

Audit Committee

Meeting held 8 January 2015

PRESENT: Councillors Ray Satur (Chair), John Campbell, Joe Otten, Josie Paszek and Sioned-Mair Richards.

Co-opted Independent Members

Rick Plews and Liz Stanley.

Officers in attendance

John Mothersole (Chief Executive)
Laraine Manley (Interim Executive Director, Communities) – For item 5.1
Eugene Walker (Interim Executive Director, Resources)
Mike Thomas (Acting Assistant Director, Strategic Finance)
Kayleigh Inman (Senior Finance Manager, Internal Audit)
Gillian Duckworth (Interim Director of Legal and Governance)
Dave Ross (Principal Committee Secretary)

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1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillor Rob Frost.

2. DECLARATIONS OF INTEREST

2.1 Councillor John Campbell declared a personal interest in the item on the 'Progress Report on the Recommendations from the External Auditor's ISA 260 Report' as a member of the South Yorkshire Pensions Authority.

3. MINUTES OF PREVIOUS MEETING

3.1 The minutes of the meeting of the Committee held on 13 November 2014 were approved as a correct record.

4. EXCLUSION OF PUBLIC AND PRESS

4.1 **Resolved:** That the public and press be excluded from the meeting before discussion takes place on the following item of business (Update on Progress in Addressing the Recommendations from the Adult Social Care Management Review) to be considered on the grounds that, if the public and press were present during the transaction of such business, there would be a disclosure to them of exempt information as described in Paragraphs 2 and 4 of Schedule 12A to the Local Government Act 1972, as amended, namely information which is likely to reveal the identity of an individual (Paragraph 2) and information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the Council or a Minister of the Crown and employees of, or office holders under, the Council (Paragraph 4).

5. ADULT SOCIAL CARE MANAGEMENT REVIEW

5.1 UPDATE ON PROGRESS IN ADDRESSING THE RECOMMENDATIONS FROM THE ADULT SOCIAL CARE MANAGEMENT REVIEW

- 5.1.1 The Committee received a joint report of the Interim Executive Directors, Resources and Communities that summarised the progress made in addressing the recommendations arising from the Social Care Management Review that was considered by the Committee at its meeting on 3 July 2014. As part of the Internal Audit review cycle, a programme of follow-up work and reviews had been undertaken to further address the findings of the management review. Appended to the report were the findings and recommendations, actions undertaken and timescales for completion.
- 5.1.2 The Interim Executive Director, Resources referred to the progress that had been made and the thematic approach that was being developed to deal with the outstanding actions.
- 5.1.3 The Interim Executive Director, Communities referred to the outstanding actions and that there was an element of prioritisation to the work being undertaken.
- 5.1.4 Officers responded to questions from Members of the Committee. On whether there was confidence that the concerns were being addressed, the Interim Executive Director, Communities indicated that on a day to day basis decisions were taken at either an individual or senior/strategic level and she was comfortable with the way the service was run. There was still work to do and some elements were not as systemised as she wanted, such as having good quality management information, business intelligence and forecasting and this required a more fundamental system.
- 5.1.5 In response to a question on how far the review of Individual Care Plans had progressed, the Interim Executive Director, Communities indicated that 80% had been completed for older people and the review should be completed by April/May 2015.
- 5.1.6 A Member asked if the culture within the service had changed to sustain the improvements. The Interim Executive Director, Communities stated that some aspects of the culture had changed. There had been a piece of work relating to Adult Social Care and other service areas on understanding the roles and responsibilities and having training on what that meant. A key area was performance management and recognising that it was part of the culture but it would take longer to have the performance framework in place.
- 5.1.7 A Member referred to the areas that were outside of the Council's control, such as people discharged from hospital and the need to understand the spikes and pressure on the budgets. The Chief Executive commented that it would feature in the risk register if it was structural.
- 5.1.8 On whether the Council was preparing for the integrated working between Social

Care and the NHS arising from the Better Care Fund, the Chief Executive stated that it was a key part of the solution and would be included in the 2015/16 Budget Report. There would also be a more detailed report on the Fund to Cabinet in 2/3 months' time.

5.1.9 A Member asked if morale had improved arising from the cultural change and the Interim Executive Director, Communities indicated that it was mixed but improving.

5.1.10 **Resolved:** That the Committee:-

(a) notes the contents of the report and the progress made to date and the continuing actions underway to address the findings of the Adult Social Care Management Review; and

(b) requests the Interim Executive Directors, Resources and Communities to submit a progress report on the Adult Social Care Recovery Programme to the Committee in 6 and 12 months' time.

(Note: At this point, the meeting was reopened to the public and press)

5.2 WIDER CORPORATE SYSTEMS IMPLICATIONS ARISING FROM THE ADULT SOCIAL CARE MANAGEMENT REVIEW

5.2.1 Further to the request from the Committee at its meeting on 3 July 2014, the Interim Executive Director, Resources introduced a report that summarised the evaluation of the wider corporate system implications arising from the Adult Social Care Management Review and drew on work undertaken by Internal Audit, External Audit (KPMG) and Business Strategy, Communities to assess whether corporate system weaknesses existed which could result in a similar overspend situation in other areas of the Council.

5.2.2 The report covered the main financial systems in 2013/14 and 2014/15, the Annual Governance Statement 2013/14, CareFirst Financials and the KPMG Review of Financial Support Processes in Adult Social Care. The report concluded that a considerable amount of work had been undertaken reviewing the main corporate systems to ensure controls were adequate. Adherence to the processes and controls contained within those main systems was essential to help mitigate against a repeat of the Communities' overspend.

5.2.3 The Interim Executive Director responded to questions from Members of the Committee. In respect of whether there was any conflict of interest regarding the KPMG review as they were the Council's External Auditor, he indicated that there were a series of processes to obtain permission for KPMG to undertake additional work for the Council and the review had been undertaken by a separate arm of KPMG.

5.2.4 A Member sought assurance that there were no other potential Council-wide areas of concern. The Interim Executive Director indicated that there were no other areas on the evidence available and that the Council's financial systems

were fundamentally sound. There was a need to monitor how quality systems interfaced with each other and that this was based on good quality solid data.

5.2.5 In response to a further question, the Interim Executive Director indicated that the CareFirst system had not been robust or accurate enough and that systems had to have improved integration.

5.2.6 **Resolved:** That the Committee:-

(a) notes the contents of the report; and

(b) requests the Interim Executive Director, Resources to submit progress reports to this Committee in 6 and 12 months' time on the actions undertaken to address the issues raised in the KPMG report on the Review of Financial Support Processes in Adult Social Care.

6. CHANGES IN THE FINANCE TEAM

6.1 The Interim Executive Director, Resources reported on a number of changes within the Finance Team and that he would be continuing in his temporary role as Interim Director. The changes related to the posts of Director of Finance, Assistant Directors of Finance for Strategic Finance and Business Partnering and Internal Audit and the Senior Finance Manager, Internal Audit and he would circulate details to Members of the Committee.

6.2 In response to a question from a Member of the Committee on whether there were any ethical concerns as KPMG were the Council's External Auditor and an officer at KPMG was taking up a senior Finance post with the Council, the Interim Executive Director stated that this was not an issue and the Director, KPMG had not raised any concerns.

6.3 **Resolved:** That the Committee notes this information.

7. PROGRESS REPORT ON THE RECOMMENDATIONS FROM THE EXTERNAL AUDITOR'S ISA 260 REPORT

7.1 The Acting Assistant Director (Strategic Finance) introduced a report of the Interim Executive Director, Resources that provided an update on progress made by the Council to implement the recommendations relating to Pension Data Flows and Credit Clearing from the External Auditor's ISA 260 report on the audit of the 2013/14 Statement of Accounts.

7.2 In response to questions from Members of the Committee, the Acting Assistant Director indicated that significant progress had been made in addressing the backlog of pensions' cases and more robust governance arrangements were in place to ensure it would not recur. The Interim Executive Director, Resources added that he would request a written response from the service to provide that level of assurance relating to the backlog.

7.3 On the issue relating to Credit Clearing, the Acting Assistant Director commented

that he was confident that it was a one-off internal error.

7.4 **Resolved;** That the Committee:-

- (a) notes the contents of the report and the progress made in addressing the recommendations in the External Auditor's ISA 260 report; and
- (b) requests the Director of Human Resources to circulate a written response to Members of the Committee providing an assurance that the backlog of pensions cases would not recur.

8. PROGRESS REPORT ON THE ANNUAL GOVERNANCE STATEMENT 2013/14

- 8.1 The Interim Director of Legal and Governance introduced a report on the officer actions and progress made in addressing the control weaknesses identified in the 2013/14 Annual Governance Statement (AGS) relating to Adult Social Care and Supporting Services, Capital Project Management and Consistency of Corporate Issues. She stated that adequate progress was being made in those areas and also outlined the revised process for the production of the 2014/15 AGS.
- 8.2 Officers responded to questions from Members of the Committee. In relation to sickness absence and a suggestion from a Member that examining the causes of sickness absence would be more productive, the Chief Executive indicated that there was nothing unusual about the workforce to explain the increases and it was about where actions need to be applied rather than policy changes. Initiatives had been put in place to slow the rate of the increase in sickness absence and improved data was now available. He considered it was a managerial issue and a series of workshops had been held for all managers to introduce them to the revised Managing Absence procedure and remind them of their responsibilities in line with the new procedure.
- 8.3 In relation to Capital Project Management, and whether the changed approach was improving capital delivery performance, the Interim Executive Director, Resources indicated that it would deliver improved performance. The Chief Executive added that the budget monitoring reports were highlighting greater accuracy in reporting on capital schemes but one of the main challenges was poor profiling. Also a Private Sector Capital Delivery Partner had been appointed.
- 8.4 The Chief Executive responded to a question on whether the Individual Performance Reviews (IPRs) were being applied consistently across all staff and indicated they should be but the level of IPRs had probably been under reported. When this had been addressed it would be clearer which managers were not undertaking IPRs.
- 8.5 In response to a suggestion from a Member of the Committee that there were possible savings from not having off-site records management storage, the Interim Director of Legal and Governance stated that this had been discussed with the Head of Information and Knowledge Management and an opportunity brief was being prepared.

8.6 **Resolved:** That the Committee notes the contents of the report.

9. PROGRESS ON HIGH OPINION AUDIT REPORTS

9.1 The Senior Finance Manager (Internal Audit) introduced a report of the Interim Director of Finance on progress made against the recommendations in audit reports that have been given a high opinion and proposing that four audits were removed from the action tracker.

9.2 A Member of the Committee asked why recommendation 7.4 in respect of the audit of CareFirst Financials had not been tested by Internal Audit and what assurance could be provided if it was removed from the action tracker. The Senior Finance Manager indicated that although that specific area had not been tested, the recommendation was being addressed as part of the wider work and review of CareFirst being undertaken by the Interim Executive Director, Communities.

9.3 **Resolved:** That the Committee:-

(a) notes the report; and

(b) agrees that the following audit reports are removed from the action tracker:

- Freedom of Information
- Schools Appointments, Terminations and Amendments to Pay
- CareFirst Financials
- Projects – Risk Management and Reporting

10. WORK PROGRAMME

10.1 The Interim Director of Legal and Governance submitted a report providing details of the Committee's work programme to April 2015.

10.2 **Resolved:** That the Committee approves the work programme with the addition of progress reports on the Adult Social Care Recovery Programme and the KPMG report on the Review of Financial Support Process in Adult Social Care in 6 and 12 months' time.

11. DATES OF FUTURE MEETINGS

11.1 It was noted that meetings of the Committee will be held at 6.00 p.m. on:-

- 12 February 2015 (additional meeting if required)
- 12 March 2015 (additional meeting if required)
- 9 April 2015

11.2 Councillor Josie Paszek's apologies for the meeting on 12 February were noted.

12. MEMBER TRAINING

12.1 The Chair of the Committee, Councillor Ray Satur, reported on KPMG's Audit Committee Institute Local Government Seminar series being held during January and February 2015 and that details would be circulated to members of the Committee.

12.2 **Resolved:** That the Committee notes this information.

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