

Medway Council
Meeting of Audit Committee
Thursday, 15 January 2015
7.00pm to 8.00pm

Record of the meeting

Subject to approval as an accurate record at the next meeting of this committee

- Present:** Councillors: Mackinlay (Chairman), Maple and Osborne
- Substitutes:** Councillors:
Iles
Royle
- In Attendance:** Mick Hayward, Chief Finance Officer
Jonathan Lloyd, Principal Accountant
Graham Matthews, Principal Auditor
Tricia Palmer, Assistant Director, Organisational Services
Alison Russell, Head of Internal Audit and Counter Fraud
Michael Turner, Democratic Services Officer
Phil Watson, Assistant Director, Children's Social Care
Christine Wilson, Head of Legal Services
Carrie McKenzie, Head of HR and Organisational Change
Phil Watts, Chief Finance Officer Designate

655 Chairman's Announcement

The Chairman referred to the fact that this would be Mr Mick Hayward's (Chief Finance Officer) last meeting of the Audit Committee before his retirement. On behalf of the Committee he wished Mr Hayward a long and happy retirement and thanked him for the superb service he had given the Council over many years.

656 Record of meeting

The record of the meeting held on 25 September 2014 was agreed and signed by the Chairman as a correct record.

657 Apologies for absence

Apologies for absence were submitted from Councillors Jarrett and Mackness.

658 Urgent matters by reason of special circumstances

There were none.

659 Declarations of disclosable pecuniary interests and other interests

Disclosable pecuniary interests

There were none.

Other interests

There were none.

660 Internal Audit Programme

Discussion:

The Head of Internal Audit and Counter Fraud introduced a report which advised Members of progress in delivering the approved 2014/15 work programme, and presented outcomes completed since the last meeting of the Audit Committee.

A discussion took place regarding the audit of compliance with the Disclosure and Barring Service (DBS). This audit had been carried out in two parts. The first part in 2013/14 had reviewed the council's procedures to ensure that checking of eligible staff / contractors / volunteers was undertaken in accordance with DBS guidelines. The overall audit opinion was 'sufficient'. A follow-up was carried out in June, which confirmed that the risks identified in the first part of the audit had been fully addressed.

The second part of the audit reviewed compliance with procedures, including management's checking of individuals' disclosures. Audit testing included looking at:

- council staff (Finding: Sufficient);
- contract staff (Finding: Sufficient);
- foster carers, family members and regular visitors (Finding: Needs Strengthening)
- council volunteers / non-staff (Finding: Needs Strengthening);

Members expressed concern at the weaknesses in DBS checks in relation to some foster carer family members, visitors and non-contract transport providers given the potential risks this posed to looked after children and the reputational damage to the Council that could ensue. The Committee felt that it was critical that this area was strengthened urgently and called for a report on progress to a future meeting. In response, officers emphasised that DBS checks in relation to foster carers themselves were 'strong'. The concerns were mainly around regular visitors. An assurance was given that all outstanding DBS application forms not yet returned would be followed up by the end of the month. Also, any outstanding DBS disclosures requiring verification would be carried out by the end of the month. In future there would be clear timescales by which these

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should be processed. The Council would be sending guidance to foster carers and staff to remind them that regular visitors must be DBS checked and the absence of this could jeopardise a placement or the 'visitors'/support network involvement in that placement. Whilst there were some grey areas in terms of what constituted a regular visitor (and the council had to consider how proportionate it was in how it defined this), someone regularly involved in the life of a foster child would always need to be checked.

In response to questions about how long the requirement to carry out DBS checks had been in place; whether a guarantee could be given that there were no children looked after by foster carers who had not been DBS checked and what the extent of the backlog was, the Committee were advised that:

- The requirement to carry out DBS checks (and before that CRB checks) had been in place for a number of years and part of placement regulations
- Efforts were being made to clear the backlogs but the exact figures could not be given at the meeting
- An assurance was given that all foster carers were checked before a child was placed with them. The safety of foster children was monitored very closely and there were a number of mechanisms including LAC Reviews, SW visits (in addition to DBS checks) by which this monitoring took place.

Reference was made to the need for school governors to be DBS checked and a member asked how robust the systems were for this. Members were advised that the Council was responsible for ensuring that maintained schools had systems in place but was not in a position to check every individual. The Council was responsible for ensuring that maintained schools had the appropriate mechanisms for undertaking DBS checks on their staff, but individual schools had the operational responsibility for ensuring that the appropriate recruitment checks were satisfactory.

A member suggested that the Committee should monitor as part of next year's audit plan Council expenditure on Rochester airport. The Committee were advised that the proposed 2015/2016 audit plan would be submitted to the Committee at its next meeting and this request could be considered as part of that discussion.

Decision:

The Committee:-

- (1) noted progress on the 2014/15 audit programme, and the outcome of Internal Audit's work.
- (2) asked for a progress report in six months on the management of DBS checks for foster carers, family members and regular visitors – including details of progress in dealing with the backlogs and the numbers involved

661 Corporate Fraud

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Discussion:

The Head of Internal Audit and Counter Fraud introduced the report which informed Members of matters relating to corporate fraud, and included the outcomes of investigations and fraud referrals received by Audit Services.

Decision:

The Audit Committee noted the progress in investigating fraud in accordance with the Anti Fraud and Corruption Policy.

662 Treasury Management: Strategy Statement and Annual Investment Strategy 2015/2016 and Mid Year Review Report 2014/2015

Discussion:

The Principal Accountant introduced a report which dealt with the mid-year review of the Treasury Management Strategy 2014/15 and also invited members to comment on the Council's Treasury Management Strategy for the 2015/16 financial year.

Noting that the Council's priority was to ensure security of capital and liquidity and to obtain an appropriate level of return which was consistent with the Council's risk appetite, a member asked whether other councils were taking more risks in the light of the low yields involved. In response, members were advised that most councils had not adopted a riskier approach. There were a very small number of local authorities who invested in equities but this was definitely not an approach the Council would take given the risks this presented to the council's day to day cash flow.

In response to a question, the Committee were advised that taking control of the funds previously managed by Investec had not caused any day-to-day workload issues for officers. The funds previously managed by Investec had been lent to other local authorities on a long term basis.

Officers advised, in response to a question, that there were no risks to the Council in lending to other local authorities as, in the event of another local authority getting into serious financial difficulties, ultimately all councils were underwritten by central government.

Decision: The Committee agreed to note the report.

663 Annual Audit Letter 2013/2014

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Discussion:

The Chief Finance Officer introduced a report regarding the Annual Audit Letter 2013/2014 which reflected the work carried out by BDO, the Council's external auditors, in respect of the 2013/14 financial year.

Tabled at the meeting was a report to the Council from the external auditor regarding the financial statements which confirmed the audit of accounts for the year ended 31 March 2014 had been completed.

A member noted the improvements in the production of the statement of accounts that had taken place in recent years.

The Chief Finance Officer confirmed that BDO, the Council's external auditor did not provide any advisory services to the council.

There was a possibility that Kent public authorities could jointly procure a single external auditor. There would be advantages in having one auditor across Kent and it would also mean there would be no need to establish an Audit Panel to appoint an external auditor. A briefing note would be sent to members on the process for appointing a new external auditor

Decision:

The Audit Committee noted the content of the Annual Audit Letter for 2013/14.

664 Exclusion of the press and public

The press and public were excluded from the meeting during consideration of the exempt material contained within the appendix to agenda item 9 (Investigations Relating to Financial Irregularities) because consideration of this matter in public would disclose information falling within paragraphs 2 and 7 of Part 1 of Schedule 12A to the Local Government Act 1972 as specified in agenda item 12 (Exclusion of Press and Public) and, in all the circumstances of the case, the Committee considered that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

665 Investigations Relating to Internal Financial Irregularities

Discussion:

Members considered the remaining information as set out in the report at agenda item 6, that had not been covered earlier in the meeting.

The Committee was advised that the second school referred to in the appendix had now confirmed that no further action would be taken.

Concern was expressed at the number of cases where staff in schools were prosecuted for frauds unconnected with their employment but nevertheless Head teachers and

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Governing Bodies decided to take no disciplinary action. Members felt that schools should take these matters more seriously as effectively people with a conviction for dishonesty were working with children. It was agreed that a letter should be sent to all Head teachers and Chairs of Governing Bodies setting out the Committee's concerns on this matter.

Decision:

The Audit Committee:

- (1) noted the outcome of the irregularity investigations and the action taken in relation to the allegations/initial issues as set out in the exempt material contained within the appendix to the report and
- (2) agreed that the Director of Children and Adult Services be requested to write to Head teachers and Chairs of Governing Bodies setting out the Committee's concerns about the frequent lack of action taken against school staff with convictions for non employment related fraud, reminding them of their responsibilities and the importance of maintaining high levels of honesty and integrity.

Chairman

Date:

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