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## CITY OF DONCASTER COUNCIL

### AUDIT COMMITTEE

THURSDAY, 27TH APRIL, 2023

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER, CIVIC OFFICE, WATERDALE, DONCASTER DN1 3BU, on THURSDAY, 27TH APRIL, 2023, at 10.00 am.

#### PRESENT:

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

Councillor John Healy.

#### APOLOGIES:

Apologies for absence were received from Councillors Barry Johnson, Dave Shaw and Co-opted Member, Dr. Stuart Green.

#### 82 DECLARATIONS OF INTEREST, IF ANY

No declarations of interest were made.

#### 83 MINUTES OF THE MEETING HELD ON 26TH JANUARY 2023

RESOLVED that the minutes of the meeting held on 26th January 2023 be approved as a correct record and signed by the Chair.

#### 84 AUDIT COMMITTEE ACTION LOG

The Committee considered the Audit Committee's Actions Log that updated Members on the actions agreed at previous Audit Committee meetings, allowing Members to monitor progress against the actions, ensuring that satisfactory progress was being made.

It was noted that two actions from the Committee's meeting on 27th October had been completed.

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

#### 85 BREACHES AND WAIVERS TO THE COUNCIL'S CONTRACT PROCEDURE RULES

Consideration was given to a report, presented by Holly Wilson, Head of Procurement, which detailed all breaches and waivers to the Council's Procedure Rules (CPRs) for the period 1st September 2022 to 28th February 2023. The report provided a summary of the number of new waivers and breaches recorded for each Directorate since the last audit reports presented to the Committee in October 2022 and April 2022 and a summary of the progress made in addressing breaches to Contract Procedure Rules.

The Head of Procurement provided an overview of the breaches and waivers. Sixteen waivers had been granted for the period, which was a slight decrease to the seventeen waivers reported during 2021/22. Five breaches have been resolved and the breach in relation to the Meat products contract were expected to be resolved very soon. There were four new breaches in the Economy, Environment directorate, two of which related to aggregated spend, and two related to the expiry of contracts. In relation to new breaches, one relating to the contract for ventilation supplies was due to be awarded and resolved in April 2023. Further to a request by the Committee at its last meeting, Members' attention were drawn to Appendix 3 of the report, which set out details of the percentage of waivers granted against the total value of

contracts. Paragraphs 21 to 27 of the report provided an update on the actions emanated from a previous meeting relating to reviewing the Procurement teams arrangements in terms of projects and enhancements, in particular, with regard to improvements compliance and contract mapping which have all been actioned.

In responding to questions regarding the resolved breaches, which related to the expiry of contracts, the Head of Procurement explained the reasons why they had occurred and provided assurances to the Committee that steps that had been taken by the Procurement team to ensure that administrative oversight did not occur in the future.

With regard to clarity being sought in respect of the two new breaches relating to aggregated spend, as detailed at sections 2.1 and 2.3 of Appendix 1 of the report, the Head of Procurement explained the process used to aggregate and to monitor the total amount spent in respect of contracts. It was noted that the minimum requirement for contracts to be procured was 3 to 6 months and that contracts exceeding the £25,000 direct award threshold would be a breach of CPRs. Any contracts reaching the threshold would be flagged up to the relevant Heads of Service and the Assistant Director as part of the quarterly monitoring process. It was further reported that the Council in recent years have spent less on supplies and that the Procurement team review historical data, which was used by Officers to dictate what CPRs Officers were to follow in terms of whether or not to tender for contracts. Whilst the Council endeavoured to get best value for money, more money has been expended on these contracts due to the cost of supplies, which was attributed to the significant rise in inflation. The Procurement team were to flag up any matters that were to reach the threshold at an earlier stage in order that Heads of Service and the Assistant Director to take action.

Following further questions from the Vice-Chair regarding whether the two new breaches regarding relating to kitchens and ventilation supplies could have been avoided if they had been closely monitored by Officers, it was acknowledged that the frequency for the monitoring of such contracts in future were to take place on a monthly basis, in advance of the quarterly monitoring report being presented to management. This would ensure that Officers could intervene at an earlier stage in the process. It was explained that the spending on materials and supplies varied dependent upon the need during the year.

In relation to the breaches where currently there were no contracts in place, Members were informed that the reasons for the expiry of those contracts were not due to lack of planning but mainly were due to a number of issues, in particular related to changes in capacity of staff which was currently being reviewed and supply chain issues. Due to inflation, building merchants were unable to guarantee the same prices and the same quality of materials as done previously. The Head of Procurement gave assurances that mitigations were in place to address this issue. She emphasised the need for a review to be undertaken by the Procurement team in relation to purchasing of materials and supplies to achieve better value.

In response to further questions, the Head of Procurement outlined the IT systems in place to improve contract compliance, including the new Procurement Planning module, which is part of the YorTender electronic tendering system, where information regarding procurement tender projects is stored, which allows for better planning and visibility of procurement projects. It was noted that periodic updates are provided to management on contracts relating to their service area and a spend analysis is carried out by the Procurement team, clearly setting out timescales, alerting contract owners when contracts where to expire. The Monitoring Officer provided further reassurance that arrangements were in place to improve procurement practices and effective controls to monitor breaches.

Arising from clarity being sought by the Chair as to whether implementation of the new procurement planning module was on target, the Head of Procurement confirmed that it was anticipated for completion on 30th April 2023. The Chair pointed out that some suppliers may not want to bid for fixed priced contracts and asked the Head of Procurement to consider a financial limit being set for each contract, which would avoid the occurrence of breaches to CPRs.

The Vice-Chair welcomed the recent changes made by the Procurement team in monitoring contracts and the assurance provided by the Monitoring Officer that arrangements to monitor contracts were robust and compliant. However, having previously discussed this issue with the Chair of the Committee and the Head of Internal Audit, felt that a zero-tolerance approach should be taken in respect of breaches. He therefore, requested that Officers be invited to attend Audit Committee meetings to provide an explanation as to the reasons for the breaches.

The Chair, whilst welcoming the continued improvement in terms of the low number of breaches and waivers, the work undertaken by the Procurement team, the Assistant Director for Finance and the Monitoring Officer to reduce breaches and monitor and refine the procurement process, as set out at paragraphs 21 to 27 of the report, highlighted his concerns that Officers procuring services should have an awareness of the Council's Contract Procedure Rules, and waivers should only happen in exceptional circumstances. To ensure Officer compliance of CPRs in the future, he requested that consideration be given to those Officers who have responsibility for procuring contracts to receive mandatory training on the Council's Contract Procedure Rules, so that they have a clear understanding of their responsibilities when tendering for contracts. The Chair in echoing the comments from the Vice-Chair agreed that there should be no breaches. He did however acknowledge the difficulties faced by the team in predicting and monitoring costs. However, in noting, the majority of the breaches related to existing contracts which had expired, or contracts that had come to an end, as detailed at Appendix 1 of the report, the Chair raised concerns regarding the reasons given by Officers for the breaches, which were the same reasons submitted in the previous update report to the Committee. He was also concerned regarding Officers deviating from the process.

In welcoming the feedback from the Chair and Members, the Monitoring Officer reassured the Committee that waivers were signed off by himself and the Head of Procurement and gave an undertaking to communicate to senior management the Audit Committee's concerns, and that Officer training to be reviewed to ensure that it was targeted to those service areas where there were problems. Officers would explore training with budget holders and joint training. He explained that the Council's contract requirements endeavoured to deliver both products and best value and spend locally and hoped that when the update report was presented to the next meeting, the Committee Members would see a further reduction in breaches. The Assistant Director for Finance added that the Procurement team could look at processes to escalate breaches.

During further discussion regarding breaches, it was noted that due to current inflation, the £25k threshold for contracts had been significantly devalued. The Director of Corporate Resources advised that the thresholds had been set some years ago, therefore, suggested that it would be an opportune time to review the level and nature of spend in relation to procurement activity taking place across the Council, and that a benchmarking exercise be undertaken of neighbouring authorities to determine whether amendments were required to the Council's thresholds. The Head of Procurement reported that she was aware that other local authorities in the region were enacting different thresholds for different categories of spend and gave an undertaking to provide the Committee with benchmarking information at a future meeting.

In response to a question from the Vice-Chair querying some of the purchases made under the new Purchasing Card Policy and whether these were compliant with the Policy. The Head of Procurement advised that the Policy had been approved, but the monitoring of compliance had not yet commenced. Following a request from the Vice-Chair, she agreed to provide the Committee with statistics in relation to the number of breaches under the policy at a future meeting.

In reference to the waivers, Officers responded to questions from Members seeking clarity and assurance was provided, in relation to the waivers in the Adults, Health and Wellbeing Public Health directorate relating to substance misuse and homelessness, document storage and Smart bins in the Corporate Resources and Economy Environment directorate, respectively, as outlined in the Appendix 2 of the report.

To conclude, the Chair highlighted the important role of the Procurement team who have provided assistance to the Audit Committee and stating that the Council was currently in a relatively good position which was attributable to the improvements of both the Procurement team and the Audit Committee.

RESOLVED that

- (1) the waivers and breaches recorded for the period between the 1st September 2022 and the 28th February 2023, be noted; and
- (2) the work undertaken by the Strategic Procurement Team (SPT) to ensure compliance and deliver services, be noted.

86 ANNUAL REPORT OF THE MONITORING OFFICER 2022/23

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

It was reported that the number of complaints relating to both Borough Councillors and Town and Parish Councillors remained proportionately low which evidenced that were very good standards of behaviour. No reports have been made to the Money Laundering Officer in relation to Anti-Money Laundering returns for 2022/23. During the last year, only two whistleblowing returns have been reported.

The Chair in welcoming the reduction in the number of complaints asked how Doncaster compared to that of other neighbouring authorities and whether there were national statistics available regarding Member complaints. The Monitoring Officer advised that Doncaster compared favourably to that of other authorities and complaints against Members and the number of breaches remained low which demonstrated good standards of behaviour for both Borough Councillors and Town and Parish Councillors. Complaints nationally generally related to when there were changes to the political make up of an authority. Complaints received by the Monitoring Officer in Doncaster mainly related to systemic complaints about changes in Council policy, or Members who had a difference of opinion in the actions of other Councillors, or were unhappy with how a Councillor was dealing with an issue in their ward. The complaints had not given rise to breaches of the Members' Code of Conduct.

In response to a question from the Chair regarding the detection of potential money laundering activities of the Council, Members were informed that as the world was operating in a less cashless society, money laundering was much easier to detect. The Committee was reassured that the Council have robust arrangements in place to prevent money laundering which complied with legislative requirements. Council staff received training in relation to the detection of money laundering. The Council's Financial Procedure Rules set out the Council's internal framework for the financial administration of the Council's financial affairs, including the handling of cash and that the Council will not accept cash income for the purchase of goods with a value greater than approx. £11,000. It was reported that the Council was to limit the use of cash across the Council and where possible, the method of cash paid for Council services going forward were to be paid electronically. However, the Council would retain the facility for customers to be given the option to pay in cash. It was recognised that there were some areas in the Council that payment could not be made digitally in respect of the use of petty cash in Care Homes.

Responding to a question, the Monitoring Officer confirmed that staff were periodically reminded about the process for raising an issue under the Whistleblowing Policy and that he was shortly to post a reminder on the staff Homepage of the Intranet. He indicated that he was also to speak to Doncaster College reminding them of the process and the requirements and principles of the policy. The Monitoring Officer provided assurance that the Council were

committed to maintaining standards of openness and transparency, and that staff were encouraged to report concerns through the Policy and other channels available to them. He cited examples of recent complaints, which clearly evidenced that there was an awareness by staff of the existence of the policy. He added that complaints raised under the policy were dependent upon what changes were taking place at the Council, in particular controversial changes. He reiterated that as consistent with previous years, the number of complaints were low.

The Vice-Chair asked whether the Council would inform those partners and organisations who worked closely with Council staff the outcome of any whistleblowing referrals and investigations that were to be found problematic within a service area and if these would be publicised. The Monitoring Officer advised that the Whistleblowing policy adopted by the Council was wider than the law required. The Council were duty bound to make available the Policy to Council employees and the Policy was accessible to partners and service users. The Monitoring Officer gave an undertaking to explore ways in which to communicate to partners and service users in terms of good practice and the requirements of having arrangements in place under the policy. The Monitoring Officer in responding to a further question from the Vice-Chair confirmed that details of the contact number for staff to be able to report concerns or malpractice within the Council was not displayed in staff break out areas, however, the contact details were available on the Council's Intranet.

RESOLVED that

- (1) the Monitoring Officer's Annual report on complaint handling activity for the period 1st April 2022 to 31st March 2023, be noted;
- (2) the whistleblowing return for 2022/23, be noted; and
- (3) the nil money laundering reports for 2022/23, be noted.

## 87 PRODUCTION OF THE 2022-23 DRAFT ANNUAL GOVERNANCE STATEMENT

Debbie Hogg, Director of Corporate Resources, gave a brief overview of the draft Annual Governance Statement (AGS) for the 2022/23 financial year, as appended to the report

The Council was required by virtue of the Accounts and Audit Regulations (England) 2015 to produce, approve and publicise an Annual Governance Statement. The Council's governance arrangements in place during 2022-23 have been reviewed and an Annual Governance Statement has been drafted which shows the Council's our governance compliance.

Responding to a question from the Chair, the Director of Corporate Resources outlined the process and provided an update in relation to the estimated timescale for completion of the draft accounts. It was explained that the Council was legally required to produce an AGS and to review the draft AGS. An outline of the draft AGS is then presented to the Committee for review and endorsement, prior to it being published for consultation and incorporated as part of the Council's draft accounts. The audit of the accounts would take place during the summer and a review of the AGS would be undertaken at that time to determine whether any significant matters would need to be incorporated into the final Statement of Accounts.

Gareth Mills, Director of Grant Thornton in commenting on the report, stated that it was good to see the draft AGS being presented to the Committee and stakeholders in advance of the year end audit of the accounts process which is good practice. He then provided a brief update on the draft accounts. It was noted that completion of the accounts by September 2023 was not achievable and that he would provide further details in this respect under Members consideration of the agenda item relating to the Council's Audit Plan for 2022/23. The Assistant Director of Finance further reported that the AGS would be updated to ensure that it aligned with the Audit Plan.

Further to clarity being sought by the Chair, the Head of Internal Audit confirmed that he was satisfied that the draft AGS reflected good governance arrangements in Doncaster and that no specific items had been identified through the work of the Internal Team for inclusion on the AGS.

RESOLVED that the outline draft Annual Governance Statement for 2022/23 be endorsed, prior to it being published for consultation as part of the 2022-23 City of Doncaster Council Draft Accounts.

## 88 AUDIT COMMITTEE ANNUAL REPORT 2022/23

The Head of Internal Audit introduced the Audit Committee's Annual report, which sets out the key aspects of the work undertaken by the Committee during 2022/23 and the positive impact and achievements made by the Committee. The Annual report demonstrates that the Committee has fulfilled its Terms of Reference and shared its achievements with the whole Council. The production of such a report also complies with current best practice for Audit Committees.

The Head of Internal Audit advised that this year's report did not include an assessment of the effectiveness of the Council's governance as done so in previous years, however the Audit Committee's Improvement Action Plan was appended to the report at Appendix B and identified three minor issues to be actioned.

It was noted that the report was a very encouraging report, recognising the positive outcomes achieved in an again challenging year, the positive assurance it has received over the Council's, risk, governance and control arrangements. The Committee's effective contribution to the audit function and its achievements during the year were set out in Appendix A of the report. The Committee was asked to note and approve the draft Audit Committee Annual Report for 2022/23, appended to the report.

Gareth Mills, Director of Grant Thornton highlighted a minor drafting error in relation to the second bullet point in Appendix 1 to the report (page 74 of the agenda papers), which incorrectly made reference to the 'External Auditor's Annual Audit Letter', which is no longer in existence and had been replaced with the 'Auditors Annual Report.' He also suggested that the report be expanded upon to make reference to place more emphasis that there were not many large metropolitan local authorities nationally in particularly the size of Doncaster to have concluded the accounts and the Value For Money conclusion by January 2023 which was a real achievement for the Finance Team. The Chair thanked the Director, Grant Thornton for his comments and in acknowledging the Finance Teams achievements, pointed out that other local authorities were not in the same position in as Doncaster in terms of completing the accounts in the timeframe achieved.

To conclude, the Chair wished to place on record his thanks to Dr Stuart Green for the contribution he had made to the work of the Committee during the past year.

RESOLVED that the Audit Committee approved the Audit Committee Annual Report 2022/23 as appended to the report and for it to be suitably published.

## 89 ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2022/23

The Committee considered a report, presented by Peter Jackson, Head of Internal Audit, which provided information on the work of Internal Audit during 2022/23, 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 also supported the annual review of the Council's arrangements and the subsequent preparation and publication of an Annual Governance Statement.

The Head of Internal Audit outlined the key points in the report, highlighting that there were low levels of overdue management actions and no particular areas of concern had been identified.

He reported that he was satisfied with the Council's governance, risk management and control arrangements, which were adequate and operated effectively during the year. Internal Audit's work this year had not identified any particular serious areas of concern or services to be considered for inclusion in the Council's Annual Governance Statement.

In answer to a question from the Chair, it was noted that the large number of overdue management actions relating to school audits had not been included within the mainstream management action figures of the Authority, as the figures would be distorted. This was due to the risk levels relating to individual schools and the audits undertaken had resulted in a large number of actions as was the nature of these audits. Internal Audit were working with Head teachers and School Governors at the schools to agree the management actions. Internal Audit had met with the new Head of Service who oversees all schools with regard to the processes in place to escalate implementation of the overdue actions and it was hoped that the numbers would be reduced in future.

The Vice-Chair welcomed the reduction in the number of overdue management actions, in particular, noting the positive results relating to high-risk level management actions, and in view of this asked whether Internal Audit should adopt a more agile approach in the future with regard to the audits. The Head of Internal Audit confirmed that Internal Audit endeavoured to adopt such an approach with less coverage given to assurance audits. Internal Audit were currently recruiting new staff to expand data analysis capacity within the team to increase the amount of data driven work so that real-time assurance is generated from the systems. In addition, work was also being undertaken in the Children Young People and Families directorate for Internal Audit to oversee the arrangements in place in relation to the Dedicated Schools Grant to ensure that preventative measures are in place. It was further reported that the Internal Audit risk based plan would direct resources into those areas where value can be most added. Audit software systems were also being developed to provide detailed assessments of audits and going forward would generate heat maps as seen in the Counter Fraud Plan, mapping out risks to cover all directorates across the Council.

RESOLVED to

- (1) note that the Internal Audit Annual Report for 2022/23, including confirmation that the Council's governance, risk management and control arrangements were adequate and operated effectively during the year and
- (2) note that the Head of Internal Audit's self-assessment that the service is compliant with the Public Sector Internal Audit Standards, maintaining the outcome from the External Quality Assessment carried out during the 2021/22 year, which confirmed the highest level of conformance with the relevant Public Sector Internal Audit Standards.

90 INTERNAL AUDIT PLAN 2023/24

The Committee considered the Annual Internal Audit Plan for 2023/24, as attached at Appendix 1 of the report, which had been prepared in line with the UK Public Sector Internal Audit Standards (UKPSIAS). The Plan had been created following a review of the risks and controls of Council activities.

In presenting the report, the Head of Internal Audit outlined the following three areas of the Audit Plan:-

- Planned audit work
- Planned advice and consultancy work
- Separate Counter Fraud Plan

It was noted that contingencies were in place to allow for flexibility in the Plan and there was currently sufficiency of resource in the Internal Audit team.

In response to a question from Councillor Healy regarding Internal Audit's review of school audits, it was clarified that the names of the schools in the Audit Plan were not specified at an initial stage of the audit process, as this allowed the team more flexibility to determine from the intelligence received, as to whether an audit of the schools financial and governance controls was required.

Further to concerns raised by Councillor Healy, the Head of Internal Audit advised that Academies were outside the scope of the Council's Internal Audit Plan. Academies did not fall under the jurisdiction of the Local Authority and therefore, have their own auditing arrangements in place.

The Vice-Chair, Councillor Bluff in referring to the Internal Audit Plan noted that Salford Internal Audit Services were to undertake an audit review of ICT 3rd Party Suppliers. He asked whether the Council's overall exposure with the Council moving to a Cloud based computer system and general Cyber security had been reflected in the Internal Audit Plan and whether Salford Internal Audit Services would be carrying out a review of the Council's IT systems, including Ransomware. In response, the Head of Internal Audit advised that Salford had recently carried out a needs assessment and the outcome would be reported to Internal Audit next week. Discussions were taking place between Internal Audit and the Digital and ICT team regarding further planned coverage and Internal Audit would be making an assessment of the work required based on need.

Responding to questions from the Chair, the Head of Internal Audit reported that interviews were to take place next week to recruit to staff to expand data analysis capacity in the team. In relation to the delivery of the Internal Audit Plan, the Head of Internal Audit confirmed that he was confident that the Plan was sufficient for him to provide an annual audit opinion. The Head of Internal Audit also confirmed that the Council's Internal Audit's approach in terms of the Internal Audit Plan was consistent with other Local Authorities Internal Audit teams and had met professional standards following a Qualitative assessment undertaken of Internal Audit last year. He held the view that Doncaster was at a higher standard than the median Local Authority.

RESOLVED that

- (1) the principles and strategy underpinning the 2023/24 Internal Audit Plan. as set out in Section 1 and expanded upon in Section 7 of the Internal Audit Plan report be supported; and
- (2) the Plan, as set out at Appendix 1 of the report be approved.

## 91 COUNTER FRAUD ACTIVITY REPORT

Consideration was given to the Council's Counter Fraud Plan for 2023/24, 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 Head of Internal Audit summarised the following elements in the report:-

- Horizon scanning for new fraud risks;
- The assessment of current fraud risks for the Council;
- Information on counter fraud resource levels; and
- Presentation of the new Counter Fraud Plan for City of Doncaster Council and an assurance map mapping coverage of the plan and activities to the risks on the fraud risk register.

In responding to questions from the Chair, the Head of Internal Audit clarified that Horizon scanning relates to any regional, national, or local issues in respect of fraud that could potentially impact upon the Council which have been included as part of the Council's risk



assessment. In relation to the Fraud Risk Heat Map, the purpose of which was to provide clearer visibility of Internal Audits proposed coverage of work and ensured that resources are directed to the areas of need. It was anticipated that in future that the Heat map would be utilised by other areas across the Council.

Arising from a further question from the Chair, the Head of Internal Audit confirmed that he was satisfied in terms of the adequacy of arrangements in place in relation to the assessments undertaken in the Counter Fraud Plan. He advised that whilst a benchmarking exercise of neighbouring authorities in terms of the standard of the report had not been undertaken, he confirmed that the report met best practice.

Members made reference to the £52bn estimated costs by the Government relating to Public Sector fraud, as set out in the Appendix of the report and highlighted the limited resources available and insufficient funding for Local Authorities to combat Fraud, in particular cyber fraud. However, Members were reassured that the majority of these costs related to fraud at a national level in respect of Department of Works and Pensions and HMRC fraud. In terms of Cyber security risks for the Council, these related to the level of transactions taking place and the level of activity by the Council was low risk. The Committee was reassured that the Council have effective arrangements in place to minimise the risk from cyber fraud. The Council have recently established a Cyber Security Team who worked in conjunction with the Internal Audit Team to counter fraud activity thereby minimising the risk of cyber-attacks on its systems.

The Vice-Chair, in welcoming the controls in place to mitigate against cyber risks, asked whether the cyber risks identified on the Heat map included Authorised Push Payment (APP) fraud. The Head of Internal Audit confirmed that the audit needs assessment that had been undertaken by Salford Internal Audit Services provided a break down covering all areas of cyber fraud, including APP. The Council in recent years have invested significant resources into cyber fraud and was now in better position to the problems that were experienced by the Council in previous years.. Members were reminded that the Committee had received a presentation on the Council's arrangements for cyber fraud in 2021 to give assurance on the risk

RESOLVED that the Audit Committee support and approve the Counter Fraud Plan and the assurance map, which maps all the proposed activities to fraud risks.

## 92 EXTERNAL AUDITOR (GRANT THORNTON) AUDIT PLAN 2022/23 AND ARRANGEMENTS FOR THE PREPARATION OF THE 2022/23 ACCOUNTS

Perminder Sethi, Engagement Senior Manager presented the External Auditors Audit Plan 2022/23, which informed the Committee on key matters arising from the audit of the Councils financial statements for the year ending 31st March 2023, including arrangements for the preparation of the 2022/23 Accounts.

The Engagement Senior Manager provided an overview of the key matters in the report:-

- national context and relevant matters affecting the Council.
- The Council's financial position
- Doncaster Children's Services Trust being transferred back to the Council
- Doncaster Sheffield Airport closure, options to acquire the facility and CPO
- Doncaster City Status
- Audit Reporting Delays
- External Auditors response to matters as outlined above

He highlighted that the External Auditor remained committed to proving quality and would continue to monitor the Council's financial position with management and continue its work regarding Value for Money, governance, economy, efficiencies and effectiveness arrangements. He outlined some of the areas that the External Auditor were to focus on, in particular, in relation to the transition of DCST transferring back into the Council. It was noted that DCST had regular dialogue with the finance team regarding bringing accounts back to the

Council and payments to charges. The Engagement Senior Manager also referred to the ongoing work following the Ofsted Inspection taken place last year.

The following significant risks had been identified which were outlined in detail in the Plan:-

- Management over-ride of controls
- Valuation of land and buildings
- Valuations of the net pension fund
- Accounting for the transition of Doncaster Children's Trust back in to the Council on 1st September 2022

The External Auditors further outlined that a risk assessment regarding the Council's arrangements to secure Value for Money had not identified any risks of significant weaknesses, but would continue to update its risk assessment until the Auditors Annual report.

In relation to materiality, it was noted that this had been set at £10,648m for the group and £10,433k for the Council, with £532k being identified for trivial matters for the group. With regard to audit logistics, interim planning works had been completed and interim work takes place in July and from July onwards final accounts work commences. It was anticipated that the accounts audit work to be completed by end of October and a report be presented to the Audit Committee in November. Work on the Council's Value for Money arrangements was expected to be completed at the end of the year.

The Chair on behalf of the Committee, thanked the Engagement Senior Manager for his report. Further to a question from the Chair regarding the Council's progress made against prior year External Audit recommendations, the Assistant Director of Finance confirmed that the outstanding action to address the strengthening of the password settings for Northgate database administrators following the External Auditors 2020-21 assessment of the Council's risks have now been completed. The Chair welcomed that all of External Auditors 2020-21 recommendations were now complete.

In response to questions from the Vice-Chair, the Engagement Senior Manager, Grant Thornton advised that the External Auditor's IT Audit Strategy reviewed the key systems used by the Council to ensure integrity of the information produced on the systems. With regard to the Council's approach to IT general controls, External Audit when carrying out the audit assessed the adequacy and standards of the controls to confirm whether the controls were fit for purpose. An assessment of privileged access in respect of Council IT systems was carried out and the External Auditor assessed the Council's arrangements in terms of the security of data held by the Council. In terms of the Council's IT general controls regarding the Cloud environment, it was reported that Grant Thornton have a team of highly specialised technical experts who have extensive experience of IT risk management and control processes and have an understanding of the IT environment nationally across all their client base, working with the Public Sector, NHS and commercial bodies.

The Director of Corporate Resources further provided assurances that the Council have a duty in the first instance to ensure that new IT systems being introduced into the Council were checked for efficacy and the Internal Audit team have arrangements in place to review those systems.

The Vice-Chair highlighted the potential security risks to the Council in terms of IT systems being out of date, which could potentially lead to a material misstatement in the accounts. He requested that an assessment to be carried out with regard the potential risks of the Council's IT systems, in particular, in relation to the risk environment of the Cloud system in terms of third party risks. It was reported that the Council did not have the level of expertise to undertake an assessment, however, Salford Council's Internal Audit Services provided a variety of specialist skills in terms of auditing IT systems and were currently scheduled to undertake a review of the Council's third party suppliers, and could possibly carry out a review of the Cloud. This issue would be added to Internal Audit's assessment of risk. The Engagement Senior Manager, Grant Thornton pointed out that any potential weaknesses

identified in the Council's IT systems would be updated as part of the software updates, which would ensure the safeguarding of data and provided the ability for people to access the systems.

RESOLVED that Grant Thornton's Audit Plan for the 2022/23 financial year and Arrangements for the preparation of the 2022/23 Account, be noted.

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#### EXTERNAL AUDITOR (GRANT THORNTON) AUDIT COMMITTEE PROGRESS REPORT AND SECTOR UPDATE

Gareth Mills, Director, Grant Thornton introduced the External Auditors progress report, highlighting the progress made on work carried out by External Audit in delivering their responsibilities in auditing the Council's accounts as at 18th April 2023. The report also provided a summary of emerging national issues and developments of relevance to the Council.

The Director, Grant Thornton highlighted the key headlines in the report. The External Auditor had concluded its work on the financial statements for 2021-22 by the end of early November as planned; with the exception of the national accounting issue relating to infrastructure assets, which had been resolved. The statutory instrument to override on the infrastructure assets was approved on 25th December 2022 and the audit had been concluded on 30th January 2023 issuing a 'clean' unqualified audit opinion on the Council's financial statements for 2021-22. The Director, Grant Thornton highlighted the achievements by both the Finance team and External Audit to conclude the audit within the deadline.

In relation to the financial statements for the 2022-23 audit, Members were informed that the current national statutory date of 30th September 2023 for sign off, of the audit of accounts 2022/23 was not achievable and it was now anticipated that the date for completion of the accounts would be November. The Director, Grant Thornton spoke of the challenges faced by External Audit in completing public sector audits due to the external audit market being under significant pressure, which had affected the timeliness of issuing the audit opinions across the local authority sector. In addition, the work of the External Auditor has also been impacted by the NHS Clinical Commissioning Groups audits having to be extended to a later date, which had created a significant number of part-year accounts audits to be delivered in 2023, largely by the same auditors and audit firms who deliver local authority audits. He provided assurances that the November completion date was consistent with the External Auditor 2019-20 and 2020-21 opinions, and with the 2021-22 audit work, with the exception of the national infrastructure matter, which had been concluded by the end of January. The Director, Grant Thornton emphasised that the proposed timetable was not a reflection of the Finance Team, or the wider Council, but it was because of the level of Public Sector audit work to be delivered by Grant Thornton across its NHS and local authority client base. He added that the Finance team's delivery and quality of the audit compared favourably to other local authorities.

In relation to the Council's Value for Money arrangements, it was anticipated that this was to be concluded by December 2023 and a report submitted to the Audit Committee in January 2024.

Members' attention were drawn to Grant Thornton's publication entitled 'About Time', which had been circulated to the Finance team and shared with the Audit Committee prior to the meeting. The publication provided an analysis regarding achievement of local authorities sign off, of the accounts covering the last six years. It was reported that the 12% figure quoted regarding local authorities attaining the statutory date for sign off, of the accounts on 30th September 2023 was not achievable and that it was expected that only a small number of local authorities would meet this deadline.

The Chair on behalf of the Committee, thanked the Director of Grant Thornton for his presentation of the report. In acknowledging that the sign off the accounts was not to be achieved by the deadline, the Chair sought assurance that the proposed sign off date of November would be met. It was reported that the ISA 260 was to be presented to the Audit

Committee meeting in early November and that the sign off, of the accounts before the end of November.

The Vice-Chair stated that he had spoken to the Assistant Director of Finance and the Head of Internal Audit regarding governance arrangements at the Council, particularly in respect of Cabinet decisions taken under Rule 16 Special Urgency provisions. In view of Grant Thornton having knowledge of the auditing of the public sector, he asked whether Grant Thornton could assist the Council in obtaining national benchmarking statistics to gauge how Doncaster compared nationally to that of other Local Authorities in terms of decisions being taken under the Special Urgency provisions for comparative purposes. The Assistant Director of Finance advised that Internal Audit was to undertake an initial review of this matter and the outcome would be shared with the Engagement Senior Manager.

The Vice-Chair acknowledged the excellent work undertaken by Grant Thornton and thanked them for their efforts on delivery of the accounts. The Director of Grant Thornton responded by thanking the Vice-Chair for his comments and said that he would communicate the feedback to the External Auditing team. The Chair echoed the comments made by the Vice-Chair. In commenting positively on the report, the Chair commended the Finance team for their achievements in completing the accounts within the deadline, given the recent and past challenges faced by the team in having to meet the changeable timeframes over recent and previous years to complete the accounts. The Chair in welcoming the positive feedback received from Grant Thornton regarding the quality and timing of the presentation of the accounts by the Finance team asked that the Committee's thanks be conveyed to staff in the Finance Team for their achievements.

The Director, Grant Thornton reiterated the importance that the delay in the completion of the accounts this year was due to them not being able to deliver the audits by the deadline and was not because of the Council's Finance team, adding that the Finance team had been proactive and had engaged in dialogue with the External Auditor. The Vice-Chair in noting the national public sector data in the External Auditors report regarding some local authorities deficits in funding for Special Educational Needs and Disabilities, was pleased to note that this was not applicable to Doncaster, which demonstrated that on a national level Doncaster was performing well.

The Chair reflected on last year's report and this year's report and commented that in view of the challenging timescales to meet the deadline this year, the Committee was assured that the Council's governance and control arrangements remained strong.

In closing the meeting, the Chair thanked everyone for their attendance.

RESOLVED that Grant Thornton's Progress report and Sector Update for the Year ending 31st March 2023 be received be noted.

CHAIR: \_\_\_\_\_

DATE: \_\_\_\_\_