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## DONCASTER METROPOLITAN BOROUGH COUNCIL

### AUDIT COMMITTEE

WEDNESDAY, 17TH AUGUST, 2016

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER on WEDNESDAY, 17TH AUGUST, 2016, at 10.00 am.

#### PRESENT:

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

Councillor Susan Durant and Smart and Kathryn Smart, Co-opted Member.

#### APOLOGIES:

An apology for absence was received from Councillor John Healy.

#### ALSO IN ATTENDANCE:

Debra Chamberlain – Senior Manager, KMPG LLP  
Colin Earl – Head of Internal Audit  
Scott Fawcus – Assistant Director of Legal & Democratic Services & Monitoring Officer  
Peter Jackson – Internal Audit Manager  
Karen Johnson – Assistant Director of Communities  
Steve Mawson – Assistant Director of Finance  
Gill Scrimshaw – Programme Manager, Improvement Team, Safeguarding Adults Personal Assets Team  
Tony Sanderson – Project Manager, Adults and Communities  
Faye Tyas – Head of Financial Management, Finance and Corporate Services  
Simon Wiles – Director Finance and Corporate Services

Prior to the commencement of formal business, the Chair, Members and Officers, stood in a minute's silence as a mark of respect and remembrance in relation to the recent death of Councillor Alan Jones, former Member of the Audit Committee and ward Member for Norton and Askern, who passed away on 16th August, 2016. The Chair and Members paid tribute to Councillor Jones who would be sadly missed and would be a great loss to the Askern ward.

#### 13 DECLARATIONS OF INTEREST, IF ANY

No declarations of interest were made at the meeting.

#### 14 MINUTES OF THE MEETING HELD ON 22ND JUNE, 2016

In response to a query from the Chair as to the reason why follow-up actions arising from the previous meeting had not been included with the minutes of the last meeting, as agreed previously by the Committee, the Head of Internal Audit apologised for the omission and gave assurances that this information would be provided at the next meeting.

RESOLVED that the minutes of the meeting held on 22nd June, 2016, be approved as a correct record and signed by the Chair.

15 2015/16 ANNUAL GOVERNANCE STATEMENT - (Minute No. 12 – 22nd June, 2016)

Further to the above Minute, the Committee received the Annual Governance Statement for 2015-16. A revised report had been circulated to Members following the dispatch of the agenda papers, which had highlighted a few minor changes to the risk scores within Appendix B. Since the last meeting, Members were provided with an update regarding the Children's Trust Improvement action, as set out on page 7 of the Annual Governance Statement.

The Governance Statement highlighted key areas of improvement from 2014 to 2015 that had been completed and had been effectively managed to the extent that they were no longer significant in 2015-16. In addition, the Statement had identified new significant issues arising from the 2015-16 review of effectiveness of the Corporate Governance arrangements in particular in relation to Safeguarding Adults Personal Assets Team and Learning Disability/Supported Living Reviews, as detailed on page 6 of the Statement attached to the report. An update was also provided on the key areas identified during 2014-15 that remained an issue in 2015-16.

Councillor Richard Alan Jones highlighted inconsistencies within Appendix B of the report, with regard to the information provided relating to the current position of each risk, and felt it would be helpful in future if each risk included information regarding the current position score, in order to provide clarity and understanding. The Director of Finance and Corporate Services acknowledged this and gave assurances to include this information in future reports.

In relation to a query regarding the completion date for the Fraud Code of Practice Assessment, the Head of Internal Audit advised that further work was to be undertaken in terms of consultation around the draft new Code, which was to be completed at the end of August and a report would be presented to the Committee at its next meeting.

A query was also raised in relation to the Income Management Project Plans, which had been produced to work through the opportunities to maximise income opportunities, ensuring income due to the Council was identified, charged and collected for and collected in a cost efficient and timely manner. Members were informed that there were some gaps and weaknesses in this area, and this would require a more comprehensive piece of work and would be brought to the Committee at a future meeting.

Members requested that the Committee receive a mid-year update at its meeting in February on the key improvement areas.

RESOLVED:-

- (1) that the 2015-16 Annual Governance Statement, as attached as Appendix to the report, be approved; and
- (2) to note that the Mayor and Chief Executive will be asked to sign the Statement prior to its publication along with the Statement of Accounts in September, 2016; and

- (3) that a mid-year update on key improvement areas in the Annual Governance Statement, be presented to the Committee's meeting in February, 2017.

16 STATEMENT OF ACCOUNTS 2015/16 - ISA REPORT TO THOSE CHARGED WITH GOVERNANCE - (Minute No. 11 – 22nd June, 2016)

Further to the above Minute, the Committee considered a report which detailed the findings from the 2015-16 audit and the key issues that the Committee should consider before the external Auditor issued their opinion on the financial statements.

Faye Tyas, Head of Financial Management reported that since the last meeting, there had been some changes made to the accounts, identified by KMPG which now had been adjusted, which related to an additional comment that had been included regarding the impact of Brexit following the Referendum and additional information was also provided with regard to the outcome of the Better Care Fund.

Debra Chamberlain, Senior Manager, KMPG, in presenting the key findings of KMPG's ISO 260 report, reported that overall the audit had gone really well. KMPG had given an unqualified audit opinion on the Council's financial statements for 2015/16 and an unqualified Value for Money conclusion for 2015/16, which was an achievement for the Council to be proud of.

Following the presentation of the report, Officers responded to Members questions on a range of issues, and were provided with an explanation of 'Materiality' and how it impacted on the accounts. It was noted that this primarily related to how information was presented in the accounts to identify any significant errors.

In relation to Waste Management PFI contract and the unadjusted audit difference, the Auditor advised that they were seeking confirmation from Rotherham Council, lead authority for the PFI on the valuation of the PFI assets, although it could be confirmed that there were no material issues for reporting.

Following further discussion, Officers responded to questions and concerns on the following issues:-

- the £4.7m overspend in the Adults, Health and Wellbeing directorate
- the £2.4m overspend relating to Council-wide savings targets
- the £700,000 deficit and performance of the Markets Service;
- the increase in staff redundancies
- any future changes to cuts in interest rates and whether this was likely to impact on the Council's future finances
- the potential to build more affordable housing

Further to Members seeking an opinion from KMPG regarding the Finance teams performance in preparing the accounts compared to that of other authorities, the Senior Manager, KMPG reported that the team had been very responsive to KMPG's enquiries and were considered as the top end of the clients that they have worked with. Debra expressed thanks and appreciation to the Finance Team for their help and support throughout the process and commented that it had been a pleasure working with them.

Kathryn Smart thanked Officers in the Finance Team for their assistance in answering her queries raised previously and providing information on the accounts which had been helpful.

On behalf of the Committee, the Chair thanked the Head of Financial Management, the Director of Finance and Corporate Services, the Assistant Director of Finance, and the Finance and Corporate Services Team for the work undertaken.

The Assistant Director for Finance and Corporate Services thanked KMPG for their work and gave particular thanks to Faye Tyas for her efforts on completion of the accounts.

RESOLVED that

- (1) the action that is proposed in relation to amendments to the accounts as covered in the ISA 260 report; be noted;
- (2) the contents of the external audit ISA 260 report; be noted;
- (3) the contents of the Letter of Representation; be endorsed; and
- (4) the Statement of Accounts 2015/16; be approved.

17 INTERNAL AUDIT REPORT FOR THE PERIOD: APRIL 2016 TO JULY 2016

The Head of Internal Audit presented a report which provided an update on the work carried out by Internal Audit for the period April 2016 to July 2016, shown in the context of the audit plan for the year. The report also included performance information and details on the implementation of internal audit recommendations.

Further to the dispatch of the agenda papers, a revised report had been circulated to Members, which referred to revisions to the number of overdue major audit recommendations which had changed from 7 to 9. The Head of Internal Audit highlighted the key changes to the report which now included commentary against each area of work completed in the period and reference was also included to non-major audit recommendations and the progress made to implementing them.

Members raised a number of queries and concerns in particular with regard to the four outstanding recommendations that had slipped by over 12 months which Members felt was a significant period of time and sought assurance with regard to what was being done to manage the risks in real time. It was acknowledged that further work was required in these areas. However, it was explained that some matters required the support of third parties and the Council were relying on information being received in a timely manner in order to deliver within the given timescale. Consequently, the Council was not able to control such matters.

Further to a request from Councillor Richard Alan Jones, the Head of Internal Audit gave an undertaking to look at cross referencing, Internal Audit's Work Programme, to strategic risks where relevant.

RESOLVED that

- (1) the changes to the original audit plan; be noted;

- (2) the internal audit work completed in the period, be noted;
- (3) the progress made by officers in implementing previous audit recommendations, be noted; and
- (4) the information relating to Internal Audit's performance in the period, be noted.

## 18 STRATEGIC RISK REPORT MAPPING

Members considered a report which listed the Council's strategic risks and highlighted the reports that were scheduled to be produced during the year for each of the risks, as set out in Appendix A of the report. Members were asked to nominate the strategic risks it wished to carry out 'deep-dive' reviews on, in order to provide a more in-depth picture of how the risks were managed, reviewed and reported.

### RESOLVED that

- (1) the report, be noted;
- (2) the following issues be identified as the nominated strategic risks the Committee wished to carry out 'deep dive' reviews on, to provide a more in-depth picture of how the risks were managed reviewed and reported:-
  - SRO2 - (Adults, Health and Wellbeing Directorate); – to be considered at the meeting scheduled on 17th November, 2016.
  - SR03, SR08 (Finance and Corporate Services Directorate) - and SR013 (Learning and Opportunities, Children and Young Peoples Service Directorate); – to be considered at the meeting scheduled on 25th January, 2017.
  - SR09, SR10 and SR14 – (Learning and Opportunities, Children and Young Peoples Service Directorate) - to be considered at the meeting scheduled on 6th April, 2017.

## 19 INTERNAL AUDIT TEAM - ANNUAL FRAUD REPORT 2015/16

The Head of Internal Audit presented a report which summarised the work undertaken by the Council during 2015/16 to prevent, detect and investigate fraud and corruption in line with the Government's 'Fighting Fraud and Corruption Locally' strategy.

During the year the Council delivered a series of fraud risk workshops and fraud risk training events for senior managers, key personnel and elected Members in order to raise awareness of fraud risk. In answer to a Members question, it was confirmed that employees were encouraged to come forward with any genuine concerns. The Monitoring Officer kept a register of all Whistleblowing complaints and whilst the number of entries, were relatively low, the Council endeavoured to promote reporting of wrong doing without fear of reprisals.

Members were informed that a draft fraud risk register was currently being produced, which would be presented to the Committee at its next meeting.

Members' attention was drawn to Page 7 of Appendix 1 to the report which provided details regarding a fraudulent claim made to the value of £25k which had been successfully detected and prevented as a result of the controls in place. Members were pleased to note that the actual incidences of fraud remained very low taking into account the Council's activities, which was a testament to the systems in place within the Council.

Further to a request from Members, the Head of Internal Audit provided Members with a brief update on housing benefit fraud activity, following the responsibility of investigating benefit and tax credit fraud being transferred to the Department of Works and Pensions in September 2015. Members were informed that the Council had been provided with limited information in relation to the prosecutions previously under the Council's control. During discussion, it was subsequently agreed that the Head of Internal Audit would speak to the Head of Revenues and Benefits, with regard to a general update being provided to Members on the work of benefit fraud and how the transfer of the service had impacted on the Revenues and Benefits team, at a pre-Committee training session, prior to the formal meeting of the Committee.

RESOLVED that

- (1) the production of the Counter Fraud Report, be supported;
- (2) appropriate publicity be produced to highlight the outcomes from the Council's anti-fraud activity and to act as a deterrent to fraud; and
- (3) a briefing on Fraud prevention activity be presented to a future pre-training session, including how the transfer of the service had impacted on the Revenues and Benefits team.

20 ADULTS, HEALTH AND WELLBEING - LEARNING DISABILITY/SUPPORTING LIVING REVIEW - UPDATE REPORT – (Minute No. 12 – '2015/16 Annual Governance Statement – 22 June, 2016)

Further to the above Minute, the Committee received an update in relation to the progress being made in relation to the Learning Disability/Supported Living Review.

An improvement area had been identified within the Annual Governance Statement in relation to annual reviews with the Learning Disability Team, in that there was a risk that some of these reviews may be individuals who had not had a financial assessment, were not contributing to their care and support and had not been considered for CHS funding. Members noted that a robust review was being undertaken to better understand the accommodation and support needs of each individual.

Karen Johnson Assistant Director of Communities was in attendance and responded to Members questions. It was reported that good progress was being made and all 267 individuals had been financially assessed and it was anticipated that their records were to be inputted onto the Care First system in November.

In relation to a query as to whether there were any financial risks associated with the conclusion of the work of the review, Members were informed that overall, the financial impact for the Council was very minimal, however in terms of the individuals affected

there was a more significant changes because their care package had changed or had not been properly charged for in the past.

In view of the Adults Team Manager not being in attendance at the meeting, Members requested that a more detailed report be brought back to a future meeting, providing;-

- a breakdown of the numbers of those service users eligible for CHC funding who were not claiming it;
- those that may be eligible to pay towards the support they are receiving
- what amount of supported living allowance they were receiving; and
- the arrangements now in place to avoid a significant backlog happening in the future.

RESOLVED that

- (1) the update and progress made regarding the Learning Disability/Supported Living Review, be noted; and
- (2) a further report be brought back to a future meeting.

## 21 SAFEGUARDING ADULTS PERSONAL ASSETS TEAM - RESPONSIVE REVIEW

The Committee considered a report on progress being made implementing measures, following a review of the Safeguarding Adults Personal Assets Team (SAPAT), part of the Adults Health and Wellbeing Directorate, following concerns raised by senior managers about the level of funds held by SAPAT service on behalf of vulnerable clients and the level of any housing benefits and financial support that some clients were receiving which was at odds with the values held in their bank accounts.

Members noted that a full review had been undertaken of the team and its operations. The review had identified serious failings by SAPAT which meant that in some cases there was insufficient attention paid to the amount of monies accumulated in people's accounts leading to incorrect financial assessments and incorrect payments of relevant benefits. The failings of the review were set out in paragraph 3 of the report and the results of the findings were detailed in Appendix 1.

Karen Johnson, Assistant Director of Communities, Gill Scrimshaw, Programme Manager, Improvement Team, Safeguarding Adults Personal Assets Team (SAPAT) and Tony Sanderson, Project Manager, Adults and Communities were in attendance and responded to Members questions and concerns on this matter.

Karen Johnson reported that she had taken over the service when the Assistant Director went on secondment. Members were informed that better systems were now in place to address the areas of concern. It was noted that there had since been a significant number of families now taking responsibility to manage their relative's affairs, rather than the Council taking on this role. A lot of training had been undertaken with the financial assessment team to ensure that the SAPAT service understood the processes and the benefits criteria. All cases had now been reviewed to ensure that service users were claiming the correct benefits and were being paid the appropriate monies. It was reported that good progress had been made to date, however further work was required in relation to families and wealthy clients.

At this point of the meeting, in order to enable the Committee to consider the contents of Appendix 1 to the report, which contained exempt information, it was:-

RESOLVED that the public and press be excluded from the meeting in accordance with Section 100(A)(4) of the Local Government Act, 1972, as amended, on the grounds that exempt information within Paragraph 3 (Information relating to the financial or business affairs of any particular person, including the Authority holding that information) of Schedule 12 A to the Act may be disclosed upon consideration of Appendix 1 to the report.

The Committee discussed the exempt information contained within Appendix 1, and Officers responded to questions from Members.

Members acknowledged the corrective action and improvements being made to the service to address the areas of concern, including regular reporting to the Health and Wellbeing Improvement Board to minimise the likelihood of this happening in the future.

The Committee requested that when Internal Audit had completed its Review of the SAPAT service, the final report would be considered by this Committee.

Following consideration of the exempt appendix, the meeting re-opened to the public and press in order to consider the final outcome of the report.

RESOLVED

- (1) to note the progress of the audit review, the issues within SAPAT and the progress made to ensure that the team and its associated processes and procedures are fit for purpose going forward; and
- (2) that following the completion of Internal Audit's review, a report be brought back to the Committee.

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

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