

To the Chair and Members of the Audit Committee

2016-17 Annual Governance Statement

Relevant Cabinet Member(s)	Wards Affected	Key Decision
Ros Jones	N/a	No

EXECUTIVE SUMMARY

1. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging these responsibilities, the Council must ensure that there is good governance and a sound system of internal controls in place, which facilitate the effective exercise of the Council's functions.
2. An annual review of the council's governance arrangements and the subsequent preparation and publication of an annual governance statement (AGS) are statutory requirements by virtue of the accounts and audit regulations (England) 2015. The council's governance arrangements in place during 2016-17 have been reviewed and an annual governance statement has been produced and is attached as **Appendix A**. There has been **2** significant weakness reported in 2016-17, detailed on page 5 of the statement.
3. The Accounts and Audit Regulations require proper practice to be followed in the production and approval of the Statement. 'Proper practice' requires the Council Leader (in Doncaster's case, the Mayor) and the Chief Executive to sign the statement to confirm their satisfaction with the governance framework and the procedures for reviewing it, and their acceptance of the significant issues highlighted in the statement, along with actions for tackling the issues raised. This should be done prior to the publication of the Statement of Accounts in July 2017.

EXEMPT REPORT

4. Not Applicable

RECOMMENDATIONS

5. The Audit Committee are asked to:
 - Approve the attached Annual Governance Statement;
 - Note that The Mayor and the Chief Executive will be asked to sign the final Statement as soon as possible after the Audit Committee on 27th July and prior to its publication along with the Statement of Accounts.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

6. By ensuring that there is good governance and a sound system of internal controls in place the Council will be able to provide the citizens of Doncaster with services that are provided in accordance with the law and proper standards. It will also ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively

BACKGROUND

7. In 2015, CIPFA/SOLACE consulted on revised guidance, and this was published in 2016-17. The new framework details the principles and sub principles defined by CIPFA/SOLACE, which underpin the governance of Doncaster MBC and provide a structure to assist the authority's approach to governance. These are outlined in the Annual Governance Statement.
8. To continue our commitment to good governance the Strategy and Performance Unit have prepared the Annual Governance Statement set out in accordance with the new CIPFA/SOLACE Delivering Good Governance in local Government guidance.
9. It should be noted that Governance arrangements at Doncaster Council have improved each year and are now more robust than ever before. As part of the recent review of our governance arrangements, we are satisfied that we already have a well-established and robust constitution and other good governance documents and arrangements in place.
10. The process for creating the Annual Governance Statement is more robust and streamlined. It is centrally managed and has much better engagement from directorate staff, building greater confidence into the procedure.
11. The 2016-17 Annual Governance Statement:
 - Highlights key areas of improvement from 2015-16 that have been completed and have been effectively managed to the extent that they were no longer significant in 2016-17. (Appendix B, Page 6)
 - Identifies new significant issues arising from the 2016-17 review of effectiveness of the corporate governance arrangements (Appendix B, Page 5)
 - Provides an update on the key areas identified during previous years that remain an issue in 2016-17 (Appendix B, Page 8).

OPTIONS CONSIDERED

12. Not Applicable

REASONS FOR RECOMMENDED OPTION

13. Not Applicable

IMPACT ON THE COUNCIL'S KEY OUTCOMES

14.

	Outcomes	Implications
	Working with our partners we will provide strong leadership and governance.	The Annual Governance Statement enables the Council to ensure that there is good governance and a sound system of internal controls in place

RISKS AND ASSUMPTIONS

15. The production of an Annual Governance Statement is a statutory requirement. The key risk is that failure to produce a statement to meet this requirement would result in an adverse audit report by the Council's external auditor and damage the Council's reputation. The original risk profile is 16 but by producing the Annual Governance Statement and addressing key corporate issues the risk profile is reduced to 8.

LEGAL IMPLICATIONS

16. The production and publication of an Annual Governance Statement is a statutory requirement.

FINANCIAL IMPLICATIONS

17. There are no direct financial implications resulting from this report.

HUMAN RESOURCES IMPLICATIONS

18. There are no direct human resources implications resulting from this report.

TECHNOLOGY IMPLICATIONS

19. There are no direct technology implications resulting from this report.

EQUALITY IMPLICATIONS

20. The council has a legal obligation under the Public Sector Equality Duty to consider how different people will be affected by their activity and service. Equalities and Due Regard issues will be considered as part of the individual policies and procedures that are contained within the Annual Governance Statement and as a result a Due Regard statement has not been completed for this process.

CONSULTATION

21. There is consultation with Directors and seniors managers throughout this process. Nominated directorates leads work with the corporate team and their directorate senior managers to complete the assessment which supports the production of the final Annual Governance Statement.

BACKGROUND PAPERS

22. CIPFA/ SOLACE delivering good governance in Local Government Framework
Accounts and Audit Regulations (England) 2015.
2015-16 Annual Governance Statement
Annual Report of the Head of Internal Audit 2016-17

REPORT AUTHOR & CONTRIBUTORS

Sennette Wroot, Senior Strategy & Performance Manager
☐01302 862533 ☐sennette.wroot@doncaster.gov.uk

Steve Mawson
Chief Financial Officer &
Assistant Director of Finance

ANNUAL GOVERNANCE STATEMENT 2016-17

Scope of responsibility

Doncaster Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, we are responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Doncaster Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government*'. A copy of the Doncaster Council's Corporate Code of Governance is on our website at www.doncaster.gov.uk or can be obtained from The Strategy & Performance Unit, 01302 862533.

This statement explains how we have complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which we are directed and controlled and our activities through which we account to, engage with and lead our communities. It enables us to monitor the achievements of our strategic objectives and to consider whether those objectives have led us to delivery appropriate services that are value for money.

The system of internal control is a significant part of our framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. Our system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The report covers 1st April 2016 to 31st March 2017. However, any significant events or developments relating to the governance system that occur between the year-end and the date on which the Statement of Accounts is signed will be included in this report.

The Principles

Acting in the public interest requires a commitment to and effective arrangements for :

PRINCIPLES	SUB PRINCIPLES
A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.	<ul style="list-style-type: none">• Behaving with integrity.• Demonstrating strong commitment to ethical values.• Respecting the rule of law.
B. Ensuring openness and comprehensive stakeholder engagement.	<ul style="list-style-type: none">• Openness• Engaging comprehensively with institutional stakeholders.• Engaging with individual citizens and service users effectively.

In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for :

C. Defining outcomes in terms of sustainable economic, social and environmental benefits.	<ul style="list-style-type: none">• Defining outcomes.• Sustainable economic, social and environmental benefits.
D. Determining the interventions necessary to optimise the achievement of the intended outcomes.	<ul style="list-style-type: none">• Determining interventions.• Planning interventions.• Optimising achievement of intended outcomes.
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.	<ul style="list-style-type: none">• Developing the entity's capacity.• Developing the capability of the entity's leadership and other individuals.
F. Managing risks and performance through robust internal control and strong public financial management.	<ul style="list-style-type: none">• Managing risk.• Managing performance.• Robust internal control.• Managing data.• Strong public financial management.
G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.	<ul style="list-style-type: none">• Implementing good practice in transparency.• Implementing good practices in reporting.• Assurance and effective

Our Governance Framework

Audit Committee

The Council's Audit Committee oversees the production of the Council's statutory accounts, the management of risks within the Council, the operation and effectiveness of the Council's internal control arrangements, and has responsibility for ensuring appropriate standards of ethical governance are in place and maintained.

The Committee has a programme of work in place to ensure it fulfils its responsibilities. The Committee has overseen and supported positive progress in a number of areas during the year, including:

- Improved risk management arrangements;
- A positive Internal Audit assessment of the Council's control environment;
- A continuing positive external audit report on the accounts;
- A continuing positive external audit opinion on the Council's Value For Money arrangements
- The development of a partnerships' governance framework;
- Better commissioning of services and stronger control over contracts;

The Audit Committee produces an Annual Report which is available at www.doncaster.gov.uk

Governance Group

The Council has an officer Governance Group that was established in 2011. It is chaired by the Monitoring Officer and includes other key officers with responsibility for promoting good governance across the organisation. The Group leads on the development of governance arrangements at the Council and ensures the Council complies with best practice guidance issued by CIPFA / SOLACE and any other sector leading advice. The Governance Group supports and works closely with the Council's Audit Committee.

Role of Internal and External Audit

The council has both internal and external auditors.

The role of the internal audit is to:

- give independent assurance that internal controls operated by the Council are sound and are effective
- alert managers to areas of potential weakness and to make recommendations for improvements
- give unbiased professional advice on policies, procedures, practices and systems

All councils are subject to ongoing scrutiny by External Audit and their role is to:

- Review the accuracy and completeness of the Council's financial accounts and specified grant claims submitted for payment to various Government Departments
- Review the Council's arrangements for the achievement of economy, efficiency and effectiveness in the use of its resources, in accordance with Best Value principles.

Internal Audit and KPMG aim to coordinate their work to get the best value from the resources in use and to this aim work closely together to achieve our objectives..

KPMG have been the council's external auditors since 2012-13. In their annual report, presented to Audit Committee on 17th August 2016 they gave an "unqualified audit

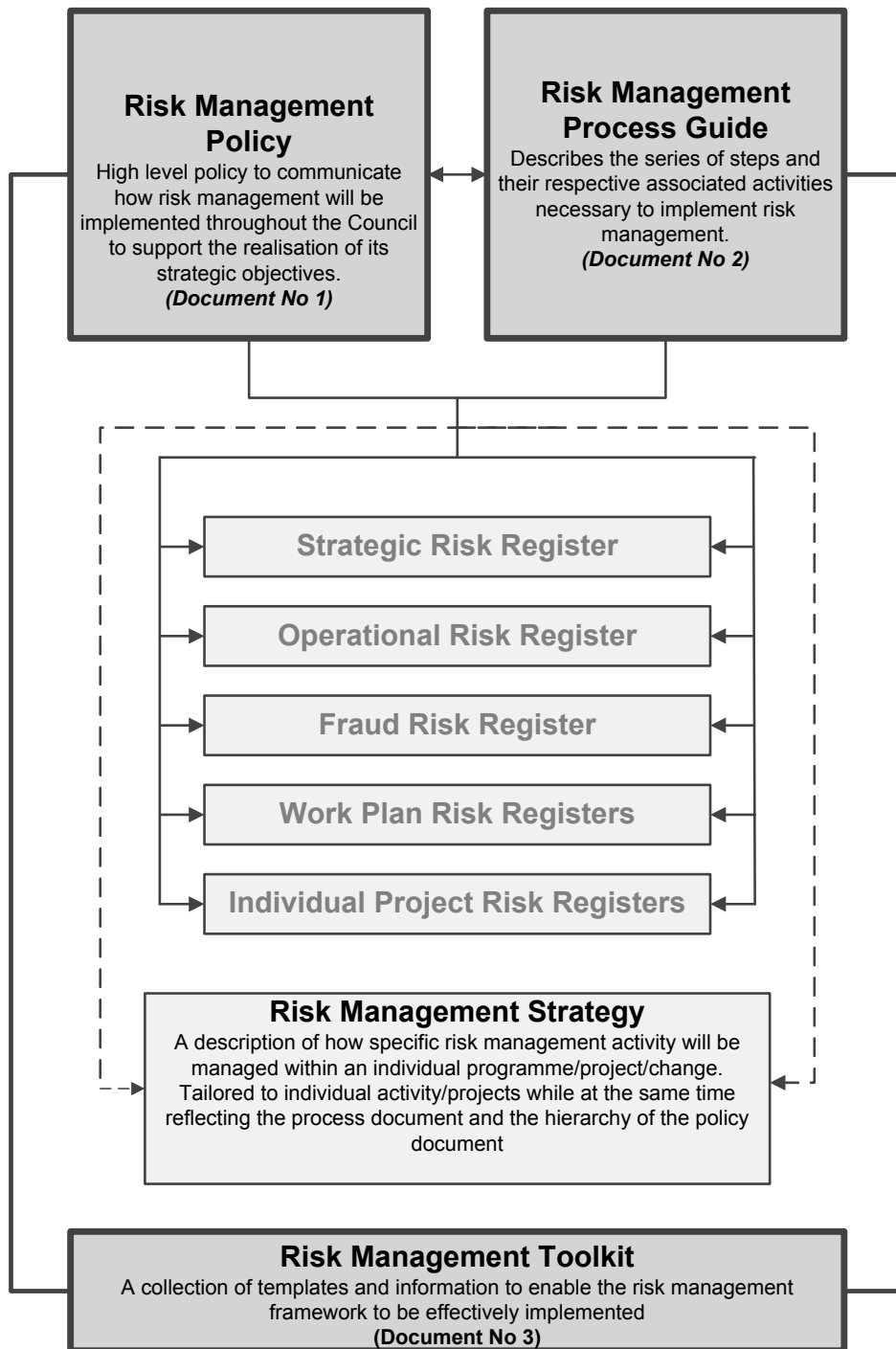
opinion” on the Council’s financial statements for 2015-16 and an unqualified Value For Money (VFM) conclusion for 2015-16. Internal Audit were able to provide a positive opinion in their annual report for 2016/17, which alongside the good VFM conclusion, indicates there is sound governance, risk management and internal control in place safeguarding Council resources.

Overall the KPMG annual report is an extremely positive one and with the “unqualified audit opinion”, recognises the further improvements that have been made by the Council in preparing the Statement of Accounts for audit. The quality of the working papers and the supporting information has improved year-on-year with the working papers, once again, meeting the standards specified in the Accounts Audit Protocol

Our Approach to Risk Management

Doncaster Council recognises that risk management is an integral part of good governance and management practice.

Managing our risks effectively contributes to the delivery of the strategic and operational objectives of the authority. Doncaster Council manages risks via a Risk Management Framework that has been designed to provide structure and guidance to support our organisation, and the individuals within it, to take positive risks in an informed way.



Review of effectiveness

Doncaster Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Annual Governance review was led by the Strategy and Performance Unit. Part of the process included representatives from each directorate collating, reviewing and evidencing compliance and identifying significant governance issues or weaknesses. Issues or weaknesses identified by Internal and External Audit were also considered for inclusion in this statement.

The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Executive Board and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant governance issues identified in 2016/17

Whilst we are satisfied with the effectiveness of corporate governance arrangements and systems of internal control, as part of our continued efforts to improve governance the following new issues have been identified for improvement as part of the 2016-17 Annual Governance Statement process:

<p>Issue : Adult, Health and Wellbeing - Contract and Commissioning Arrangements</p> <p>There has been a large number and value of ongoing contract breaches and waivers occurring within the Adults, Health and Wellbeing Directorate. Some of this is linked to the strategic and transformation plans for the future provision and commissioning of services. However, some other elements have been in breach for lengthy periods of time and now need to be progressed more quickly.</p>	
<p>Actions:</p> <p>A four year commissioning and procurement action plan has been developed by the Adult Commissioning Team, with involvement of the Strategic Procurement Team, which sets out a structured programme of contract reviews. The outcome of these individual contract reviews will inform decision making on which contracts will be re-let, realigned or decommissioned. The action plan set out (for each contract) the timescales for this work to be undertaken and concluded. Training on the Council's Contract Procedure Rules and Democratic Processes has been provided to managers within the service and capacity for commissioning is being reviewed. This will lead to better services being offered to users in the future.</p>	<p>Completion Date:</p> <p>4 year plan in place which is subject to regular review</p>
<p>Issue: DOLS (Deprivation of Liberty Safeguards) – Best Interest Assessments</p> <p>Internal Audit identified anomalies in relation to payments made for Best Interest assessments, which had arisen due to poor financial and administrative processes.</p>	
<p>Actions:</p> <p>The DOLS (Deprivation of Liberty Safeguards) Team is working with Internal Audit Services and the Digital Council Team to implement a new system for recording, monitoring and paying for assessments undertaken. This will include the development of full new processes and performance management information to ensure that the</p>	<p>Completion Date:</p> <p>31 December 2017</p>

situation is monitored and reported on going forwards. A backlog of Best Interest Assessments that has developed will be cleared by an external party and monitored internally. A full review of any Best Interest Assessments that need to be re-done as a result of the delays in the process is already underway. Assessments will be re-done where issues are identified to ensure a full assessment is place as and where required.	
--	--

Key Areas of Improvement from previous Statements that have been completed

There are a numbers of areas requiring improvement that have been identified in previous statements that have been effectively managed to the extent that they are no longer significant in 2016/17. These are:

- ❖ **Asset Register** - The Council has improved its arrangements for maintaining its asset register to better facilitate accounting for assets. The fixed asset register currently produces the statement of accounts information, and now meets external and internal audit requirements. Work will progress on the fixed asset module as part of Enterprise Resource Planning (ERP) phase 2; which will be managed as part of Financial Systems governance.
- ❖ **External Funding** – The Council was responding to a challenge by the EU regarding compliance with procedure rules relating to European funding of the White Rose Way development scheme. Following an EU audit a claim was made by the EU to potentially claw back funding. The challenge into this issue has now concluded and the decision was that there would be no need to claw back any of the funding. No direct action is needed, however reflection and learning to inform the approach to future schemes is being shared in the major projects team to avoid any future risks arising relating to this

The progress that has been made in dealing with previously identified governance issues, that are still an issue in 2016-17, can be found in Appendix A.

Statement of Commitment

We have been advised of the implications of the result of the 2016-17 review of the effectiveness of the governance and internal control frameworks by the Audit Committee and of the plans to address identified weaknesses and ensure continuous improvement of the system in place. We propose over the coming year to take steps to address the above matters to enhance further the Council's governance and internal control arrangements.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and that we will monitor their implementation and operation over the next year and as part of our next annual review of effectiveness.

Signed on behalf of Doncaster Council - July 2017:

Ros Jones
Mayor of Doncaster

Jo Miller
Chief Executive

APPENDIX A - An update on Key Improvement Areas identified during 2015-16 that remain an issue in 2016-17

Direct Payments:

In 2015/16 there was a high level of overpayments that had been made in paying personal budgets for adult social care. Issues identified included:-

- High numbers and values of overpayments not being monitored or managed
- Weaknesses in the systems to pay, monitor and recover overpayments
- Lack of joined up working between the various parties involved in this area.

Responsibility for the payments and checking of these monies was transferred to Finance and Corporate Services and since then administration processes have been streamlined and payments made in more efficient ways. All service users accounts have now had an annual audit. Overpayments amounting to £965k have been recovered in the last year out of £1.5m of overpayments identified and billed. Further work is ongoing to recover residual amounts outstanding and ensure all accounts are maintained accurately and effectively. Systems and processes have been improved to make the payments quicker and easier to access and be more efficiently administered.

COMPLETION DATE: 31 MARCH 2018

Safeguarding Adults Personal Assets Team (SAPAT) –

There was a number of governance risks associated with SAPAT highlighted in the 2015/16 statement. These included:

- a lack of robust policies and procedures;
- a lack of clear performance and monitoring data;
- lack of appropriate recording systems and poor data quality;
- multiple paper based systems;
- inadequate storage and retrieval of documents and property;

Strong progress has been made during the year, with clear procedures now in place for assessing clients' eligibility for support by SAPAT. Performance monitoring continues to allow SAPAT to better understand its client base, work more efficiently and continually improve data quality. An exercise to digitalise historic paper records is complete, allowing multiple workers to view the same information simultaneously. Changes to procedures have significantly reduced the amount of clients property held by the authority. Financial processes continue to be strengthened with guidance from Internal Audit and reconciliations of clients' accounts are undertaken at agreed points.

COMPLETION DATE: 31 DECEMBER 2017

Income Management

Internal Audit identified weaknesses regarding compliance with the Council's procedures and for monitoring and collecting debt. An Income Management project plan has been produced and is now working through opportunities to maximise income, ensuring income due to the Council is identified, charged for and collected in a cost efficient and timely manner. The Income Management project has delivered savings in several areas of the council. There is still, however,

improvements to be made in performance monitoring information and reporting, This continues to be developed but these processes have yet to be fully embedded.

COMPLETION DATE: 30 OCTOBER 2017

Doncaster Children's Services Trust overspend

The Council has significant concerns regarding the pressures and financial sustainability of the Doncaster Children's Services Trust. £3.5m additional one-off funding has been provided to the Trust in 2016/17 to fund key pressures including the cost of children placed in care within residential, special guardianship placements and independent fostering agencies. The Council is receiving regular financial updates; the Trust will provide the latest care and modelling assumptions for 2017/18, which will then be discussed with key Council managers. Further discussions are taking place on various innovation and improvement business cases which are expected to deliver savings in the future. This will be incorporated into the sustainable medium-term financial plan for the Trust, which will also include delivering £2m savings in 2018/19 to 2020/21. The actions aim to provide the Trust with the necessary resources to meet the needs of individuals and deliver value for money services. Overview and Scrutiny Management Committee reviewed their plans in February and will be looking in-depth at the progress against them in July 2017.

COMPLETION DATE: 31 MARCH 2018

Data Quality Arrangements

Internal Audit and the Strategy and Performance Unit highlighted an opportunity to improve the reliability of information to support performance management. A revised Data quality strategy (2016-2018) was agreed by Cabinet and the action plan is being monitored by the Business Intelligence Board. A Data Quality Working group is currently active to ensure actions are delivered including introducing Data Quality Standards and self assessments for statutory returns.

COMPLETION DATE: 31 MARCH 2018

Learning Disability/Supported Living Reviews

An improvement area was identified relating to annual reviews within the Learning Disability Team. There was a risk that some of these reviews may relate to individuals who have not had a financial assessment, are not contributing towards their care and support and have not been considered for Continuing Health Care (CHC) funding. All of the 267 people identified in supported living had a review of their care and support needs, and where appropriate and required, are now being supported to contribute their disposable income towards their care.

Annual reviews are now scheduled in and allocated in a timely manner to ensure reviews do not become overdue. Financial assessments are now fully embedded within the assessment process. Continuing healthcare (CHC) is now fully embed and considered during the assessment process and where someone is identified as eligible for an NHS assessment this is progressed by referral to the CCG. Reviews are becoming part of business as usual.

There are still opportunities within this setting to take forward the personalisation agenda by decommissioning block contracts and commissioning care which more closely meets people's personal needs and ambitions. This is a key part of the transformation programme and will be delivered through a joint commissioning strategy, and action plan to ensure individuals in supported living have access to a personal budget.

COMPLETION DATE: 31 MARCH 2018