

CITY OF DONCASTER COUNCIL

AUDIT COMMITTEE

THURSDAY, 23RD NOVEMBER, 2023

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER, CIVIC OFFICE, WATERDALE, DONCASTER DN1 3BU, on THURSDAY, 23RD NOVEMBER, 2023, at 2.00 pm.

PRESENT:

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

Councillors Sue Farmer, John Healy and Dave Shaw.

APOLOGIES:

An apology for absence was received from Dr Stuart Green.

104 DECLARATIONS OF INTEREST, IF ANY

Councillor Dave Shaw declared a non-disclosable interest during consideration of Agenda Item 6, 'Breaches and Waivers to the Council's Contract Procedure Rules', in relation to Appendix 2, 'Ubricity On-Street Residential Electric Vehicle Charging Pilot Scheme', as being a local ward Member for the Town ward and a resident of Bennetthorpe area.

105 MINUTES OF THE MEETING HELD ON 27TH JULY 2023 AND THE EXTRAORDINARY MEETING HELD ON 12TH SEPTEMBER 2023

RESOLVED that the minutes of the meeting held on 27th July 2023 and the extraordinary meeting held on 12th September 2023 be approved as a correct record and signed by the Chair.

106 AUDIT COMMITTEE ACTIONS LOG

The Head of Internal Audit presented the Audit Committee Actions Log which provided an update on actions agreed during past Audit Committee meetings, allowing Members to monitor progress against all actions, ensuring that satisfactory progress was being made.

Members noted that four actions had been completed and the outstanding action was progressing in accordance with the agreed timescales.

In response to a question from the Vice-Chair, the Head of Internal Audit clarified that the action, as set out at Appendix 1 of the report in relation to the Taxi Licensing service related to an action which had arisen from the Audit Committee's July meeting, following a review of the service reported to the Committee in February this year. A progress report was to be submitted to the meeting in February 2024.

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

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

The Head of Strategic Procurement introduced a report which detailed all the Waivers and Breaches to the Council's Contract Procedure Rules for the period 1st March 2023 to 31st August 2023. 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 April 2023 and October 2022 for comparative purposes.

Due to the realignment of the Council's directorates, the Chief Executives directorate had been included in the figures going forward, the majority of spend was previously incorporated in the Corporate Resources directorate.

The Council at its meeting in September 2023 had approved changes to the Council's Contract Procedure Rules. The new rules were being embedded across the Council. The report further set out details of the Provider Selection Regime (PSR) Rules coming into force on 1st January 2024 under the Health and Social Care Act 2022, regarding procuring health care services contracts in England. The Contract Procedure Rules would be amended in January 2024 to reflect the changes. Small technical changes would also be made to Contract Procedure Rules in respect of new procurement value thresholds announced. The changes would be reported to the Audit Committee meeting in April 2024.

It was noted that three new breaches had been reported for the period, along with two resolved breaches and three unresolved breaches. There had been a decrease in the number of approved waivers to the Contract Procedure Rules for this period from 16 waivers to 11, to that reported to the Committee in April 2023, details of which were provided for in the report and accompanying appendices.

In response to questions from Members seeking clarification in relation to the breach relating to Supported Accommodation and Floating Support Services for Young Families and Parents and whether lessons had been learnt for the future when procuring contracts, the Head of Strategic Procurement explained that the breach occurred as the service area made a late request for a waiver which was not compliant with Contract Procedure Rules rationale for allowing a waiver. The contract had since been transferred from Adult services to the Children's service commissioning team. The contract had been formalised for the period of the breach until the matter was resolved and the service had been recommissioned to ensure that contracts were in place for the breach period up to May 2024. It was noted that officers were made fully aware of the need to achieve compliance and assurances had been provided that this situation would not happen again. The Monitoring Officer provided further assurance that the Council's arrangements for approval of waivers were robustly managed, which clearly demonstrated that arrangements were working by the waiver being rejected.

The Vice-Chair welcomed the report and congratulated Officers for the reduction in the breaches and waivers and the robust procedures in place. In response to a question regarding the Ubricity on-Street Residential Electric Vehicle Charging Pilot Scheme, as set out at Appendix 2 of the report, it was explained that currently electrical charging infrastructure was a niche market which was driven by subsidiaries and therefore there was an insufficient supply of on street electrical chargers which was mainly led by commercial companies. However, it was pointed out that the Ubricity on-Street pilot was a unique scheme as it was Government led and the Council had been successful in bidding for £2m grant funding. The Council had to comply with the requirements of accessing Government grant funding and the short timescales in place for the Council to be able to access that funding, which did not allow for a best value procurement process. The Director of Corporate Resources further explained that the company was piloting different technologies and wanted someone in South Yorkshire to pilot the scheme. She highlighted the risks associated with the scheme and the challenges involved in testing the different forms of technology and challenges around the use of technology by communities. The company had chosen from their data set the areas where they wanted to test technology which allowed for engagement with residents in identified areas. Members were assured that there was no obligation for the Council to enter into a contract agreement with the Ubricity in terms of future contracts for electric vehicle charging. She highlighted the difficulties faced by the Council in ensuring comprehensive on-street electric vehicle charging access for all properties across the Borough, in particular terraced housing.

The Vice-Chair congratulated officers for their success in bidding for the Ubricity Scheme. Whilst welcoming partnership arrangements with private partners, where there were no initial costs to the Council in setting up the infrastructure for electric charging, the Vice-Chair asked whether the Council had appropriate procurement procedures in place, rather than a waiver

having to be raised. It was explained that currently such contracts are captured by the Concession Contract Regulations 2016, but this may be subject to change in the future.

A Member referred to the risks, costs to the Council and best value for money associated with this scheme and asked that the Committee revisit this issue in six months' time. It was subsequently agreed that Overview and Scrutiny be requested to review the pilot scheme, prior to the scheme being rolled out across the Borough.

Whilst being supportive of the Ubricity On-Street Residential Electric Vehicle Charging pilot scheme, Councillor Shaw as local ward Member for the Town ward expressed disappointment that neither he or residents in the ward had been consulted regarding the proposals and had been informed that the works in relation to the scheme were scheduled to commence shortly. It was agreed that this issue would be raised with the lead officer.

The Head of Strategic Procurement responded to several questions from Members seeking clarity relating to the breaches, in respect of numbers 2.1, Buildings Materials and Timber, 2.2 Kitchens, 2.3 Building Materials and 2.4 and 2.5 Modular Buildings, as appended to Appendix 1 of the report. She explained the rationale for the breaches and updated Members on the timeframe for resolution of some of the breaches. She also provided clarity in relation to the waiver in respect of Doncaster Supported Living Service.

Councillor Shaw asked why only one quotation had been obtained in respect of the breach relating to Modular Buildings, as outlined in Section 2.4 of Appendix 1. The Head of Procurement undertook to provide Councillor Shaw and the Audit Committee with further details.

Following further questions from the Chair, the Head of Strategic Procurement confirmed that she was satisfied with the Council's current arrangements for procurement of contracts which were compliant with Contract Procedure Rules. In relation to mandatory training for officers on Contract Procedure Rules, an e-Learning module was currently being developed, which would be rolled out in January 2024. Face to face training continued to take place with officers. The Strategic Procurement Team were working with Children's services regarding contracts and the data and contracts formerly under the Doncaster Children's Services Trust that had been novated into the Council systems. However, she advised that these needed to be strengthened. The Monitoring Officer confirmed that he was happy with the arrangements regarding Contract Procedure Rules compliance. In future the Council would benchmark other local authorities in terms of their arrangements in respect of Contract Procedure Rules.

Members welcomed the improvements made and were pleased to note that Officers involved in the procurement of goods would be receiving mandatory training from the Strategic Procurement Team, which provided assurance to the Committee that arrangements were working effectively.

RESOLVED that

- 1) the Waivers and Breaches recorded for the period between the 1st of March 2023 to the 31st of August 2023, be noted; and
- 2) the work undertaken by the Strategic Procurement Team (SPT) to ensure compliance and deliver services, be noted.

108 INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD JULY 2023 TO OCTOBER 2023

The Head of Internal Audit presented a report which updated Members on the work undertaken by Internal Audit and opinions issued for the period July to October 2023.

The Head of Internal Audit clarified points raised by the Committee in relation to the number of overdue management actions and completed actions arising from the school audits/investigations. It was noted that Internal Audit had agreed revised completion dates with

management relating to the Place directorate that would not have an adverse impact on the service.

In respect of the Section 106 agreements review, the Head of Internal Audit advised that the review had concluded that the contract had been procured in accordance with the Council's Contract Procedure Rules and value for money obtained. The review had identified that there were no unspent S.106 monies and Internal Audit had recommended that improvements should be made to the S.106 process. It was noted that a wider review of S106 monies was ongoing.

In reviewing the overdue high-risk level and medium to low risk level management actions, Councillor Dave Shaw requested that in order for Members to be able to gain a better understanding of the information presented and for them to carry out a detailed critical analysis of the data, that in future an analysis be provided in relation to whether the risks identified for a particular period were new risks, or existing risks carried forward from the previous reporting period, as he felt that it was not apparent from the information provided at the table at paragraph 3.6 of the report. The Head of Internal Audit gave an undertaking to present the statistics to the Committee in a different way in the future, to highlight those that have been overdue in previous reporting. Following further questions, Members were assured that there were no concerns in terms of the overdue high-risk level management actions risks identified and that if any issues of concern did arise, these would be brought to the Committee's attention. It was noted that Doncaster was in a good position compared to other local authorities in terms of the risks to the Council.

The Vice-Chair, in noting the reduction in the number of overdue management actions, requested that in future the Committee should be provided with a summary of the medium to low level risks in a simplified format to identify the issues, the original implementation date, projected implementation date and current implementation date. It was subsequently agreed that information continued to be presented in the current format in terms of the categories of risks and to be reviewed by the Committee at a later date in terms of whether the current information added any value, and how they wished for information to be presented in the future.

Due to the reduction in the number of overdue actions, the Vice-Chair asked whether a deeper analysis should be carried out next year in relation to the scope of the Audit to identify any problems, the Head of Internal Audit provided assurances that every action raised relating to high-risk matters were validated by the Internal Audit team as were medium to low actions and the number of low risks related to small numbers of overdue outstanding recommendations not yet been implemented. However, Internal Audit would continue to review risk-based audits as part of their work on the draft Audit Plan. Members would be given the opportunity to input into the process in terms of potential risks, prior to the draft Audit Plan being presented to the Committee in April next year. The External Auditor reinforced the comments made by the Head of Internal Audit that as part of Internal Audit's work when reviewing the core internal controls of the Council, also looked at areas of potential risks for the Council.

In response to a further question from the Vice-Chair, the Head of Internal Audit confirmed that a second line risk assessment was carried out annually by managers in relation to risks and controls in their respective area, where each Head of Service had the opportunity to flag up any concerns or areas of weakness regarding governance, which may be considered for inclusion in the Annual Governance Statement.

Following questions from the Chair, the Head of Internal Audit advised that a member of staff had been seconded to the senior Auditor position in the team and he hoped to appoint someone permanently to the post in future. Resources were in place to look at data driven work and to build data capacity in the team. The Internal Audit team was working in partnership with other teams within the Council in terms of gathering data. In relation to the Head of Internal Audit's Annual report, he was confident he would be able to give a positive opinion at the Committee's meeting in April 2024.

To conclude, in terms of Internal Audits performance during the year, it was acknowledged that the Key Performance Indicators were good, and no new areas of concern had been identified as

part of the Head of Internal Audits opinion. The Committee was assured that the risk, governance, and control arrangements were satisfactory.

RESOLVED to note:-

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

109 PREVENTING AND DETECTING FRAUD AND ERROR REPORT OCTOBER 2022 TO SEPTEMBER 2023

Peter Jackson, Head of Internal Audit presented the report which summarised the work undertaken by the Council during the period October 2022 to September 2023 to prevent, detect and investigate fraud and corruption in line with the Government's Fighting Fraud and Corruption Locally Strategy. Paragraph 5 of the report set out details of the outcomes of the Council's anti-fraud activity to counter act fraud.

Further to the publication of the report, the Committee noted an amendment to the Recommendation at paragraph 7 of the report, which should read as 'The Audit Committee is asked to support the production of the Preventing and Detecting Fraud and Error report and note and comment on the report provided.' The Chair also highlighted an error at page 49 of the agenda papers, and it was noted that the Appendix should follow the cover report.

The Chair commented positively on the work being undertaken by the Finance Team, Internal Audit team and teams across the Council in the prevention and detection of fraud, which provided the Audit Committee with assurance that the Council's governance and risk control arrangements were effective. The Head of Internal Audit confirmed that the work had contributed to his overall opinion of the overall risk of governance and control in the Council.

RESOLVED that the Preventing and Detecting Fraud and Error report and the errors, as outlined above be noted and supported.

110 STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT (AGS) 2022/23 - DRAFT ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE

Gareth Mills, Director, Grant Thornton, provided an update in relation to the External Auditor's ISA 260 report, which summarised the key findings and other matters arising from the work undertaken by the External Auditor for 2022/23 on the Council's financial statements audit of the accounts, prior to issuing their opinion on the Council's financial statements. The Value for Money report for 2022/23, as part of the External Auditor's Annual Report would be presented to the Committee at the meeting in February 2024.

Prior to presenting the report, the Director thanked the Committee for extending the deadline for completion of the External Auditor's audit work. Members' attention was drawn to the key headlines, as set out at page 3 of the External Auditor's Executive summary of the ISA 260 report, including:-

- no audit adjustments had been identified impacting on the council's outturn position and useable reserves
- although there were adjustments in relation to the value of the Council's Pension Scheme, Doncaster's analysis and judgement to include the Pension as an asset on the balance sheet was correct and ahead of the curve.

- aspects of the External Audit's work outstanding were to be completed within the next few weeks.

Since writing the report, Perminder Sethi, updated the Committee regarding two further adjustments identified on the balance sheet in respect of the valuation of schools, which had been undervalued by £2.8m, which was due to a calculation error in the valuation. The second adjustment related to £0.8m spent on Doncaster Archives that had been incorrectly de-recognised. Both adjustments would be updated in the External Auditor's final audit findings report.

The Director, Grant Thornton commended the Finance team for their significant achievement for completion of the draft Statement of Accounts within the deadline of 31st May 2023, which had placed Doncaster in a favourable position compared to other Local Authorities. It was further reported that to date no issues had arisen in relation to the audit. The External Auditor continued to have a good level of engagement with the Council's Finance team whilst undertaking the audit. The accounts were on schedule to be completed within the next few weeks, which placed Doncaster in a good position compared to other local authorities across the country. In relation to the External Auditor's work regarding the Council's Value for Money arrangements, Members were informed that it was anticipated that this was to be concluded and presented to the Committee at its meeting on 1st February 2024. No issues or concerns had been identified as part of the External Auditor's work.

Following the presentation of the report, the Chair on behalf of the Committee thanked and congratulated both the Finance Team for completion of the accounts and the External Auditor for auditing of the accounts, given the continuing challenges and conditions to complete the audit this year. The Committee recognised the positive achievement in completing the audit within timescales to that of other local authorities and, despite the challenges, had raised the bar, which further demonstrated that the Council's finances were well managed.

The Chair referred to some local authorities being served with a Section 114 notice and sought assurances from both the External Audit and the Assistant Director of Finance in terms of the Council's financial position. The External Auditor stated that Doncaster's was in a good position financially, compared to other similar size local authorities, however, he highlighted that Adult, Social Care and Children's Services were placing significant pressures on local authorities, but Doncaster's financial position meant it could better deal with such issues. In relation to the medium to long term position, in common with other local authorities it was highlighted that the significant pressures faced by local authorities needed to be planned for. However, Doncaster was not deemed as a high-risk authority, as it had put in place contingencies to deal with the national difficulties posed. However, the External Auditor spoke of the further difficulties faced by local authorities in the future, due to the increase to public spending.

Faye Tyas, Assistant Director of Finance added that the Council had set a balanced budget, which was being closely monitored. She spoke of the significant financial challenges placed on the Council, due to pressures in Adult Social Care and Children's Services, together with inflationary pressures and the position regarding the increase in the Dedicated School Grant (DSG) deficit, which were all impacting on the Council and its ability to plan for the long term regarding the Council's future finances. It was confirmed that at the present time, the Council does not envisage serving a Section 114 notice. As part of the budget setting process, leading to the Council budget consideration in February next year, a review would be undertaken in terms of the robustness of the budget proposals and the level of reserves.

In response to questions by the Vice-Chair, the Assistant Director of Finance confirmed that the DSG override remains in place, therefore the overspend is carried forward into next year. The Council continues to review the position in relation to the DSG spend and progress plans to reduce spend, focusing on delivering best value. The Council is in dialogue with CIFPA and Newton, and the DfE regarding the overall funding position and continues to identify further opportunities, however, to date this work has identified insufficient additional options, to those already being progressed, to meet the current funding gap. In terms of the risks to the Council, the Director, Grant Thornton advised that nationally the override was in place until the 2025/26

financial year and any potential risks for the financial sector were likely to be from the 2026/27 financial year. He highlighted that it was not unusual for a local authority to be in deficit in terms of the significant costs in respect of the DSG.

Following a question by the Chair in relation to Paragraph 10 of the draft Annual Governance Statement, the Director of Corporate Resources clarified the key governance officers in the Council and partners who had been consulted regarding the draft Annual Governance Statement, including, the Section 151 Officer, Monitoring Officer, Caldicott Guardian and SIRO, had provided additional assurance within their respective areas. Each Manager had been engaged to look at each of their service areas and report any issues of concern up through the organisation. She outlined the cross-cutting approach used across the Council and its partners, including St Leger Homes and the former Doncaster Children's Services Trust (DCST) regarding strategic functional areas that were potentially areas of concern and would be brought to the Committee as part of the Annual Governance Statement.

The Director of Corporate Resources then provided an update in relation to the completion and actions relating to the Social Care Data Quality, as outlined on page 7 of the Annual Governance Statement.

To conclude, the Assistant Director of Finance wished to place on record her thanks to the Finance Team for their continued work given the challenges faced this year. She also extended her thanks to the External Auditor, Grant Thornton for their work to complete the audit in a timely manner. The Chair on behalf of the Committee, acknowledged the high level of work undertaken by the Finance Team in maintaining the completion of the accounts within the statutory timeframe and the good position of the Council. He expressed his appreciation for the hard work undertaken by the Finance Team and Grant Thornton who had contributed to the process.

RESOLVED that

- (1) the contents of the draft external audit ISA 260 report, be noted;
- (2) the Letter of Representation included in the draft ISA 260 report, be endorsed for signature by the Chair of the Audit Committee and the Chief Financial Officer;
- (3) the Statement of Accounts 2022/23, be approved;
- (4) the Annual Governance Statement 2022/23, for signature by the Mayor and the Chief Executive, be approved; and
- (5) delegated authority be given to the Chief Financial Officer, in consultation with the Chair, to agree any adjustments to the Statement of Accounts 2022/23, following the completion of the audit by Grant Thornton, should any changes be necessary, prior to signing by the Chief Financial Officer and the Chair of the Audit Committee.

111 GRANT THORNTON PROGRESS REPORT AND SECTOR UPDATE

Gareth Mills, Director, Grant Thornton introduced a report which provided Members with an update on progress made on delivering their responsibilities as the Council's External Auditor as of 6th November 2023 and Sector update.

It was anticipated that the External Auditor would issue its Annual Report by the end of December 2023 and their findings of the Accounts would be submitted to the Audit Committee meeting, scheduled in February 2024.

RESOLVED that Grant Thornton's Progress report and Sector Update be noted.

CHAIR: _____

DATE: _____