

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

WEDNESDAY, 27TH JANUARY, 2016

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER - CIVIC OFFICE, DONCASTER on WEDNESDAY, 27TH JANUARY, 2016 at 10.30 AM

PRESENT:

Chair - Councillor Austen White
Vice-Chair - Councillor Richard A Jones

Councillors Susan Durant, John Healy and Smart

Co-opted Member

Kathryn Smart.

Apologies

An apology for absence was received from Councillor Alan Jones.

Also in attendance:

Simon Wiles, Director of Finance and Corporate Services
Pat Higgs, Assistant Director Adult Social Care
Howard Monk, Head of Strategy & Performance
Colin Earl, Head of Internal Audit
Peter Jackson, Internal Audit Manager
Faye Tyas, Head of Financial Management
Dulcie Aulton, Head of Customer Services
Jillian Burrows, KPMG
Clare Partridge, KPMG

35 DECLARATIONS OF INTEREST, IF ANY

No declarations of interest were made at the meeting.

36 MINUTES OF THE MEETING HELD ON 19 NOVEMBER, 2015

RESOLVED that the minutes of the meeting held on 19th November, 2015 be approved as a correct record and signed by the Chair subject to the following amendments:-

Kathryn Smart be shown as present and the name Claire Pritchard from KPMG be amended in the attendance and in the body of the minutes to Clare Partridge.

Action

Amber
Torrington

ADULTS, HEALTH AND WELLBEING AUDIT RECOMMENDATIONS
PROGRESS REPORT.

The Committee considered a progress report in relation to the completion of the recommendations since April and those that were still outstanding as at the 31 December, 2015 for the Adults, Health and Wellbeing audit.

Members were advised that some progress had been made in reducing the number of outstanding recommendations since the meeting in September, but there were still 22 of the original 84 actions outstanding. It was also advised that in addition to the 84 original action from February, 2015, a further 7 significant and 3 moderate actions had been issued resulting from the completion of two further audits.

It was reported that there were two 'Major' risks outstanding both of which had progressed since the last meeting:-

- The Debtors' Write-Off process had been transferred to Professional Business Support and whilst the deadline had been extended, work was on-going and it was currently on track to be delivered within the revised deadline of 31 March, 2016; and
- In relation to the Resource Allocation System (RAS) calibration had commenced and substantial progress had been made in relation to the analysis. It was acknowledged that some of the stages within action plan timeline had slipped and this was mainly due to the availability of the external RAS expert who was supporting the process, but a meeting had been scheduled for the 15th January to look at progress and review the timeline, However, it appears that there will not be much change to the overall timeline which had a completion date of 29th February, 2016

The Chair asked whether there was an update available for all 30 of the outstanding recommendations. It was advised that a schedule of all outstanding actions/recommendations would be reported at the next meeting of the Committee. An update was also requested in relation to the milestones detailed within the Annex of the report. Members were advised that progress was being made although there was still a way to go in relation to receiving outstanding monies for direct payments. It was stated that credit should be given to Anthony Pattinson and his team for all the good work carried out so far. It was also noted that in relation to pre-payment, instant access cards will make it much easier to recover payments to prevent this problem arising in future.

Pat Higgs

RESOLVED that the update on current recommendation,

All to note

be noted.

38 ELECTRONIC AND PHYSICAL RECORDS PROGRESS REPORT.

The Committee considered an update report on the progress made with regard to the electronic and physical storage of records, including the options considered and the associated costs requested following the Information Governance progress report presented to Committee in February, 2015.

Following the last meeting, a comprehensive review had been carried out of the current records management stores and implement a new Council wide records management solution by identifying suitable Governance premises or an alternative solution to house the Council records.

A number of options were considered when reviewing the current records management stores, which were as follows:-

- Develop our own internal solution for all records management;
- Move the records held at Thorne to a Council building and work to merge the current three records stores at a later date;
- Tender for a commercial managed corporate records management solution; and
- A further option of leaving the records in their current locations was also considered as part of this review. (However the current costs for storage across the 3 locations compared with the costs published in the ESPO framework number 2957 – Document Storage and Retrieval Service, indicated that significant savings could be achieved by going out to tender).

Following analysis of the options, it was identified that the best option was to tender for a commercial managed corporate records management solution. It was noted that the current supplier was not using the ESPO Framework and the Council made a decision to procure via full European Union tender.

It was advised that due to legal negotiations and the dispute around a current contract, the new contract had only just been awarded to one of the tendering suppliers and the Council were currently working with them to develop a comprehensive implementation plan.

Councillor John Healy showed his concern with regard to the current position the Local Authority archives and sought an up to date costing analysis in relation to the records that were kept electronically. He also sought clarification as to how many years the Council were legally obliged to maintain and keep records for. It was advised that generally most records need to be kept for a year period. However, there are records that Council has that are required to be kept on record for life. Members were advised that the team were currently identifying the

records that need to be kept and those that could be destroyed and there was a significant amount of indexing work to be carried out. Members were provided with a brief update as to the current situation and the work being undertaken so far.

Councillor John Healy also expressed concern with regard to Data Protection and whether the risk had now been reduced following the introduction of the action plan and new contract agreement. It was advised that the risk had reduced considerably and the team had confidence in the new company who were considered to be very professional.

A query was made in relation to the removal costs associated with Copley House and Balby Archives highlighted at paragraph 34 of the report and what the cost would be. It was reported that the documents had not been kept in the required conditions and there will be a significant amount of re-boxing to be done of which will have some one-off costs attached to it. It was advised that a quote had been received and officers were currently working through that. It was advised that it may be most cost effective to scan the documents but there is a need to have all the boxes in one place before that can be considered.

With regard to the 3.5 million digital files, Councillor Susan Durant asked whether there was a plan in place to look at these. It was reported that at this time it was too soon to give commitment to this. It was advised that a small team of staff were looking into this and more work would need to be carried out before the development of protocols could take place.

Councillor Susan Durant requested clarity with regard to FOI requests particularly in relation to private properties i.e. un-adopted roads. She asked how these would be managed and filtered to each department and whether this would have any impact on the work the team were carrying out. It was reported that the Council perform very well with FOI requests. There are a few difficulties that occur with non-computerised, physical records but the Council does their best they can. Members were advised that most of the physical records were personal, benefit claim information and it was not very often that requests would be made in relation to un-adopted roads etc. It was noted that there were occasions when a record cannot be found which is where the indexing of records will prove helpful.

Councillor Richard Allan Jones expressed his disappointment in relation to the negotiations on-going with the existing contractor at Thorne and highlighted that the estimated savings from this exercise would be halved as a result on the on-going negotiations. Councillor Jones stated that out of the 3.5m files, there must be some that are out of date. He asked whether the Council had appropriate back-up systems in place. It was reported that with regard to physical files there

was no back-up which was why the scanning of documents was taking place but there was full electronic back-up. With regard to the existing contract, it was advised that the Council were negotiating a financial settlement with the company. However, the Council were primarily to blame as the contract was poor and weak and data protection element was not satisfactory all of which falls within the responsibility of the Council.

It was reported that this exercise was at pilot stage but it was envisaged that it would be rolled out across the Council. It was noted that this project could take up to 2 years to complete but it was hoped that 75% of the work would be completed in year 1 with a further 25% in year 2.

RESOLVED that the report be noted and a further report be brought back to the Committee in 6 months.

All to note

39

ARRANGEMENTS AND TIMETABLE FOR THE PREPARATION OF THE STATEMENT OF ACCOUNTS - 2015/16.

The Committee received a report which provided details of the audit plan and timetable for producing the 2015/16 Statement of Accounts. The statutory deadlines for producing the draft accounts and the approved audited accounts were set out in regulation and were currently 30th June and 30th September respectively.

It was advised that the Accounts and Audit Regulations 2015 will bring forward the timetable for the preparation and approval of the 2017/18 draft accounts to 31st May and an audit deadline of 31st July. It was noted that the Government believed that this change would reduce the burden of the closure process, enabling finance staff to give more time to in-year financial management.

Members were advised that the Council would quicken the production and subsequent publishing of the draft audited accounts over this year and the following years to meet these future timescales. The intention was for the draft accounts for 2015/16 to be certified and published by 31st May with the audited accounts to be finalised and published by 17th August. It was also noted that the Council would be fully compliant with the deadlines and the revised inspection process for the production of the 2017/18 accounts.

Kathryn Smart asked whether Finance were confident in achieving the dates highlighted at paragraph 11 of the report and whether the restructure of the team would have an impact on that. It was advised that the team were confident and were in a good place at this time. It was noted that Mick Wildman would be leaving the team, however,

Rob Isaac would be his replacement and he was very experienced within finance. It was advised that although the team would be working to shorter deadlines it was envisaged that by not providing group accounts which had been agreed with KPMG, this would provide some compensation.

Councillor Richard Allan Jones asked whether the team were confident in receiving the right information and spend from directorates in relation to the budget. It was reported that the timetable is very detailed and the majority of the information is available on the ERP system. With regard to the less specific information such as Assets/Stock Inventory the team would quality assure the information provided. It was also noted that although the timetable was challenging, KPMG had no concerns to report.

In relation to the ERP system, Councillor Richard Allan Jones asked whether managers were using the system and what percentage level were departments at regarding performance. It was reported that managers were using the system, however, receipting was a key area and finance do review the potential impact on final accounts. Members were advised that most cases would be in the 90% bracket but managers need to get used to reporting on a timely basis. It was also advised that compared with other local authorities, Doncaster performed well and were in a good position.

The Chair requested clarity with regard to paragraph 11 of the report and the use of estimation techniques and whether there were any risks associated. It was advised that the changes in techniques were very minimal and were minor changes which had been carried out in conjunction with KPMG. It was advised that an update could be provided to members on this matter. It was also noted that following the KPMG Audits in February and April, they would provide an update on issues that may have been raised.

Faye
Tyas/KPMG

RESOLVED that noted the arrangements being put in place to close down future years' accounts and the draft timetable to meet the revised deadlines for 2015/16.

All to note

40 THE INSURANCE FUND.

Members considered a report which provided information regarding the Insurance Fund and detailed the underwriting arrangements and recent loss histories for the principal areas of insured risk. The provisions and reserves within the Insurance Fund at the end of 2014/15 were also confirmed.

Following the introduction of the report, Members were afforded the opportunity to ask questions. Councillor Richard Allan Jones raised a question with regard to public liability stating that in relation to large claims it didn't make it clear what the adjustment would be. It was

reported that the maximum liability was set at £250,000 and the insurance would cover the remainder if needed. Members were advised that the red figures within the table at paragraph 5.11 of the report were estimations. It was stated that the Council had set up its own team to deal with claims handling which had saved £70,000pa and it was expected that for future years the Council would see a change in fewer reserves outstanding and an increase in liability claims being paid.

Councillor Richard Allan Jones asked when the Council last went out to assess the market with regard to this issue and whether there was a framework to assess whether the Council were providing value for money. It was reported that with regard to claims handling the Council had received an quote for the work of £140,000 but it was felt that the Council would be able to carry out the work in-house for less. It was advised that the Local Authority market was at this time dominated by Zurich and there was very little competition. However, it had been acknowledged that there was a new company albeit in its infancy that may be coming onto the market, so the Council will be keeping an eye on the framework for this.

In relation to small claims, Councillor Jones asked whether the Committee could be advised on the process followed. It was suggested that a report be brought back to the Committee.

Simon Wiles

Councillor John Healy asked what the risk factors would be if the Council reduces its insurance. It was reported that the Council do risk assess claims which can be looked at under different categories.

RESOLVED that the contents of the report regarding the current position of the Insurance Fund be noted.

All to note

41 KPMG EXTERNAL AUDIT PLAN 2015/16.

Members received a report stating that KPMG would be undertaking a programme of work in order to deliver their Code of Audit Practice audit which would cover work on the financial statements and the value for money conclusion for the 2015/16 financial year.

A copy of Appendix 1 to the report which detailed KPMG's plan for completing the review of the Council's financial statements and associated disclosure notes and providing an audit opinion on the Council's 2015/16 Statement of Accounts were attached to the report.

Following the summary of the report, Members of the Committee were afforded the opportunity to ask questions. In respect of the minimum reserve provision detailed at page 47 of the appendix, Councillor Richard Allan Jones asked where this was identified within the accounts. It was reported that the MRP is a charge to the General Fund Revenue Account for the repayment of debt; changing the policy

isn't unusual and all authorities were following that practice. It was also reported that the information would also be included in the Treasury Management Report that would be considered at Full Council in March.

A query was made in relation to estimates and whether there would be added security given to those estimates made. Members were advised that security on estimates would increase and although there was some element of risk associated with estimates as long as officers make it clear on what procedures had been followed then there shouldn't be any concerns.

Councillor John Healy expressed some concern with regard to estimates and asked whether it can be assured that managers would not put estimates in that were not realistic. It was reported that regular monitoring of the process takes place to ensure that this would not happen. It was also stated that finance officers had been assigned to certain departments so relationships have been developed and the officer is aware of what the service looks like.

Councillor Richard Allan Jones asked KPMG whether they had had experience of using the ERP System and whether any pitfalls had been found. It was reported that there is a requirement to monitor the IT controls and there were some pitfalls in the beginning but through regular monitoring this has been managed. It was stated that KPMG would be carrying out a data analysis on the system in 2016.

As this was the first meeting that Jillian Burrows, KPMG had attended, Councillor Richard Allan Jones asked her what she thought of the meeting so far. Jillian stated that although there was a significant amount of information, she felt that members had scrutinised it well and they had understood the relatively complex issues within the reports.

RESOLVED that the content of the External Audit Plan 2015/16 be noted.

All to note

42 KPMG: CERTIFICATION OF CLAIMS AND RETURNS - 2014/15.

The Committee received a report which detailed KPMG's Annual review on Grants and Returns work 2014/15. Members were asked to note that through close liaison with KPMG, efforts had been made to improve the preparation of grant claims, taking improvement opportunities highlighted by KPMG into account. It was explained that this was done to minimise the external audit work required to certify the claims and minimise the respective audit fees.

It was highlighted that the main area of improvement remained the independent review of claims after compilation and before submission to the auditor.

In relation to Housing Benefit Subsidy and the error outlined at paragraph 10 of the report, Kathryn Smart asked whether any lessons had been learnt from this to minimise for the future. It was reported that this was a minor error, which since had been confirmed by the DWP that the claim had been settled on the unadjusted basis and that no payment was required. It was noted that there would be an update with regard to Skills Funding Agency at the next meeting.

KPMG

Councillor Richard Allan Jones asked whether there was an update with regard to the clawback on funding in relation to the FARRRS project. It was noted that a response was expected by the end of December 2015, but at present there was still no outcome. Members were advised that ERDF projects were now audited by the European Commission.

RESOLVED that the report and its findings be noted.

All to note

43

QUARTER 2 2015/16 STRATEGIC RISK UPDATE.

The Committee received a progress update on the strategic risks for Quarter 2015/16. A review was undertaken as part of the challenge process to ensure that the strategic risks reflected the priorities in the Corporate Plan for 2015/16. It was noted that there were currently 17 strategic risks.

It was advised that following the review a new area as follows had been nominated for inclusion on the Strategic Risk Register:-

- The delivery of the Equality & Inclusion Action Plan

Following a request from the Committee, the target risk score had been made more visible which could be seen within risk matrix attached at Appendix A to the report.

Councillor John Healy asked whether this information was reported elsewhere as there was a lot of information which Members/Officers need to be aware of. It was stated that this information is circulated to a number of meetings which would be part of the quarterly performance management reports. Members expressed concern with regard to the risks and assumptions and felt that this needed to be challenged when reports were being written. It was highlighted that the Corporate Report Format requires officers to fill out a risks and assumptions paragraph and this would be challenged at each meeting stage.

Kathryn Smart stated that in relation to Children's Services budget highlighted at page 71/72 of the report, it showed the target risk score being the same as the current risk, and requested clarity as to why the score was the same. It was reported that some of the actions that had been put in place had not been successful and the service were projecting an overspend. It was expected that the target risk score

would be below so this wasn't expected but this may be a result of the timing of the inspection.

In relation to Anti-Poverty highlighted at page 70 of the report, Councillor Susan Durant asked whether Ward Members had been involved with the anti-poverty process and expressed the importance of ward member engagement in this issue. It was reported that the Anti-Poverty Strategy Group had tried to engaged and there had been an all Members Seminar on this subject. It was suggested that Howard Monk would report back to the Group to address ward member engagement.

Howard
Monk

RESOLVED that:-

(1) the report and strategic risks profiles in Appendix A be noted; and

All to note

(2) the revisions to the Strategic Risk Register highlighted at paragraph 3 be noted.

All to note

44

DONCASTER COUNCIL GOVERNANCE PLAN 2016 AND UPDATE ON ACTIONS FROM PREVIOUS YEARS.

The Committee considered an update on the actions from previous years in relation to the Doncaster Council Governance Plan 2016. Members were advised that since the last Audit Committee the following recommendations had been implemented:-

R4 Preparation of the financial Statements. Ensure that quality assurance procedures linked to the production of the financial statements are sufficiently resourced to enable timely delivery.

Following the update, Members were afforded the opportunity to ask questions. The Chair, Councillor Austen White asked that an update be provided at the next meeting in relation to the Business Continuity Plan and Date Quality Arrangements. He had also noticed that in relation to Risk Assessment/Health And Safety highlighted at page 96 was on-going and asked whether there was a programme on Health and Safety. It was reported that this matter was shown as on-going as there was a programme of regular training which fully covers Health and Safety.

Colin
Earl/Howard
Monk

RESOLVED that the progress made in relation to the activities and progress in taking forward the Governance Plan for 2016, be noted including the following activities that had now been completed and will now be removed from the Governance Plan:

All to note

R4 Preparation of the financial statements. Ensure that quality assurance procedures linked to the production of the financial statements are sufficiently resourced to enable timely delivery.

INTERNAL AUDIT REPORT FOR THE PERIOD: SEPTEMBER 2015 TO DECEMBER 2015.

The Committee considered a report and appendix which updated Members on the work carried out by Internal Audit for the period 1 September to 31 December 2015, and showed it in the context of the audit plan for the year. The report also included performance information and details on the implementation of major internal audit recommendations.

The report provided members with a summary of the main points from each of the four sections which were identified at paragraphs 4 to 15 of the report.

Kathryn Smart requested clarity with regard to the letter received by the Mayor from a Doncaster citizen and whether this was an incident of Whistleblowing or an enquiry. It was reported that initially this was dealt with as a complaint but would check that this was the case. Additionally it was felt that the issue wasn't worthy of a review and it had been dealt with appropriately. Kathryn also made reference to the Audit team spending a significant amount of time with the Adults/Children Services directorates and asked whether this had impacted across the rest of the Council. It was reported that the team were aware of the changes in priorities through planning the process and the majority of the work is within Adults Services. Members were advised that 3 of the Full Time Staff were working within Adults Services but if there was a need to back fill then this could be accommodated. It was noted that a substantial amount of improvement was needed within Adults Service. However, the full picture would be more visible following the budget meeting at Cabinet.

Colin Earl

With regard to the 2016/17 audit plan and the reference made to creditors, Kathryn Smart asked whether the delay in implementing the review would have any work being carried out. It was reported that although the planned work had been deferred, there was a resource for this and it shouldn't have an impact on the work that should be completed within the timescale.

In relation to Conisbrough Balby Street Primary School, Members were advised that the work that needs to be carried out with regard to follow-ups had not yet been finalised so as yet there wasn't any information to provide to members. It was stated that this information would be reported through a further progress report.

Peter Jackson

The Chair, Councillor Austen White asked how confident the Audit Team were that actions will be taken with regard to the Short Break Respite Care. It was reported that this would be a 2 stage phased audit and follow-up worked had already been agreed. It was stated that the residual risk had been covered so the team were currently working on

this matter.

RESOLVED that:-

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| (1) | the internal audit work completed in the period be noted; | All to note |
| (2) | the progress made by officers in implementing previous audit recommendations be noted; | All to note |
| (3) | information relating to Internal Audit's performance in the period be noted; and | All to note |
| (4) | The changes to the original audit plan be noted. | All to note |