofsted inspection of Doncaster Children's Services Trust (DCST), given the significance of this issue, the Vice-Chair asked whether External Audit would be carrying out a review of the overall governance of the programme. In response, it was confirmed that the transition of services delivered by DCST which were to come back to the Council, would form part of the External Auditor's work in 2021/22.

In response to a query regarding the External Auditor's benchmarking of other local authorities with regard to their levels of spend, the External Auditor emphasised the importance of the benchmarking exercise, the purpose of which was to look at the reasons for any high or low levels of spending in an Authority, which provided the opportunity for management to be challenged and to be able to provide justifiable reasons for that spend, and to take into account the output and quality of the service delivered by the Council for that local authority spend. A good starting point for the Council would be to look at what was being delivered in Doncaster and whether that was important to the public and the region. In response to a further question, the External Auditor advised that of the reports he had issued recently, Doncaster's arrangements and recommendations were broadly in line with other local authorities and some smaller District authorities.

The Chair on behalf of the Committee thanked Gareth and Perminder for the report.

Members noted that overall the report was a positive one for the Council which had found no weaknesses in the Councils Value for Money arrangements and that effective processes and financial monitoring were in place. Despite the increasingly uncertain financial environment and challenges faced by the Council, in particular the Council's response to the Covid-19 pandemic, the Council had maintained a good financial position and had received a positive opinion on the Councils financial stability, which had forecasted a balanced budget for the next 3 years and had not had to use its general fund revenue reserves, as seen elsewhere from other local authorities across the country. As a consequence, the Council's general fund revenue reserves position remained healthy, the External Auditor confirmed that the future financial sustainability of the Council following recovery of the Covid-19 pandemic had been stepped down from the Annual Governance Statement, but would remain on the risk register.

With regard to the completion of the Audited Statement of Accounts for 2021/22, the External Auditor confirmed that he was confident that the Accounts would be signed off by the statutory deadline of the end of November and it was anticipated that the Value for Money work was to be completed at the end of January 2023.

RESOLVED that the External Auditor's Annual Report in respect of Doncaster Council for 2020/21, be noted.

52 Appointment of the independent Co-opted member of the Audit Committee

Members considered a report which sought the Committee's agreement to recommend to Full Council that approval be given to appoint Dr Stuart Green as a co-opted, non-voting, Independent Member to serve on the Audit Committee for a 4 year term to 31st May 2026.

The current co-opted Independent Member on the Audit Committee, Kathryn Smart's term of office comes to an end on 31st May 2022 and she does not wish to serve a third term. Accordingly, the position was advertised and interviews were held on 1st April 2022 by a Panel which comprised the Chair and Vice-Chair of the Audit Committee, supported by the outgoing Independent Member, Kathryn Smart, and the Head of Internal Audit.

The Chair confirmed that two excellent candidates had been interviewed for the role and after careful consideration the Panel recommended to full Council that Dr Stuart Green, be appointed to the position. Dr Green is currently Assistant Professor in Accounting at Durham University and serves on several other public sector Audit and Standards Committees and was looking forward to being a member of Doncaster's Audit Committee.

The Chair, on behalf of the Committee, gave thanks and appreciation to Kathryn Smart as outgoing Independent Member who for the last eight years has provided extremely valuable help, support and guidance to both him as Chair and previous and current members of the Audit Committee. Kathryn has brought a wealth of experience and knowledge on audit, finance and governance matters to the Audit Committee over this period and has performed the role as co-opted, non-voting Independent Member diligently and has been highly regarded by both Members of the Committee Members and DMBC Officers.

RESOLVED:

- (1) TO RECOMMEND TO FULL COUNCIL that Dr Stuart Green be appointed to serve as a co-opted, non-voting, Independent Member on the Audit Committee for a 4 year term to 31st May 2026; and
- (2) that the Audit Committee express its gratitude to Kathryn Smart as its outgoing Independent Member, for the eight years of highly valued guidance and support she has given the Committee.

CHAIR: _____

DATE: _____