

To all Members of the

AUDIT COMMITTEE

AGENDA

Notice is given that a Meeting of the above Committee is to be held as follows:

VENUE Council Chamber - Civic Office
DATE: Wednesday, 16th September, 2015
TIME: 2.00 pm

Items for Discussion:

- | | PageNo. |
|---|----------------|
| 1. Apologies for Absence. | |
| 2. To consider the extent, if any, to which the Public and Press are to be excluded from the meeting. | |
| 3. Declarations of Interest, if any. | |
| 4. Minutes of the meeting held on 16th July, 2015 and reconvened meeting on 31st July, 2015. | |

A. Reports where the public and press may not be excluded

- | | |
|---|---------|
| 5. Doncaster Council Governance Plan. | 1 - 14 |
| 6. Internal Audit Report for the period: April 2015 to August 2015. | 15 - 32 |

Jo Miller
Chief Executive

Issued on: Tuesday, 8 September 2015

Governance Officer
for this meeting:

Amber Torrington
01302 737462

7.	Adults, Health and Wellbeing Audit Recommendations Progress Report: Progress on implementing outstanding recommendations in Adults Services, including Mental Health Section 117 refunds.	33 - 40
8.	Quarter 1 Strategic Risk Update.	41 - 48
9.	Review of Progress in Implementing External Inspection Recommendations.	49 - 54
10.	Covert Surveillance - Regulation of Investigatory Powers Act 2000 (RIPA) Update.	55 - 60
11.	Annual Governance Statement 2014/15.	61 - 76
12.	Statement of Accounts 2014/15, ISA 260 Report to those Charged with Governance.	77 - 111

Members of the Audit Committee

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

Councillors Susan Durant, John Healy and Alan Jones

Co-opted Member: Kathryn Smart

Agenda Item 4

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

THURSDAY, 16TH JULY, 2015

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER - CIVIC OFFICE on THURSDAY, 16TH JULY, 2015, at 2.00 pm.

PRESENT:

Chair - Austen White
Vice-Chair - Richard A Jones

Councillors Susan Durant, John Healy, Alan Jones and Co-Opted Member Kathryn Smart.

ALSO IN ATTENDANCE

Mr Philip Beavers, Mr David Harle, Ms Monica Clarke and Parish Councillor Richard Johnson.

Scott Cardwell, Assistant Director of Development
Colin Earl, Head of Internal Audit
Peter Harrison, Corporate Health and Safety Manager
Roger Harvey, Assistant Director of Legal & Democratic Services & Monitoring Officer
Tracey Harwood, Head of Asset Management and Client Rationalisation
Howard Monk, Head of Policy and Performance
Faye Tyas, Head of Financial Management
Mick Wildman, Technical Accounting Manager
Clare Edgar, KPMG
Louise Booth, KPMG

1 Declarations of Interest, if any

There were no declarations made at the meeting.

2 Minutes of the meeting held on 22nd April, 2015

RESOLVED that the minutes of the meeting held on 22nd April, 2015, be approved as a correct record.

Following approval of the minutes and further to a request from the Chair, the Head of Internal Audit updated Members and provided assurances regarding implementation of the actions highlighted in the minutes from the last meeting.

3 Order of Business

At this point of the meeting the Committee agreed to the variation of the order of business by considering Agenda Items 12, 13, 14, 6 and 15 before returning to the order of business as specified on the agenda.

RESOLVED that in accordance with Council Procedure Rule 4, the Order of Business be varied as specified above before returning to the order of business specified on the agenda.

4 Statement of Accounts 2014/15.

Members were presented with a report that detailed the Council's unaudited Statement of Accounts for the 2014/15 Financial Year and outlined the overall financial position for the year. The Committee was informed that this year, the Council were looking to finalise and publish their accounts by 16 September, two weeks earlier than the statutory deadline of 30 September, 2015.

In line with IFRS accounting standards, the accounts had been signed off by the Chief Financial Officer on 30th June, 2015 and would now be presented to KPMG for auditing. The Committee was informed that the result of the external audit by KPMG would be presented at their next meeting on 16 September, 2015. Prior to this, the accounts would be placed on 'public deposit' for a 4 week period from 20 July 2015 and were published on the Council's Website on 26 June, which aimed to increase transparency and openness.

Further to consideration of the report, Members had a brief discussion where they were given the opportunity to raise any concerns and clarity was provided on a number of issues including the following issues:-

- Revaluations
- Business Rates
- Pensions and the transfer of NHS Pension Schemes
- HRA Deficit
- The Councils Insurance Fund
- Waste Management PFI
- The increase in debtors in this year from last and what was being done to reduce this figure
- Assurances on the ERP system
- The Net figures for non-current assets
- Valuations of works of art
- Assurances on the provisions in the accounts
- Income and Expenditure and the current overspend in Children's Services

A thorough debate was held on this report, and Members raised points with which they had concern. Officers endeavoured to answer the issues and questions raised but where they didn't have the information, to hand, assured Members that they would provide them with this information at a later date. Additionally, any issues that had been raised at the informal training session prior to the commencement of the meeting were included and would be responded to by the appropriate officer.

RESOLVED that the Audit Committee note the 2014/15 Statement of Accounts.

5 2014/15 Annual Governance Statement.

Members were informed that it was a statutory requirement by virtue of the Accounts and Audit Regulations (England) 2011, that an annual review of Governance arrangements was carried out and the subsequent publication of an Annual Governance Statement be undertaken. The governance arrangements that had been held in place for 2014/15, had been reviewed and a new Annual Governance Statement had been drafted.

The Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money, was safeguarded, properly accounted for and used effectively. Members noted that Governance arrangements have improved each year since 2010, and were now more robust than ever, something of which the Council should be justifiably proud. There had been a great deal of input from Directors and Senior Officers, Staff within Audit, and the Mayor and Cabinet. However, there were still areas that needed further work, with the ultimate aim of moving from 'good' to 'great'.

Within the report, the Committee was informed that it detailed the Key areas of Improvement that had been highlighted for 2013/14, and raised areas of concern for 2014/15. These areas for concern included:-

- Procure to Pay
- The management of risks associated with Doncaster Children's Trust
- External Funding
- Doncaster Market

Members had a brief discussion regarding the information contained within the report, and were invited to put any questions to Officers. A query was raised by Kathryn Smart, regarding the claw back with regard to the White Rose Way Scheme as detailed on page 301 of the report, and Officers stated that they would provide that information. A brief discussion ensued on this issue, as it raised a number other additional issues and areas of concern. The Committee were assured that a report would be brought back to a future meeting in order to provide further information on this.

RESOLVED THAT:-

1. The Audit Committee note the report; and
2. The Audit Committee note that the Annual Governance Statement had been approved by the Executive Board, and the Mayor and Chief Executive would be asked to sign the Statement prior to its publication along with the Statement of Accounts in September, 2015.

6 Annual report of Monitoring Officer.

The Audit Committee were presented with the Annual Report of the Monitoring Officer, which provided information on ethical governance. It was essential to have robust ethical governance procedures in place in order to maintain openness, transparency and probity in the way in which the Council conducted its business. The report detailed

all complaint handling over the last 12 months, in relation to both allegations of Member misconduct and also details of any disclosures made by staff members under the Council's Whistleblowing Policy.

The Monitoring Officer, Roger Harvey, was in attendance at the meeting and introduced Mr Philip Beavers, Mr David Harle, Ms Norma McCarron and Parish Councillor Richard Johnson who had sat as Independent Members and the Parish Council Representative respectively on the Audit Committee's Hearings Sub-Committee. The Monitoring Officer expressed his thanks to these members for their input and hard work over the past years, formerly as members of the Standards Committee, and latterly as member of the Audit Committee Hearings Sub Committee following changes brought about as a result of the Localism Act.

The report provided detailed that 2 complaints had been made against Borough Councillors in the last 12 months. One had been made by a member of the public with regard to the Councillors handling of a Planning application and their lack of communication, whilst the second related to a Councillors involvement in a private law case. Both cases were dealt with by the Monitoring Officer and Phil Beavers, the designated Independent Person (IP). In respect of Parish Councillors, The Committee noted that the Monitoring Officer and the IP had been heavily involved with one Parish council and its ongoing tensions. Work had been done to resolve these, with a lot of time dedicated to this by the IP and it was hoped that this had gone a long way to resolving the problems.

In terms of the Parish Council representation on the Hearings Sub-Committee, Members were informed that this would cease to continue in the future once their Term of Office had ended as there was no longer a statutory requirement for this. In response to this issue, Councillor R. Allan Jones queried if this was a good move, and felt that some areas of connectivity would be taken away with this. However, the Parish Councillor representative, Richard Johnson confirmed that he felt this was the right decision, and had no concerns as the feeling of independence was retained with the Independent Members.

With regard to the Whistleblowing Returns for 2014/15, the Monitoring Officer informed Members that there had been none for this year. Whilst it was a good thing, there is the possibility of this resulting from general unawareness of the Policy, its procedures and the protection offered within the procedures, to potential whistleblowers.

Members were informed that the Whistleblowing Policy was included as a separate item on the agenda and further discussion could be held on this issue at this point.

Some discussion on the issues raised within the report ensued, but Members were largely happy with the content and details provided to the Committee and felt that the report reflected the journey the Council had been on and demonstrated the positive changes that had been brought about in recent years.

Following conclusion of the discussion, the Chair and Committee wished to place on record their gratitude and thanks to Phil Beavers for all his hard work and effort over the past year.

RESOLVED that the Audit Committee:-

- 1) note the Monitoring Officer's report on complaint handling activity for the period 1st April, 2014 to 31st March, 2015;
- 2) recommends to Full Council that Parish Council representation on the Audit Committee's Hearings Sub Committee should cease with immediate effect for the reasons outlined in Paragraph 7 of the report; and
- 3) note the whistleblowing returns for 2014/15.

7 Revised Whistle-Blowing Policy.

Members considered a report that detailed the revised Whistleblowing Policy which aimed to encourage employees, workers, service users, stakeholders and members of the public to report any concerns to the Council. The Policy aimed to encourage employees with serious concerns to voice these concerns without fear of reprisal. Members were asked to note the following amendments to the Policy:-

- The Policy applied to members of the public, stakeholders, and contractors as well as employees.
- Whistle blowers were asked to report their concerns to specific senior officers rather than to their managers. This ensured that senior management were aware of any matters and that the correct processes were followed and report to the Monitoring Officer for the annual report;
- The Policy gave clearer guidance as to what was considered to be the sort of matter that amounted to whistleblowing allegations;
- A factsheet and flow diagram had been drafted to assist people understand the policy;
- A number of good practice whistleblowing policies were considered when redrafting the Policy together with recent reports from Rotherham Metropolitan Borough Council and the NHS regarding whistleblowing.

Members noted that any concerns raised, would now be directed to the Head of Internal Audit, Director of Finance and Corporate Services, the Monitoring Officer or the Chief Executive. The Committee discussed the issues presented and hoped that the new policy would encourage people to come forward in the future, as although there had been a nil return for the previous year, they felt this wasn't necessarily a true reflection. The Committee were informed that the Policy would be taken to the Leadership Forum, and would be launched alongside the antifraud policy, and would be publicised on the Councils website to raise awareness of its existence and to encourage people to come forward with their concerns.

RESOLVED that the Audit Committee note the revised whistle-blowing policy.

8 Doncaster Market Review.

Members considered a report that summarised the findings of an audit of the financial and governance arrangements at Doncaster Markets, which also included some and elements of the Town Centre Management. Members were informed that the investigation had been undertaken following concerns raised by several market traders in reference to working practices within the Markets and Town Centre Management Team, with particular concerns raised on the following issues:-

- General administration;
- Allocation of pitches;
- Procurement; and
- Health and Safety.

Tracey Harwood, Head of Asset Management and Client Rationalisation, Peter Harrison, Corporate Health and Safety Manager, and Scott Cardwell, Assistant Director of Development were in attendance at the meeting in order to address Members concerns and answered any further queries they had on this matter.

Tracey Harwood reported that she had taken over the Markets Service in August 2014 and received a number of complaints. These matters were subsequently-addressed by colleagues in Health and Safety and Trading Services as there were a number of issues relating to their areas of expertise. Members were informed that a number of Action Plans have been put into place, with a number of recommendations being put forward as a result of the Audit. It is anticipated that all recommendations would be met by March 2016, and Members were advised that a dedicated Officer has been put in place with regard to Health and Safety matters, in order to provide on-going support to the Markets service.

At this point, in order to enable consideration of the contents of Appendices to the report which contained exempt information, it was:-

RESOLVED 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 Appendices 1 and 2 to the report.

A discussion was held with regard to the information contained within the appendices, and Officers endeavoured to provide assurance to Members that the issues and failings had been addressed and provided answers to any further questions.

[NOTE: Following consideration of the exempt appendices, the meeting re-opened to the public and press in order to consider the final outcome of the report].

Members acknowledged that improvements were now being made within Doncaster Markets. Actions have been put into place to ensure that rigorous checks were carried out. Processes have been tightened and were being monitored to ensure that problems of this nature-did not arise again in the future.

RESOLVED that the Audit Committee note the outcome of the Audit Review and the progress made to date to address the weaknesses identified.

9 External Audit progress report and technical update, June 2015.

A report was included on the agenda that gave a brief overview of the progress KPMG were making in delivering their responsibilities as the Council's external auditors. Members were informed that work would begin on the financial statements on 27th July, 2015, and the finalised audited accounts would be presented to the Audit Committee at their September meeting.

RESOLVED that the Audit Committee note the content of the report.

10 Duration of Meeting

RESOLVED that in accordance with Council Procedure Rule 33.1, the Committee, having sat continuously for nearly three hours, agreed to adjourn the meeting, to be reconvened on Friday, 31st July, 2015, in order to consider the remaining items of business on the agenda.

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DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

FRIDAY 31ST JULY, 2015

A RECONVENED MEETING of the AUDIT COMMITTEE was held at the CIVIC OFFICE, DONCASTER on FRIDAY, 31ST JULY, 2015, at 10.00 A.M.

PRESENT:

Chair – Councillor Austen White
Vice-Chair – Councillor R. Allan Jones

Councillors Susan Durant, John Healey and Alan Jones.

Also in attendance:

Simon Dennis, KPMG
Colin Earl, Head of Internal Audit
Nicola Frost-Wilson, Internal Audit Manager
Howard Monk, Head of Policy and Performance
Jill Parker, Head of Organisational Development

Apologies

An apology for absence was received from Kathryn Smart.

11. DECLARATIONS OF INTEREST, IF ANY

There were no declarations made at the meeting.

12. AUDIT COMMITTEE TERMS OF REFERENCE AND DRAFT WORK PROGRAMME 2015/16

Members considered a report that detailed the Committee's Terms of Reference and work plan for 2015/16 Municipal Year. This had been agreed by Council at the Annual Meeting on 22 May 2015 and was now presented to Committee purely for information. Members were informed that no significant changes other than a straightforward change which reflected who the Council would liaise with over the appointment of external auditors. The Terms of Reference were in place to ensure that the Committee met its legal obligations in relation to audit activity, accounts and financial management risk management.

The report also included the Committee's Work Programme for the 2015/16 Municipal Year, and the production of this assisted the Council in fulfilling these requirements by outlining clearly what would be considered when and ensuring that the Committee

ACTION

covered all areas of work required during this period. The report informed Members that a number of regular items would be considered by the Committee on a six-monthly basis, these being:-

- External Audit Progress Plan
- Progress made by the Council in implementing Inspection and Audit Recommendations
- Compliance with Contract Procedure Rules and Procurement breaches
- Governance Plan Progress
- Regulation of Investigatory Powers Act 200 (RIPA) Surveillance.

Members thanked Officers for the report, and noted the work programme for the coming year.

RESOLVED that the Audit Committee:-

- 1) Note the Terms of Reference for the Audit Committee for the 2015/16 Municipal Year; and
- 2) Consider the draft work programme for 2015/16.

13. ANNUAL PAYROLL OVERPAYMENTS UPDATE REPORT – 2014/15

Members received a report that provided an update on the progress made with regard to recovery action taken in regard to salary overpayments for both current employees and those who have left the Council in the 2014/15 financial year.

Jill Parker, Assistant Director of Human Resources and Communications, outlined that the Council was in a much better position than it had been in the past with regard to this issue, and the amount recovered had increased continually over the last 3 years. A number of key actions were now in place in order to recover the outstanding debt and reduce the risk of future debt.

Members noted that currently, the Council was owed £392,425 which related to 421 cases at the beginning of the financial year. This related to both current and former staff. One of the main reasons for salary overpayments still occurring related to the late notification by managers of any changes, particularly with regard to those leaving the Council. This issue was not helped by the fact that the Councils pay date occurred in the middle of the month.

RESOLVED that the Audit Committee note the report, the key actions in place and the detailed breakdown and

All to Note

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summarised analysis provided in the Appendix attached to the report.

14. RISK MANAGEMENT – REVIEW OF POLICY AND Q4 UPDATE

Members considered a report that provided them with information on the strategic risks faced by the Council for Quarter 4 2014/15. It was noted that there were 15 risks linked to the Corporate Plan in Quarter 4, which were detailed in Appendix A attached to the report. However, the Risk Register was currently under review as part of the Corporate Plan refresh, so further changes would be reported in the Quarter 1 Risk Management Report.

Furthermore, the Committee was informed that 'light touch' review had been carried out of the Risk Management Framework in order to ensure that it was slightly clearer and was updated with regard to any changes that had been made. However, Members noted that very little had changed.

One point that the Head of Policy and Performance brought to Members' attention was the issue of sickness. This had long been a cause for concern for Members as it had been a long standing strategic risk that was being tackled. However, Members were asked for their support to now demote this risk in light of the figures relating to this reducing more and more. The Committee noted that the number of days sickness on average had now been reduced from 15.5 days to 9.5 days. This was largely due to a great deal of work done by the Council to manage sickness effectively, and as a result, it was now felt that this no longer needed to be reported as a strategic risk.

Members held a discussion on the issues raised within the report, and were given the opportunity to query any of the risks on which they had concerns. One issue raised, was that there used to be a nominated 'Risk Champion'. It was reported that Councillor R. Allan Jones had now been appointed as Member Champion.

Queries were also raised with regard to Health and Safety for Managers and whether all training had now been carried out. This wasn't included within the Risk Register, and there was a concern that training given may lapse after a certain time.

Councillor Durant raised a concern with regard to external buildings used by the Council and asked what Risk management was done to ensure that these were fit for purpose prior to being used. Members were assured there should be arrangements in place for ensuring responsibilities were known in these instances, but Officers would check and report back on any issues arising.

Further comments were also made by the committee in terms of future risks in relation to the diminished workforce and the potential loss of many experienced and highly qualified staff as this was surely a huge risk when faced with restructures and job cuts. It was acknowledged that this indeed was a risk, and work was being done on assessing the skills of the workforce to ensure that the best staff were retained.

Members had a thorough discussion on this report and debated all their concerns thoroughly prior to agreeing the recommendations.

RESOLVED that the Audit Committee:-

- 1) Note the report;
- 2) Note the revised Risk management Framework (Appendix B); and
- 3) Note and comment on the key development areas as detailed in Paragraph 8 of the report.

15. ANNUAL FRAUD REPORT – 2014/15 EXECUTIVE SUMMARY

The Committee received a report which informed them of the work done throughout 2014/15 to both prevent and detect fraud and corruption. There were two different types of fraud, benefit and general fraud, and Members noted that overall, in terms of the Councils spending and general activities, fraud itself remained low although there had been an increase in referrals to Audit for investigation for the second year running. Whilst it was difficult to ascertain why this was the case, it was suspected that this could be influenced by the current economic climate and increased awareness of the Council's Governance arrangements.

With regard to benefit fraud, it was reported that there had been 730 potential cases investigated in 2014/15, of which the Council obtained 47 prosecutions and 15 cautions. However, it was reported that with effect from September, the process of investigation would change with the introduction of the Single Fraud Investigation Service and would result in the transfer of housing benefits investigators from the Council's Revenues and Benefits Service to the Department of Work and Pensions (DWP) to undertake this role. It was however noted that there was the proposal to retain 1 Investigator and 1 support staff along with a single designated point of contact.

Members were informed that benchmarking had been carried out,

and whilst the number of cases referred for investigation had risen, this appeared to be in line with other authorities.

Members held a brief discussion on this item, with a number of concerns raised in relation to the transfer of the housing benefits fraud to the DWP. Members were assured that Officers would keep a close eye on this issue and would provide a further update on this issue at the next meeting. It was pointed out that Council Tax fraud and general fraud was remaining within the control of the Council.

The Head of Internal Audit proposed that it would be beneficial to hold a session on this prior to the next meeting which would aim to further alleviate any concerns the Committee may have.

Additional comments were made with regard to the Blue Badge scheme and issues of fraud relating to this, as it was felt there needed to be greater control regarding the issue of new badges with more stringent checks put into place at the initial application stage. Members were informed they would be provided with more detail on this issue.

With regard to the issues raised in the report, Members were informed that a Press Release would be issued highlighting the work undertaken by the Council in order to outline to the public that the Council operated a zero tolerance attitude with regard to fraud, hoping that this would act as a deterrent to further fraud.

RESOLVED that the Audit Committee support the production of the Annual Fraud Report and agree to appropriate publicity being produced to highlight the outcomes from the Council's Anti-Fraud Activity to act as a deterrent.

16. UPDATE ON THE ANTI-FRAUD AND BRIBERY AND CORRUPTION FRAMEWORK

Colin Earl, Head of Internal Audit, presented a report to Members which detailed an update to the Councils Anti-Fraud, Bribery and Corruption Framework. Members noted that following changes in best practice, the framework had been updated to reflect these.

Members noted that the Framework had undergone significant changes in order to bring it in line with Local Government Strategy – Fighting Fraud Locally and additionally, changes recommended by the new CIPFA Code of Practice for Managing the Risk of Fraud and Corruption. The changes included updated definitions, language changes to make the Framework clearer and easier to understand, removal of sections that were duplicated in

Colin Earl /
Geraldine
Morton

Colin Earl

All to note

other policies and greater clarity.

Members were informed that a factsheet in clear and plain English would be produced in order to identify the main points of the framework and would be launched in the near future to ensure that staff were fully aware of it. Members queried how this would be communicated to staff as it was an issue of high importance. The Chair was pleased to hear that this would be done in a number of ways with a proposal for reference to be made to it in the Chief Executives Blog with a link to the new Framework, and additionally, an article in the Staff Magazine.

RESOLVED that the Audit Committee approve the revised Anti-Fraud and Corruption Framework.

All to Note

17. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE, JUNE 2015

Simon Dennis, from KPMG, was in attendance at the meeting and presented Members with the progress report for June 2015. Members were informed that there were two main points to note, these being the Progress Report and the Technical Update.

The Committee noted that staff from KPMG, were now on site at Doncaster Council undertaking their annual audit of the Financial Statements prior to these being signed off in September.

The interim Audit had shown no issues for immediate concern and it was hoped that the annual audit would give an unqualified audit opinion on the financial statements and good Value for Money (Vfm) conclusion which would indicate there was excellent internal control in place safeguarding Doncaster Council. The Statement of Accounts would be signed off by the Mayor and Cabinet in September, and would be presented to the Audit Committee at their next meeting on 16 September, 2015.

RESOLVED that the Audit Committee note the content of the report.

All to Note

**To the Chair and Members of the
AUDIT COMMITTEE**

DONCASTER COUNCIL GOVERNANCE PLAN

EXECUTIVE SUMMARY

1. In the interests of good council management a specific Governance Plan has been produced. The Governance Plan combines the various actions and initiatives that are being undertaken to improve the Council and increase its ability to meet the specific and varied challenges.
2. The Governance Plan has been incorporated into the Council's Corporate Plan in order to improve the efficiency and effectiveness of managing performance and assessing progress. It is reported on a quarterly basis in line with other corporate priorities.
3. Since the last Audit Committee meeting the following recommendation(s) has been implemented: None

Governance Plan 2015

4. The Governance Plan for 2015 includes:
 - a) 2014 Governance Plan activities, shown at paragraph 17 of the report, that are causing particular concern;
 - b) 2014 Governance Plan incomplete activities contained within Appendix 1 of the report;
 - c) The recommendation arising from the Annual Audit Letter 2013/14:
 - i. The authority should finalise savings plans for 2015/16 by 31 December 2014; and
 - d) Any relevant updates on the Governance Strategy Action Plan.
5. In accordance with the request from Audit Committee on 28th September 2012, the Governance Group will continue to receive an update on all Governance Plan activities, and the Audit Committee will receive an update on an exception basis of those recommendations not yet completed. At its meeting held on 22 November 2013, the Audit Committee requested that future iterations of the Governance Plan include additional section information highlighting the risks involved.
6. Governance Plan updates should set out what progress has been made since the last meeting and whether the activity is on track to be delivered within the

timescales by, if appropriate, answering a series of prompt questions to ensure that the provision of consistent and relevant narrative.

7. Paragraph 17 below provides an update on the activities that are causing particular concern. **Appendix 1** includes an update on the Governance Plan activities that are not yet completed. An update on the external recommendations that need to be monitored corporately will be provided separately by Internal Audit.

RECOMMENDATION

8. **Members are asked to note and comment on the progress made in relation to the activities and progress in taking forward the Governance Plan for 2015, in particular that five further activities have now been completed and will now be removed from the Governance Plan:**
 - a) Recommendation 4: The Council should vigorously pursue recovery of payroll overpayments wherever possible, and should write-off amounts where recovery is not possible;
 - b) Recommendation 5.1: Housing Services - Identify any major internal governance risks or capacity to deliver issues with regard to delivery of the improvements and the service in general as part of the Council's quarterly performance management framework;
 - c) Recommendation 5.2: Children's Services - New CYPS Improvement Plan 2012-13 to be agreed at the Doncaster Children's Board scheduled for 30 March 2012;
 - d) Recommendation 6: Digital Region Limited. The Authority should commission a full independent review of the Digital Region project to identify the lessons that should be learned. The review should be carried out as soon as possible and jointly with other stakeholders; and
 - e) Recommendation 10: The authority should finalise savings for 2015/16 by 31 December 2014.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

9. Effective monitoring of corporate governance arrangements adds value to the Council in managing its risks and achieving its key priorities of improving services provided to the citizens of the borough.

BACKGROUND

The Corporate Plan

10. The Corporate Plan combines and co-ordinates all the objectives and outcomes the Council needs to deliver during the year. This includes the activities undertaken by Directorates that contribute to the Borough Strategy, including the Partnership Stock Take outcomes, and deliver The Mayor's priorities; together with actions required to ensure that the Council improves and is governed effectively. The Council's refreshed Corporate Plan for 2014-17 was agreed at Full Council on 30th July 2015.

The Governance Group

11. The Governance Group was established by the Director of Corporate Services and Finance to promote and ensure good Governance practices across the Council.

Annual Governance Report

12. The Director of Finance and Corporate Services in his role as the Council's responsible financial officer approves the draft Statement of Accounts. The Accounts are presented to the Audit Committee.
13. Following approval of the Statement of Accounts an audit commences that includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes and assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

Value for Money Conclusion

14. Our external auditor, KPMG, has to reach a conclusion on the arrangements the Council has put in place to secure economy, efficiency and effectiveness in its use of resources. This is known as the 'value for money conclusion'. The report considers the arrangements that have been put in place to secure economy, efficiency and effectiveness in the way resources are used.
15. The Value for Money Conclusion 2013/14 concluded that the Council had again reached the necessary standards for the KPMG to issue an "unqualified value for money conclusion".

Annual Audit Letter

16. The Annual Audit Letter 2013/14 provides a summary of the key findings from KPMG's 2013/14 audit of the authority. It covers the audit of the authority's 2013/14 financial statements and the 2013/14 Value for Money Conclusion.

Exception Report for Activities that are a Cause for Concern

17. The Governance Group has noted that the following activities are currently causing particular concern:
 - a) Recommendation 1: Partnership Risks Managed; and
 - b) (New) Recommendation 11: Annual Governance Statement Process.

IMPACT ON THE COUNCIL'S KEY PRIORITIES

18. The delivery of activities contained within the Governance Plan 2015 will help to ensure local people get value for money from council services – Corporate Plan Outcome 5 'Council services are modern and value for money' and contribute to achieving the Council's internal transformation outcome contained within Corporate

Plan outcome 6 'Working with our partners we will provide strong leadership and governance'.

Outcome	Implications
Council Services are modern and value for money.	Monitoring of governance arrangements adds value to the organisation through a systematic, disciplined approach to evaluate and improve the effectiveness of the Council's Services
Working with our partners we will provide strong leadership and governance'	The work undertaken to monitor our governance arrangements improves and strengthens governance arrangements within the Council and its partners.

RISKS AND ASSUMPTIONS

19. The most significant risk is that the current improvement is not sustained and the performance of the Council deteriorates as a result, causing further reputation damage. The impact of this is assessed as critical, but at this stage it is unlikely to happen. Nevertheless, the risk must be robustly managed.

LEGAL IMPLICATIONS

20. Any specific implications will be reported separately and in the context of any initiative proposed to be taken.

FINANCIAL IMPLICATIONS

21. There are no specific financial implications arising from this report; however, any costs incurred in the delivery of the Governance Plan must be contained within approved revenue and capital budgets. Where specific initiatives arise in response to the contents of the report, which necessitate the incurring costs, these will be reported separately.

HUMAN RESOURCES IMPLICATIONS

22. There are no specific Human Resources implications arising from this report.

TECHNOLOGY IMPLICATIONS

23. There are no specific technology implications arising from this report.

EQUALITY IMPLICATIONS

24. 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 Governance Plan and as a result a Due Regard statement has not been completed for this process.

CONSULTATION

25. Consultation has taken place with the Chief Executive, Directorate Management Teams, Recovery Board, Overview and Scrutiny Management Committee, The Mayor and Cabinet during the development of the Corporate Plan 2014-17. The Governance Plan 2015 has been developed in consultation with the Governance Group.

This report has significant implications in terms of the following:

Procurement		Crime & Disorder	
Human Resources		Human Rights & Equalities	
Buildings, Land and Occupiers		Environment & Sustainability	
ICT		Capital Programme	

BACKGROUND PAPERS

The Council's Corporate Plan 2014-17
Annual Audit Letter 2012/13
Annual Governance Statement 2014-15

REPORT AUTHOR & CONTRIBUTORS

Sandra Ranns Corporate Policy and Performance Telephone: 01302 737612
E-mail: sandra.ranns@doncaster.gov.uk

Simon Wiles
Director of Finance & Corporate Services

Doncaster Council Governance Plan 2014

ACTIVITIES IN PROGRESS

R1	Strand		Responsible Assistant Director
R1.1	Proposed activity to deliver the recommendation (Original recommendation reference number)	Target Completion Date	Completed (Date)
R1	Partnership Risks Managed		Steve Mawson
R1.1	Improve partnership risk arrangements	31/03/13	
Page 20	Update September 2015 On the 14 th July 2015, the Executive Board considered a report and associated guidance on Partnership Governance, the report was unanimously supported by the Executive who endorsed the principles of implementing a training programme that would support officers and members in the art of robust partnership governance. The training programme is currently being developed, with the intention to train all partnership lead officers and members w/c 30 th November 2015.	Web Based training November 2015	
		Facilitator training November 2015	
Risks			
Update September 2015			
Risk 1: DMBC policies and procedures are not robust enough to protect individuals from exposing the Council to risk at a partnership meeting The very establishment of a Governance framework ensures the Council has robust procedures in place to protect both Officers and Members when conducting business at Partnership Meetings: Risk Profile: 9x3=27 Mitigating Action: DMBC Partnership Team, Legal and Finance Officers continually review the effectiveness of our policies ensuring the Authority is protected in the unlikely event a policy is breached.			
Risk 2: The Council fails to maintain an accurate and reflective list of both Officers and Members who sit on Partnerships/ Boards.			

Risk Profile 3x1=3

Mitigating Action: The Partnership team maintains an accurate record of members and officers currently in situ on Partnerships and Boards, this will be routinely monitored and communicated via the annual announcement on the appointment to outside bodies.

Risk 3: Partnership Team loses partnership governance expertise as part of the PPPR2 process:

Risk Profile: 9x3 =27

Mitigating Action: The PPPR2 process has resulted in two partnership officers declaring an expression for VR, both officers are currently producing hand over notes, however there may be further losses of experienced staff to the partnerships team which may have a detrimental impact on partnership governance.

R2 Internal Audit Issues Addressed		Colin Earl	
R2.1	Performance manage critical audit actions		
	% of agreed critical, major and significant audit recommendations implemented on time	On-going	
Page 21	Update September 2015 Of the 25 major recommendations with agreed actions due for completion in Q1, 16 have been achieved. These are divided between the directorates as follows: <ul style="list-style-type: none"> • In Adults, Health and Wellbeing Services, 3 out of 5 agreed actions have been implemented or sufficiently progress to no longer be regarded as major risks including agreed actions relating to the refunds of Section 117, mental health aftercare charges and the development of a Blue Badge Enforcement Strategy and ensuring that that the bills paid for care provided actually reconcile to the care received; Outstanding actions the arrangements for ensuring accurate and full client contributions are being made as appropriate towards care costs and the evaluation of the implementation of a new Resource Allocation System for Direct Payments. • Regeneration and Environment, 4 out of 5 agreed actions have been implemented including improvements to markets allocations and rent collection policies and procedures. The outstanding action relates to the procurement of a new vehicle and plant hire contract, which is expected to be completed in September 2015. • Finance and Corporate Services, 3 out of the 5 agreed actions due in the quarter have been implemented, including the development of debt enforcement arrangements, the signing of a partners' data sharing agreement and the roll-out of the performance management framework. The outstanding actions include training on data sharing with partners and the highlighting in performance reports of targets that are continually not 		

	<p>met.</p> <ul style="list-style-type: none"> Learning, Opportunities and Skills: 6 out of 10 agreed actions having been implemented, relating to information and ICT governance and budget related processes. Outstanding actions relate to System Asset information, change control processes and strategy. <p>Internal Audit is overall satisfied that directorates are paying attention to outstanding recommendations and in particular is assisting Adults, Health and Wellbeing with strengthening its own arrangements for monitoring and ensuring the implementation of recommendations.</p>		
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Risks

Update September 2015

If the required recommendations are not delivered within the agreed timescale there is a risk that there may be a negative impact on service delivery which may impact on the delivery of secure and effective services and the achievement of corporate objectives.

Risk Profile 4x3=12

Mitigating Action: The reviewing and monitoring of all critical and major audit recommendations is embedded into the Corporate Performance Management Framework. There is a corporate governance indicator assigned to each Directorate that highlights compliance to all critical and major audit recommendations, and these are challenge as part of the quarterly challenge process. Further challenge will take place at Audit Committee regarding long outstanding actions in Adults, Health and Wellbeing

Page 2

R3	Data Protection Incidents Minimised	Simon Wiles
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R3.1	Improved data protection arrangements	Ongoing	
	<p>Update September 2015 The major activities completed are continued training; monitoring training completed; initiating the development of scenario based training, upgrading the breach scoring criteria increasing the score if someone has purposefully accessed data in a system when they should not leading to disciplinary action (the score was felt to be too low). The process for reporting breaches has also been updated. We are continuing to work with services who breach so they can learn from what went wrong and put measures in place to deter. All activity is on track.</p>		

Risks

Update September 2015

Breaches in Data Protection

Unfortunately, in quarter 1 there were 7 data protection breaches by the Council and 2 by Doncaster Children's Services Trust after the

excellent performance in quarter 4 last year with no Council breaches.

Risk Profile 4 x 3 = 12

Mitigating Action: These were mostly due to human error and as always, mitigating actions are being taken such as approaching specific services, raising and discussing at the SIRO Board, completing investigations, implementing lessons learned and taking disciplinary action where relevant as well as all staff accessing data undertaking data protection training as mandatory.

R4	Annual Governance Report Recommendations Implemented (R6-7)	Jill Parker	
R4	The Council should vigorously pursue recovery of payroll overpayments wherever possible, and should write-off amounts where recovery is not possible (R6)		
	Update September 2015 The latest annual report for 2014/15 was presented to Audit Committee on 31 July 2015 (had to be re-convened after 16th July 2015 meeting as the full agenda could not be completed on this date). Members noted the contents of the report giving the position as at the end of the 2014/15 financial year in direct comparison to the previous year. The overall position remains positive in the outstanding balance of debt owed continues to reduce.	Completed 31 July 2015	
	Risks		
Page 23	Update September 2015 Management of payroll overpayments Failure to prevent and recover overpayments will have a negative impact on resources available to the Council for the delivery of services. Risk Profile [Impact Score x Likelihood Score = Total Score] 3x2=6 Mitigating Action: The risk score remains unchanged from the last quarter as although the overall position of outstanding debt is reducing (a further 10% for 2014/15), there is still further actions to be taken in the debtors recovery process of historical and older debt, in particular more timely action on write offs. Monitoring of all overpayment occurrences both new and those progressing through the system will continue on a regular basis.		

R5	The Council should closely monitor progress in making the required improvements in Children's Services and Housing Services (R14)	Learning and Opportunities : C&YP/Scott Cardwell	
	Housing Services		
R5.1	Identify any major internal governance risks or capacity to deliver issues with regard to delivery of the improvements and the service in general as part of the Council's quarterly performance management framework (R14.2)	Review quarterly during 2012/13	Completed March 2015
	Update March 2015: On-going work across the two services continues. A meeting to look specifically at the joint working protocol is scheduled in for early March. This will be to	On-going	

	specifically look at the Local Government Ombudsman's final decision our 'Joint Protocol for Young People Aged 16 – 17 Years in Housing Need'. We are currently reviewing the terms and condition of the joint CYPS and strategy group and are working on a new action plan to reflect the changes across services.		
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Children's Services

R5.2	New CYPS Improvement Plan 2012-13 to be agreed at the Doncaster Children's Board scheduled for 30 March 2012 (R28.5)	1 April 2012 - 30 March 2013	
		On-going	

	Update September 2015 Monitoring is now in place with Learning and Opportunities: Children and Young People and the Doncaster Children's Services Trust as part of the contract		Completed October 2014
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Risks

Update September 2015			
Failure to safeguard vulnerable children and to ensure sustainable children's services			
Risk Profile 5x3=15			
Mitigating Action: Considerable resource has been committed to improving front-line responses, management oversight is more robust. All the performance data indicates improved risk management and more consistent conversion rates throughout the system. Case file audits show improved practice. New Improvement Plan being constructed with the Trust as above.			

R6-9 Annual Audit Letter 2012/13 Recommendations		Jo Miller	
R6	Digital Region Limited. The Authority should commission a full independent review of the Digital Region project to identify the lessons that should be learned. The review should be carried out as soon as possible and jointly with other stakeholders (New)	On-going	
	Update September 2015 The four South Yorkshire authorities have now received the KPMG report 'Independent Review of South Yorkshire Digital Region Project' Key lessons to learn relate to the business case; governance arrangements, information flows and decision making, risk management, and procurement arrangements and availability of specialist advice.		Completed October 2015

R7	Digital Region Limited. The Authority should ensure it has appropriate arrangements in place to manage the closure of Digital Region Limited and to minimise the financial impact on the Authority (New)	On-going	Steve Mawson Andy Townsend
	<p>Update September 2015 The major activities completed are the continued managed close down of the company, which has ceased trading and dissolution papers filed at Companies House, and the appointment of PwC as the liquidator. The latest update provided by the liquidator showed no major problems but did not confirm the definite date where the Council's interest ends but is expected to be around the end of December 2015.</p>		
Risks			
<p>Update September 2015</p> <p>Digital Region Limited costs of closure exceed the provision Risk profile 1 x 1 = 1 Mitigating Action: The latest update from PwC as liquidator raised no concerns and the level of contingency held by the Council has been reduced accordingly. Updates will continue to be reviewed and issues will be addressed accordingly</p>			
R8	Medium term financial planning. The Authority should ensure that it develops savings plans to meet the full budget gap of £109m identified for financial years up to 2016/17 (New)	2014-2017	Steve Mawson Dave Hill
	<p>Update September 2015 The activity is on track for delivery within the agreed timescales. The 2016/17 budget gap has been reviewed for the recent budget announcement and financial monitoring information, which increases the target savings required. An initial budget timetable has been produced which details each activity and specific target completion date, leading up to approval of the 2016/17 budget in March 2016.</p>		
Risks			
<p>Update September 2015</p> <p>Failure to meet the budget gap of £109m. Risk Profile 3x3=9 – Mitigating Action: The Improvement team continues to focus on managing the projects to deliver the identified savings. The 2016/17</p>			

budget is being reviewed and further work will progress over the coming months to ensure a balanced budget is approved for 2016/17. The risk has been increased to reflect the additional savings required..

R9	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 (New)		Steve Mawson Dave Hill
	<p>Update September 2015 The major activities completed are:</p> <ul style="list-style-type: none"> • 2014/15 statement of accounts were signed by the Council’s responsible officer on 23rd June 2016 and reported to Audit Committee on 16th July. • The public scrutiny of the Council’s account ran from 20th July to 14th August <p>The activity is on track for delivery within the agreed timescales; the Council is planning to finalise its audited 2014/15 accounts by 16th September.</p>	Ongoing	

Risks			
Update September 2015			
<p>Risk 1: The Accounts are not prepared and signed off by the relevant date. Risk Profile 3x2=6 Mitigating Action: Good management of the closedown and preparation of the Final Accounts Statements and associated working papers</p> <p>Risk 2: The Auditors are unable to get sufficient assurance that the accounts represent a true and fair view of the Council’s and consequently qualify the Accounts. Risk Profile 3x2=6 – Mitigating Action: Work closely with the auditors and ensure the working papers are complete and accurate.</p>			

R10	The authority should finalise savings plans for 2015/16 by 31 December 2014 (New)		Steve Mawson
	<p>Update September 2015 The budget for 2015/16 was set in November 2014.</p>		Completed November 2014

R11	2014-15 Annual Governance Statement Process		Simon Wiles
R11.1	Significant issues identified in 2014-15 12.11 Procure to Pay 12.12 Fraud Code of Practice assessment 12.13 Doncaster Children's Services Trust 12.14 External Funding 12.15 Doncaster Market	Ongoing	
R11.2	Key improvement areas identified during 2013-14 that remain an issue in 2014-15 12.21 Direct Payments 12.22 Information Commissioner Office (ICO) Inspection and Recommendation 12.23 Corporate Procurement and Contract Management 12.24 Data Quality Arrangements 12.25 Income Management 12.26 Asset Register 12.27 Business Continuity 12.28 Risk Assessment	Ongoing	
R11.3	Key improvement areas identified during 2013-14 that remain an issue in 2014-15. Certain governance issues relating to the Doncaster Children's Services Trust are indicated with an asterisk (*) and the Doncaster Children's Services Trust has been notified 12.31 *Respite Care Overpayments 12.32 *Improving Children and Young People's Services 12.33 *Professional Practice 12.34 * Children's Service – Foster Care Service	Ongoing	
	Update September 2015 This is a new activity. An update will be presented at a future Audit Committee meeting.		
Risks			
Update September 2015 This is a new activity. Risks will be presented at a future Audit Committee meeting.			

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**To the Chair and Members of the
AUDIT COMMITTEE**

INTERNAL AUDIT REPORT FOR THE PERIOD: APRIL 2015 to AUGUST 2015

EXECUTIVE SUMMARY

1. The report attached at **Appendix 1** updates the Audit Committee on the work done by Internal Audit for the period 1 April 2015 to 31 August 2015 and shows this in the context of the audit plan for the year. The report also includes performance information and details on the implementation of major internal audit recommendations.
2. The attached report is in four sections:
 - Section 1: Planned audit work
 - Section 2: Unplanned responsive work carried out in the period
 - Section 3: Progress on the implementation of audit recommendations
 - Section 4: Performance Information
3. A summary of the main points from each of the sections is provided in the following paragraphs:

Section 1: Planned audit work

4. Our planned audit work completed in the period highlighted major risk exposures in relation to the Doncaster Markets, Payment Card Industry Data Security Standard (PCIDSS) Compliance and ICT Governance within Learning & Opportunities: Children & Young People.
5. We have also given only a limited assurance opinion for the Debtors and Income Management and Procure to Pay (Creditors) reviews for the 2014/15 years. Whilst these are the same level of opinion given for the 2013/14 reviews, we did note improvements in both these areas from the previous year.
6. However, these aside, **our work confirmed the Council generally has appropriate controls in place and that the controls are operating effectively.**

Section 2: Unplanned responsive work carried out in the period

7. Responsive work is difficult to predict but highly valued by managers who ask for Internal Audit's assistance in dealing with a wide range of issues. This work can be categorised into two main areas:
 - Investigative work, and
 - Requests for specific audit work, advice and assistance.

8. Time spent on responsive/investigative work has been a little below that anticipated and budgeted for. Examples of work done under this heading are included within the report and includes two members of staff dismissed for committing Benefit Fraud. **There are no major items to bring to the Committee's attention.**

Section 3: Progress on the implementation of audit recommendations

9. There are 17 overdue major recommendations across the Council. These are all being closely monitored and regular updates are provided by management.
10. At the April Audit Committee meeting, it was reported that within the Adults, Health and Wellbeing Directorate there were 7 major actions outstanding as at 28th February 2015 and these had all been outstanding for some time. These covered Repayments under Section 117 of the Mental Health Act, Direct Payments and Home Care Payments and formed part of 84 recommendations overdue within the directorate at that date.
11. Internal Audit have worked with Service management during this period and we can report a much improved situation. There are now only 2 overdue major items which relate to the area of Personal Budgets / Direct Payments and there is an ongoing concerted effort to address shortcomings in this area. There are 35 recommendations outstanding within the directorate of which 26 are from the original 84 and these are all being addressed.
12. **Overall we are satisfied progress is being made in implementing major audit recommendations.**

Section 4: Performance Information

13. The number of available audit days is below expected levels due to several factors, the main one being additional administration time required for an office relocation and associated archiving. Whilst good progress has been maintained against the audit plan, contingency time available for future months has been reduced. The plan will continue to be revised to ensure that mandatory and must do work is completed to support the audit opinion.
14. Results relating to major recommendations and customer satisfaction remain extremely positive with 100% of critical or major recommendations agreed and 100% of Customer Satisfaction Surveys rated Satisfactory or above. There is improved performance in issuing reports and client satisfaction remains exceptionally high. **The overall performance of the audit service continues to be good.**

RECOMMENDATIONS

15. **The Audit Committee is asked:**
 - a) **To note the internal audit work completed in the period.**
 - b) **To note progress made by officers in implementing previous audit recommendations.**
 - c) **To note information relating to Internal Audit's performance in the period.**

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

16. Effective Internal Audit arrangements add value to the Council in managing its risks and achieving its key priorities of improving services provided to the citizens of the borough.

BACKGROUND

17. This report provides the Audit Committee with information on the outcomes from internal audit work and allows the Committee to discharge its responsibility for monitoring Internal Audit activity.

OPTIONS CONSIDERED AND RECOMMENDED OPTION

18. Not applicable - for information only

IMPACT ON THE COUNCIL'S KEY PRIORITIES

19. Internal Audit assesses how effectively the Council is managing risks that threaten the achievement of the Council's objectives. Any improvement in the management of the risks will have a positive impact thereby increasing the likelihood of the Council achieving its objectives. Internal Audit's work is, therefore, relevant to all priorities but in particular the following:

	Priority	Implications
	We will deliver modern value for money services.	Internal Audit adds value to the organisation through a systematic, disciplined approach to evaluate and improve the effectiveness of the Council's Services
	We will provide strong leadership and governance, working in partnership.	The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council and its partners.

RISKS AND ASSUMPTIONS

20. The implementation of internal audit recommendations is a response to identified risks and hence is an effective risk management action.

LEGAL IMPLICATIONS

21. There is a statutory obligation on the council to provide an adequate and effective internal audit of its accounts and supporting systems of internal control.

FINANCIAL IMPLICATIONS

22. There are no specific financial implications associated with this report.

CONSULTATION

23. There is consultation with managers at the outset, throughout and at the conclusion of individual audits in order to ensure that the work undertaken and findings are relevant to the risks identified and are accurate.

This report has significant implications in terms of the following:

Procurement	N/A	Crime & Disorder	N/A
Human Resources	N/A	Human Rights & Equalities	N/A
Buildings, Land and Occupiers	N/A	Environment & Sustainability	N/A
ICT	N/A	Capital Programme	N/A

BACKGROUND PAPERS

24. United Kingdom Public Sector Internal Audit Standards, audit working files and management information, customer satisfaction responses

REPORT AUTHOR & CONTRIBUTORS

Colin Earl, Head of Internal Audit,
Tel 01302 862939 E-mail - colin.earl@doncaster.gov.uk

Colin Earl
Head of Internal Audit

Appendices Attached

Appendix 1 - Internal Audit Report: 1 April 2015 to 31 August 2015

**DONCASTER MBC
INTERNAL AUDIT REPORT: APRIL TO AUGUST 2015**

Introduction

The internal audit report is in four sections;

Section 1: Planned audit work

Section 2: Unplanned responsive work carried out in period

Section 3: Progress on the implementation of audit recommendations

Section 4: Performance Information

Section 1: Planned Audit Work: Non-Schools

The table below lists planned audits (excluding schools) that were completed and reported in the period, together with the number of recommendations and the audit opinions contained in the published reports.

Area Audited	Number of Recommendations		Audit opinion
	Major	Significant or less	
ICT Governance - Learning & Opportunities: Children & Young People	27	8	Limited Assurance
Core Financial Processes - Procure to Pay	13	13	Limited Assurance
Markets Financial Administration Review	8	19	No Assurance
Core Financial Processes - Debtors and Income Management	6	8	Limited Assurance
Cusworth Centre Pupil Referral Unit	0	23	Partial Assurance
Fleet Management Operations System	0	9	Partial Assurance
Payment Card Industry Data Security Standard Compliance	8	0	Limited Assurance
Local Transaction Processing -Purchase Card Payments	0	7	Partial Assurance
Business Waste Collection Services - Financial Administration Review	0	5	Partial Assurance
Casper Case Management System (Safeguarding Adults)	0	4	Partial Assurance
Rose House Financial Administration Review	0	4	Partial Assurance
Core Financial Processes - Cash Book	0	2	Partial Assurance

Core Financial Processes - Benefits	0	0	Substantial Assurance
Core Financial Processes – Business Rates	0	0	Substantial Assurance
Core Financial Processes – Treasury Management	0	0	Substantial Assurance
Core Financial Processes – Council Tax	0	0	Substantial Assurance
Public Services Network Compliance	0	0	Substantial Assurance
Core Financial Processes - Payroll Processing	0	0	Substantial Assurance
Carbon Trading Scheme	0	0	Substantial Assurance
Mansion House Data Protection Review	0	0	Substantial Assurance

We also audited:

- Two grant claims submitted by the Council during the period (Bus Services Operators' Fuel Grant and Disabled Facilities Grant) and gave clear opinions following these audits.
- Six residential homes prior to their transfer to Runwood Homes. We gave a partial assurance on these audits with only relatively minor matters being noted.

There were no recommendations made during the period that we regarded as critical (the highest priority recommendations)

We give **limited assurance** where the Council is exposed to major risks, **partial assurance** where the Council is exposed to significant risks and **substantial assurance** opinion where the Council is exposed to less significant risks.

In the large majority of cases we gave either substantial or partial assurance and we have no concerns to draw to the Audit Committee's attention in these areas. During the period we gave one 'no assurance' following our Markets financial administration review and four 'limited assurance' opinions following our audits of Core Financial Processes - Debtors and Income Management, Core Financial Processes – Procure to Pay, the Payment Card Industry Data Security Standard (PCIDSS) Compliance review and ICT Governance - Learning & Opportunities: Children & Young People). Summary details in these areas are provided below:

Markets – Financial Administration Review

As reported in detail to the 14th July Audit Committee, the internal Audit review identified serious weaknesses in both areas of Financial Administration and Health and Safety concerns

A significant amount of work has now been completed by management to implement recommendations made by Internal Audit and Health and Safety. The Markets and Town Centre Management Team are working in partnership with Technical Services, Public Building Maintenance, Corporate Health and Safety, Internal Audit and external partners to address the outstanding actions as soon as possible.

The Council has invoked disciplinary proceedings against 3 staff and these are in progress.

Core Financial Processes - Debtors and Income Management

The Accounts Receivable process was exposed to major risks for the period 2014/15 and a limited assurance was given. This is due to a number of issues:-

Departmental Issues

- There are still departments within the Authority who do not follow correct procedures when raising accounts, particularly where goods and services could have been pre-paid, causing higher costs for debt collection and a higher risk of non-payment. 4 out of a sample of 20 accounts tested as part of the audit were for services which could have been pre-paid.
- There are still some major delays between provision of services and raising of accounts by some departments. Testing found 6 out of a sample of 20 debtor accounts raised had a delay of between 60 to 110 days between date of service and the invoice production date.
- A report has been commissioned since the audit which will highlight the departments who are not following correct procedure and those who are responsible for delays, allowing the Accounts Receivable Team to report to Directors and better monitor in future. The report should be in use by the estimated date of completion which was set at 30th September 2015.

Central Accounts Receivable Issues

- At the time of the audit it was established that no Debt Recovery Agencies had been instructed to pursue debt on behalf of the Council since April 2014 and no legal action had been taken since January 2013. This was immediately remedied with recoveries being instructed in May 2015.
- An age debt analysis was completed as at January 2015. £18m was the total debt outstanding (equivalent to 16% of the annual debit – or 2 months' worth of income) with £12m of this overdue. £6m of this was less than 365 days overdue and the remaining £6m was more than 366 days overdue. This compares to a balance of debt of £20m as at the date of the system changeover in October 2013.

Some improvements included that more services were now utilising the E5 system, contributing to an increase in total debt raised from last year. Additionally there was a reduction in the overall level of debt. However, we were unable to conclude if this is a satisfactory reduction due to the absence of collection rate targets.

Since the audit, performance targets have been set and are being monitored monthly (from July 2015). The targets are that invoices are paid within 56 days and to reduce debt by 5%.

The work in progress and future planned work for the Accounts Receivable Department, if implemented and monitored correctly could result in an increase in assurance given for the next years (2015/16) annual audit.

Payment Card Industry Data Security Standard (PCIDSS) Compliance

Our review found that some teams within the Council do not use the corporate point of sales system i.e. use a 3rd party device and therefore do not meet PCI Standards resulting in a limited assurance opinion. Arrangements are being put in place to eliminate 3rd party devices across the Council and this will ultimately meet PCI standards.

ICT Governance - Learning & Opportunities: Children & Young People

ICT Governance in Learning & Opportunities: Children & Young People (LOCYP) was not managed sufficiently during 2014/15 due primarily to the restructure resulting in major risk exposures set out below.

System Asset Register

LOCYP do not have an up to date System Asset Register. The register in place and held by DMBC's Information Management Officer still includes systems that have moved to the Children's Trust. Since the completion of the audit, responsibility has been assigned to an Education Systems Development Officer for completion by 31st October 2015.

Roles and Responsibilities

The ongoing staff restructure, a necessary part of the transition process, was creating uncertainty and people were not necessarily clear about their job descriptions, roles and functions and relationships to others with regards ICT Governance. However, since the completion of the audit, Commissioning & Opportunities services within LOCYP have now completed recruiting to their new structure. The Head of Service job description will be amended to clearly define the post holder's responsibilities for ICT governance.

Information Governance Board

The Information Governance Board (within Doncaster Council) is in place to provide direction and the co-ordination of service delivery by ICT for all of the departments clients / customers. It reports to Directors' Meetings through the Assistant Director of Customer Services and ICT and critical issues are reported to the Executive. Roles and responsibilities are defined to provide clear ownership and accountability for important / strategic IT decisions. Attendance by a representative from LOCYP needs to be improved to ensure that the Governance Board is aware of all needs and priorities and ensure that LOCYP are aware of priorities and initiatives across the board.

Core Financial Processes - Procure to Pay (Creditors)

The Procure to Pay process was exposed to major risks for the period 2014/15. This is due to the following issues.

- There is a high volume of 'confirmation orders' being raised which are required when goods/services have been being ordered before a purchase order is made. As a result, users are by-passing the P2P system. This also has a major impact on the efficiency of the processes within the Accounts Payable team and consequently on the length of time invoices are paid. On a positive note, from April 2015 to July 2015 there has been a reduction in the numbers of confirmation orders being raised.

- The Procure to Pay system provides a significantly stronger control than the previous system in that it requires the invoice to be accurately matched to the order. Invoices are put into 'held' status as they cannot be matched to a receipting line on a purchase order due to a price or quantity mismatch. These invoices cannot be processed until the mismatch has been dealt with by the requisitioner. Users need to be reminded of the importance of correct receipting (this is being addressed through the recent User training).
- Ownership of the 'catalogue' of goods and services available to purchase needed to be clarified to ensure that the catalogue is sufficiently maintained to reduce the likelihood of off contract purchases. This has now been done.
- In some Directorates there is a high proportion of off contract spend and this needs to be addressed.

It is however, pleasing to note that since the Transactional Support Manager has been appointed the Buying Team and Accounts Payable Team are working closely together with issues being proactively addressed and performance information being developed. Highlight information is collected, reported and monitored. However further indicators could be developed, reported and monitored. Overall, the processes within P2P appear to be working better than last year. The Buying Team are now working in conjunction with the Corporate Procurement Team where the Buyers are now assigned to a relevant Category Manager.

Management are already aware of the major issues facing the P2P system. Some of the issues are related to compliance by users of the P2P system and therefore beyond their direct control, however, they have been proactive by putting measures in place within the P2P structure with extra resources assigned to both the Buying Team and Accounts Payable Team during 2014/15. The Professional Business Support Manager has reported the issues to the Financial Systems Board. Improvements are still required and as a result these issues now require escalating to all Directors for their support in accelerating the ongoing improvements noted in recent months.

There is also a system upgrade taking place on 24th August 2015 which management believe will help to improve matching orders to invoices. Also, there is a new application for authorisations to be made through smart phones and a new manager portal to simplify approval/rejection of orders for routine users.

However, until Users start to use the system as directed by raising orders, receipting correctly and dealing with mismatches, and Suppliers routinely quote order numbers, significant efficiency improvements within the P2P process will not be addressed. Accordingly, the overall aim of the P2P system will not be fully realised in ensuring the Council obtains value for money with its procurements, realise savings and guarantee that all users comply with the Council's Contract Procedure Rules until the above issues are addressed.

Schools Based Work

The following school audits were completed in the period;

Cusworth Centre Pupil Referral Unit	There were no critical or major recommendations arising from this audit.
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Internal Audit has also:

- Completed field work at three primary schools. Reports will be issued for all of these schools shortly.
- Assisted in an investigation at a primary school.
- Provided assistance to the Governors Support Service regarding the Autumn Term Governing Body Agenda.
- Provided ongoing support and advice throughout the Education and Standards Service as required.

Section 2: Responsive work carried out in the period

The following responsive work has been completed in the period;

- **Investigation - Residents' Monies at a private care home** - The Doncaster Safeguarding Adults Board had been dealing with safeguarding / care issues at a private care home in which the Council has previously placed a small number of clients. South Yorkshire Police became involved after concerns were raised by a client's family about money missing from their relative's bank account. Internal Audit were requested to review records relating to other clients to determine whether there were similar issues with other clients / residents monies. Evidence was found of further discrepancies, but no further action is anticipated to take place.
- **Employee Benefits Fraud - Case A** - This case was referred to Internal Audit by the Benefits Fraud / Enforcement Team and was a joint working case with the DWP.

This investigation commenced after an allegation of living together had been received. The claimant, an employee of a DMBC maintained primary school as a midday supervisor, had not declared that her partner had moved into the property in June 2013. Further investigations were undertaken and the DWP determined that, based on the financial links of the partner to the claimant's address, the couple have been living together since March 2009. Housing and Council Tax benefit was withdrawn and as a result, the total overpayment / fraudulent claim for this case was £32,665.23 (Made up of Housing benefit - £13,635.72, Council Tax benefit - £2,510.68 and Income Support / JSA - £16,518.83).

The Enforcement Team with the DWP prosecuted the employee, who entered a guilty plea. Management at the school were informed. The employee's case was heard at court and she was sentenced to 27 weeks in prison. The employee has since been

released from prison and was immediately suspended. A disciplinary hearing was held at the school and the outcome resulted in the employee's dismissal.

- **Employee Benefits Fraud - Case B** - This case was referred to Internal Audit after it came to the attention of the Enforcement Team via the Housing Benefit Matching Service (HBMS). After further investigation it was found that the claimant had failed to declare the capital she had when claiming Housing and Council Tax Benefit in March 2009 and again when a verification visit took place in January 2014.

The overpayment / fraudulent claim made for this period of time totals £4,257.26. The claimant, who was employed by the Council as a General Kitchen Assistant, refused to be interviewed under caution and the case was taken forward for prosecution.

This employee pleaded guilty in court and was sentenced at the end of February 2015 to 80 hours of unpaid work on a 12 month community order, ordered to pay £200 towards costs and a £60 victim surcharge. The employee was dismissed through a disciplinary hearing for committing fraud.

- **Fraud Allegations on Planning Applications** - Serious fraud and data protection breach allegations were received from a husband and wife about 5 planning applications. (These were for 3 applications, 2 of which were withdrawn and resubmitted as new applications bringing the total to 5 applications). Allegations made included: -
 - Fraud / Corruption –collusion with a developer to pass inappropriate planning applications (3 members of staff)
 - Data protection breaches
 - Falsification of information for planning purposes and FOI requests
 - Tampering with information for FOI requests

These allegations were investigated and all found to be false.

Section 3: Progress on the implementation of audit recommendations

The position on outstanding critical and major recommendations is detailed in the table below:

Direct Payments/Personalised Budgets	
Exposure	Current Position
Inappropriate amounts being paid to service users, Inappropriate spend and Inadequate recovery processes result in loss of money to the authority.	<p>This issue is still outstanding and there is substantial work and resources being put into managing this area from staff within Adults, Health and Communities and Finance and Corporate Services. This issue will be reported upon at the first appropriate audit committee meeting.</p> <p>Original Implementation date: 30/06/2014</p> <p>Revised implementation date: 30/11/2014</p>

	31/03/2015 31/12/2015
Inappropriate amounts being paid to service users. This is evidenced through there being £940,000 of monies recovered from service users since 2010 for surplus funds from bank accounts and underpayment of contributions. Loss and wastage of public funds.	A new Resource Allocation System (RAS) has been implemented. Social Workers are required to evidence their judgements around needs, risk frequency and risk severity which managers scrutinise prior to authorisation. There is currently insufficient data to be analysed to assess the effectiveness of the new system which will be carried out by the system providers. Management are satisfied that the revised timescale is still considered reasonable and progress has been made to achieve it. Original Implementation date: 30/11/2014 Revised implementation date: 30/04/2015 30/11/2015
Data Sharing Arrangements	
Exposure	Current Position
The Council may be in contravention of the principles of the Data Protection Act 1998 or associated legislation in the absence of a suitably qualified Data Protection officer.	The Data Protection Officer will undertake a formal Data Protection qualification commencing in October 2015. Original Implementation date: 31/03/2015 Revised implementation date: 31/10/2015
Information/Manual Records Management	
Exposure	Current Position
The ICO recommended that Business System Owners and Information Administrators should be in place.	The need for Business System Owners and Information Asset Administrators to be in place will be highlighted within the Information Asset Owner training. Staff will be nominated and supported by Information Asset Owners along with key members of staff in their service areas. The majority of systems now have an identified system owner. Original Implementation date: 31/01/2014 Revised implementation date: 31/10/2014 31/01/2015 28/02/2016
Performance Management Frameworks 2013	
Exposure	Current Position
Poor or continual poor performance is not identified and rectified, as the current process does not focus on addressing performance or rectifying delays but simply reporting them. This could	The Performance Management Framework has now been updated to include an issues log to record and allow monitoring and escalation where targets have not been achieved A Policy Compliance Monitoring Tool has been implemented and is being currently rolled out to Directors, Assistant Directors and Heads of Services. 3 Member workshops

<p>result in the continual non-achievement of council priorities.</p>	<p>completed with two further scheduled for Sept Internal Audit is currently awaiting an update on the effectiveness of any actions completed.</p> <p>Actions arising from Directorate Challenge meetings are now tabulated and taken to Directors Challenge however these are not checked the following quarter to have been rectified or if underperformance continues no further action is taken. Actions from Quarter 1 will be checked to Quarter 2 performance and any continued underperformance reported to Directors challenge and subsequently escalated</p> <p>Original Implementation date: 31/01/2014</p> <p>Revised implementation date: 30/09/2014 31/03/2015 12/10/2015</p>
<p>The Council is not transparent and cannot demonstrate accountability for performance.</p>	<p>The decision has been taken by Senior Management not to produce an annual report for 2013/14 but an annual report will be produced for 2014/15 and will be published alongside the 2014/15 final accounts.</p> <p>Original Implementation date: 30/06/2014</p> <p>Revised implementation date: 30/09/2014 30/09/2015</p>
Fleet Management Operations System	
Exposure	Current Position
<p>Hire costing arrangements could be inappropriate or inaccurate.</p> <p>Inappropriate or inaccurate charges for vehicle hire.</p> <p>Spreadsheets could be damaged or lost.</p>	<p>The hire costing system will be updated with new hire prices when the new vehicle framework is implemented</p> <p>Original Implementation date: 31/05/15</p> <p>Revised implementation date: 31/10/15</p>
Conisbrough Balby Street Primary School	
Exposure	Current Position
<p>There were several serious weaknesses identified relating to the school's budget, associated budget monitoring and budget amendments by Governors and also with the level of financial expertise and support available. These weaknesses have the</p>	<p>The school has an Interim Executive Board in place and have had an Executive Headteacher supporting them. There has been a change in Executive Headteacher since the audit and she will continue to support the school in the new school year.</p> <p>A follow up review has been scheduled to assess implementation progress at the school.</p> <p>Original Implementation date: 31/01/15</p>

<p>following exposures:</p> <ul style="list-style-type: none"> • Financial management is poor. • Governance arrangements are weak. • The school is unable to effectively manage its budget. • Budgets are not appropriately managed and are not fully utilised to achieve optimal service delivery. • Inappropriate transactions are not identified and resolved resulting in a negative impact on the budget. 	<p>Revised implementation date: 30/04/15 30/09/15</p>
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ICT Governance - Learning & Opportunities: Children & Young People

Exposure	Current Position
<p><u>System Asset Register</u></p> <p>Unclear responsibilities and lack of awareness / accountability.</p> <p>Inadequate/Incomplete records of systems held.</p> <p>Ownership disputes.</p>	<ul style="list-style-type: none"> • DMBC's System Asset Register for LOCYP is considerably out of date and reflects the position before the creation of the Children's Trust – to be reviewed by LOPS Heads of Service at the next meeting in September 2015. Training for Heads of Service will be undertaken in September 2015. Responsibility has been allocated to an Education Systems Development Officer who will ensure DMBC's System Asset Register contains up to date information for LOCYP. This person will liaise with DMBC's Information Management Officer. <p>Original Implementation date: 31/05/15</p> <p>Revised implementation date: 31/10/15</p>
<p><u>Governance and Change Control</u></p> <p>There is no officer with clear responsibility for ICT governance.</p>	<p>An Education Systems Development Officer has been nominated to take on governance responsibility ensuring that all service areas are fully consulted, a clear audit trail is in place, and consistent messages are communicated across the service. This ensures that changes made are actually driven by the Business and its needs.</p> <p>Original Implementation date: 31/05/15</p> <p>Revised implementation date: 31/10/15</p>

<p><u>Strategy</u></p> <p>Children's Services staff lack of awareness of Corporate priorities.</p> <p>Children's Services long term vision not linked to the Corporate ICT Strategy and list of priorities.</p>	<p>The L&O:CYP Systems & Records Group will be responsible for developing an Information Strategy and an Information Governance Strategy showing a long term vision for their department which links into DMBC's ICT Strategy and list of priorities. This will be led by Peter Featherstone, Business Manager, following from the above exercise.</p> <p>Original Implementation date: 31/05/15</p> <p>Revised implementation date: 31/10/15</p>
<p><u>Unclear responsibilities.</u></p> <p>ICT Governance not acknowledged in the new staff structure.</p> <p>Poor ICT Governance.</p>	<p>The C&O: CYP Performance Head of Service job description will be revisited and ICT governance responsibilities included.</p> <p>Original Implementation date: 31/05/15</p> <p>Revised implementation date: 31/10/15</p>

Section 4: Performance Information

Audit Resources:

The Audit Plan presented to the Audit Committee in April 2015 identified the time available for internal audit during the year, the expected number of chargeable audit days and the expected usage of available time.

The following table shows the original full year budget, profile for the period April to 31 August 2015 and actual achieved to date:

	Budget	Profile days 31/08/2015	Actual days 31/08/2015	Variance
Gross Days:	2,679	1,116	1,112	-4
Less – annual and statutory leave	-476	-237	-235	2
Less – maternity leave	-0	-0	-0	0
Less – Special Granted Leave / Bereavement	-8	-3	-15	-12
Less – Unpaid Leave	-20	-13	-10	3
Less – Election Leave	-11	-0	-5	-5
Available days	2,164	863	847	-16
Less :-				
Sickness (assumes 6 days per FTE)	-64	-27	-36	-9
Service Development	-24	-10	-21	-11
Professional Training and CPD	-108	-45	-29	16
Management and supervision	-167	-81	-96	-15
Administration and support	-26	-11	-60	-49
Total deductions	-389	-174	-242	-68
Audit days available for 2014/15	1,775	689	605	-84
Audit Time Charged:				
Planned audit	1,531	594	555	-39
Responsive audit	244	95	50*	-45
Actual Audit Time Charged	1,775	689	605	-84

*Actual time spent

The number of available audit days is below expected levels due to several factors, the main one being additional administration time required for an office relocation and associated archiving. Whilst good progress has been maintained against the audit plan, contingency time available for future months has been reduced. The plan will continue to be revised to ensure that mandatory and must do work is completed to support the audit opinion.

Performance Indicators

The Audit Committee has previously agreed the key performance indicators that should be reported to it relating to the performance of the Internal Audit service. The indicators are shown below along with current performance for the period 1 April 2015 to 31 August 2015.

Performance Indicator	Target	1 April to 31 Aug 2015	Variance
Percentage of planned audit work completed	42%	44%	2%
Draft reports issued within 15 days of field work being completed	90%	96%	6%
Final reports issued within 5 days of customer response	90%	91%	1%
% of critical or major recommendations agreed	100%	100%	0
Percentage of Customer Satisfaction Surveys rated Satisfactory or above	90%	100%	10%
Percentage of jobs completed within 10% of budget	90%	88%	-2%

Despite the reduction in available audit days, the team has managed to maintain progress in delivery of the audit plan to 44% of the plan delivered against target of 42%.

Results relating to major recommendations and customer satisfaction remain extremely positive with 100% of critical or major recommendations agreed and 100% of Customer Satisfaction Surveys rated Satisfactory or above.

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To the Chair and Members of Audit Committee

ADULTS, HEALTH AND WELLBEING AUDIT RECOMMENDATIONS PROGRESS REPORT: Progress on implementing outstanding recommendations in Adults Services, including Mental Health Section 117 refunds.

EXECUTIVE SUMMARY

1. Audit Committee at its meeting on the 08 July 2015 noted the current progress being made in relation to the outstanding actions within Adults Health and Wellbeing and requested a further update at the next meeting scheduled for September 2015 particularly in relation to the Major Risks.
2. This report provides the basis for a further update on the completion of recommendations since April and those that were still outstanding as at 31 August 2015. The table below gives a brief overview of the progress made and the current position:

Progress in relation to the 84 original recommendations				Current Position including new actions
	Feb 2015	June 2015	August 2015	
Major Risk	7	6	2	2
Significant Risk	73	27	22	29
Moderate Risk	11	1	1	4
Total	84	34	25	35

3. Significant progress has been made in clearing the outstanding recommendations since February and internal audit are satisfied with the position. There are currently 35 outstanding actions within the directorate and these are all currently being addressed. This is made up of 25 recommendations remaining since reporting to audit committee in February and 10 new recommendations from more recent audits. A further breakdown is attached as appendix 1.
4. Of the seven original - "Major risks" two have been closed and a further three have had the risk level reduced to significant due to the work completed to date. This includes the recommendation in relation to Mental Health Section 117 refunds because good progress has now been made and the activity undertaken is considered reasonable with all identified individuals having now been contacted. Table 1 provides a more detailed update on the Major risks. Annex 1 and 2 are action plans relating to the two remaining Major risks.

RECOMMENDATIONS

5. Audit Committee is asked to:

- a) Note the update on current recommendations.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

- 6. Audits and subsequent improvement plans are designed to improve services, make them more efficient and effective and identify issues with processes that could cause reputational and financial damage to the authority.

By delivering the audit recommendations, the interactions between the authority and citizens should be a more positive experience, work will be progressed more quickly which will mean that individuals will achieve their outcomes much more quickly and the potential for them receiving confusing or conflicting information will be greatly reduced.

BACKGROUND

- 7. This report provides audit committee with a further update on the progress of outstanding audit recommendations within Adults, Health and Wellbeing.

IMPACT ON THE COUNCIL'S KEY PRIORITIES

- 8. Any improvement in the management of the risks will have a positive impact thereby increasing the likelihood of the Adults, Health and Wellbeing achieving its objectives. Monitoring and implementing Internal Audit's recommendations is therefore relevant to all priorities but in particular the following:

Priority	Implications
We will deliver modern value for money services.	By delivering audit action plans performance will improve and increase the effectiveness and efficiency of a whole range of services across the directorate.
We will provide strong leadership and governance, working in partnership.	The work undertaken to address and implement audit actions will drive forward performance improvements across the directorate

RISKS AND ASSUMPTIONS

- 9. The implementation of audit recommendations is a response to identified risks and hence is an effective risk management action.

LEGAL IMPLICATIONS

10. Part of the process is to identify issues that could have open the council up to litigation, therefore by delivering the recommended improvements there can be more confidence that processes are compliant and less likely to be subject to challenge.

CONSULTATION

11. There have been a number of meetings between the Directorate and internal Audit.

This report has significant implications in terms of the following:

Procurement		Crime & Disorder	
Human Resources		Human Rights & Equalities	
Buildings, Land and Occupiers		Environment & Sustainability	
ICT		Capital Programme	
Directorate Strategies and Policies		The Care Act	

BACKGROUND PAPERS

12. Internal Audit Reports

REPORT AUTHOR & CONTRIBUTORS

Sue Cole: Development Officer: Business Improvement – Adults Health and Wellbeing

Tel 01302 736975 E-mail - sue.cole@doncaster.gov.uk

Michaela Pinchard
Head of Service – Modernisation and Improvement

Table 1 below highlights the current situation of the 7 Major Risks

Action	Service Area	Comments
Direct Payments/ Personal Budgets – Manage and Monitor Debtor Accounts	M & C	A process has now been established for the collection and monitoring of monies owed through direct payments. Work with legal services has commenced to recover the oldest outstanding amounts from 2011 and each will be considered on a case by case basis. This work is being governed through the bad debts group. An action plan for the completion of this task is in place. Still Major but on target to be achieved by the deadline
Direct Payments/ Personal Budgets – Improve the Resource Allocation System	M & C	The proposals in relation to OLM giving support to the development of the recalibration process has now been signed off and discussions have commenced. The Rescript was implemented on 01/04/15 and included various safeguards to mitigate risks. Progress has been delayed due to work required by OLM not being delivered on time which has affected the timeline. Due to the risk mitigations within the system audit have been asked to revisit and review the risk status. An action plan to provide assurance that the work will be completed by the deadline is in place. Still Major but action plan in place and a commitment to complete with arrangements now in place to enable the external provider to contribute to the process
Section 117 After-Care Payments	M & C	The work is not fully completed but sufficient progress has been made to de-escalate this action to “Significant Risk”
Safeguarding Adults Personal Assets – Investigate contingency arrangements for service user’s monies.	M & C	Complete This action was submitted to audit for sign off as complete on 20 March 2015 and has now been signed off as completed
External Home Care Service Contracts – Assurance of checks in place in relation to minutes billed/minutes paid.	M&C	Complete Signed off as completed by audit on 10/06/15
External Home Care Service Contracts – Assurance that	M & C	This project remains tied up with the Help to Live at Home Contract, which is not likely to be implemented until 01/04/2016, however it has been agreed that sufficient interim

checks are in place in relation to the invoice/actual care provided.		arrangement are in place to warrant the de-escalation of this action to “Significant Risk”
Blue Badge Scheme – Enforcement Strategy	ASC	<p>A Draft Strategy has now been developed and will be submitted for authorisation by the director and portfolio holder after which it will be implemented and uploaded to the Internet</p> <p>It has therefore been agreed that sufficient evidence of progress has been made to enable the risk to be de-escalated to “Significant Risk”</p>

Direct Payments/ Personal Budgets – Manage and Monitor Debtor Accounts Action Plan

Milestone	Target Date	Date Completed	Interdependencies	Status Update
Backfill vacant post and identify nature of current outstanding monies	August 2015		HR processes	Commenced working through outstanding debtor accounts to establish nature of debt. Implemented monitoring procedures to ensure balances and contributions are managed effectively. Commenced recruitment to backfill vacant posts to undertake audit and recovery work.
Establish process for recovery action	September 2015			
Establish proactive approach to monitoring balances and contributions	July 2015			
Engagement with Legal services on recovery of outstanding raised debtor accounts	July 2015			
Audits up to date to end March 2015	December 2015		Direct payments Policy	
Evaluate findings of exercise to inform revised assessment and review processes	March 2016			

RAS Action Plan

Task	Deadline	Date Achieved	Progress	Comments
RAS developed, tested and calibrated ready for go live	10/11/2014	10/11/2014	Complete	
Go Live of new RAS	01/04/2015	01/04/2015	Complete	Interdependencies with wider Re-Script project and Care Act changes relating to eligibility and carers meant that that the RAS roll out date had to coincide with the go live date for the Re-Script on 1/4/15.
Specify requirements, agree re-calibration methodology and sign off proposal for re-calibration work	31/07/2015		In progress	Approval has now been granted for OLM's involvement in developing the recalibration process and discussions have commenced
Analyse data, identify issues and investigate results to determine change requirements	30/09/2015			The extent of work required at this stage is unknown until the extent of outliers is determined. Detailed scrutiny of outlier cases will be required to determine root cause and inform the re-calibration.
Produce calibration options and recommendations	31/10/2015			
Obtain sign off for re-calibration option for go live	13/11/2015			
Configure and test in CareFirst and sign-off for go live	30/11/2015			

Notes:

A number of measures to manage risk have been included in the roll out of the new RAS:

Controls are included within the new Re-Script process and forms on the new CareFirst system to manage risk and to ensure that budget allocations are appropriate. This includes evidence based practise for any changes in the budget amount that require manager or Risk Panel decision for the change to take place.

Under the new RAS system, Workers are required to evidence their judgements around needs, risk frequency and risk severity which managers scrutinise prior to authorisation.

Additionally the initial RAS calibration that was rolled out includes a 15% contingency which means that the funding pot was reduced by 15% to manage the risk of it being a new RAS and to make provision for referrals to Risk Panel for an increase in the RAS amount.

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Position @ 31/08/2015

Audit	Total outstanding recommendations	Major			Significant			Moderate		
		Overdue	Not yet due	New Revised date	Overdue	Not yet due	New Revised date	Overdue	Not yet due	New Revised date
External Homecare	1					1				
Section 117 after care payments	1					1				
Data Quality review ASCOF 2B	1									
Care First Application review	1								1	
Safeguarding Adults Personal Assets	1					1				
Direct payments/personalised budgets	10	1		1		8				
Advice and consultancy - Occupational Therapy Service	8					8				
Blue badge	2					2				
Total	25	1	0	1	0	21	0	0	1	0
New Audit reports issued										
Casper Case Management System	6					3	2			1
Home Alarm Service	4					2			2	
Total	35	1	0	1	0	26	2	0	3	1

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**To the Chair and Members of the
AUDIT COMMITTEE**

Q1 STRATEGIC RISK UPDATE

Relevant Member(s)	Cabinet	Wards Affected	Key Decision
Mayor Ros Jones		N/a	N/a

EXECUTIVE SUMMARY

1. The purpose of this report is to provide a progress update on strategic risks for Quarter 1 2015/16.
2. A review of Strategic Risks was undertaken as part of the challenge process to ensure that the strategic risks reflected the priorities in the Corporate Plan for 2015/16. There are currently 14 strategic risks.
3. As a result of the review the following new areas have been nominated for inclusion in the Strategic Risk Register. (Final wording is being developed):
 - School Improvement/Attainment
 - Early Help
 - Transformation of Adult Social Care

As a result of the review the following risk have been nominated for re-wording:

- 'Failure to apply agreed safeguarding standards and policies, increasing the risk of vulnerable children experiencing harm or abuse' will now be 'Failure to obtain assurance as to the safeguarding of children in the borough'.
- 'The impact of the welfare reforms on communities and on Council Services' will now be "Current austerity measures result in increased poverty in Doncaster, causing deprivation for citizens and restricting the borough's ability to improve and grow"
- 'Failure to set robust assumptions on pensions deficit recovery and future contribute rate' will now be 'Failure to set robust assumptions on pensions deficit recovery and future contribution rate for the 2016 valuation'

RECOMMENDATIONS

4. The Audit Committee members are asked to:
- a) Note and comment on the report and the strategic risk profiles in Appendix A;
 - b) Note the revisions to the Strategic Risk Register (paragraph 3)

EXEMPT REPORT

5. Not Applicable

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

6. The embedding of robust risk management arrangements within the Council incorporating the management of strategic risks creates an environment in which we can successfully meet our objectives to deliver Doncaster's priorities and the Mayoral Priorities Outcome Framework.

OPTIONS CONSIDERED

7. Not Applicable

REASONS FOR RECOMMENDED OPTION

8. Not Applicable

IMPACT ON THE COUNCIL'S KEY PRIORITIES

- 9.

Priority	Implications
All people in Doncaster benefit from a thriving and resilient economy.	The embedding of robust risk management arrangements within the Council will contribute to the effective delivery of all the Council's key priorities
People live safe, healthy, active and independent lives.	
People in Doncaster benefit from a high quality built and natural environment.	
All families thrive.	
Council services are modern and value for money.	
Working with our partners we will provide strong leadership and governance.	

RISKS AND ASSUMPTIONS

10. The Risk Management Policy includes a requirement to review strategic risks on a quarterly basis and this is a matter of good management and good governance.

LEGAL IMPLICATIONS

11. Any specific implications will be reported separately and in the context of any initiative proposed to be taken in relation to the management of strategic risk.

FINANCIAL IMPLICATIONS

12. Should any specific initiatives be required, in response to the management of strategic risks, any cost implications will be reported and addressed as and when they arise.

HUMAN RESOURCES IMPLICATIONS

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

TECHNOLOGY IMPLICATIONS

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

EQUALITY IMPLICATIONS

15. There are no specific equality implications arising from this report. However, any activities arising from the management of strategic risks will need to be the subject of separate 'due regard' assessments.

CONSULTATION

16. Consultation has taken place with strategic risk owners, Directorate Management Teams and Risk Champions as part of the quarterly performance challenge process.

BACKGROUND PAPERS

17. Reports generated via Covalent for Directorate Q1 challenge meetings.

REPORT AUTHOR & CONTRIBUTORS

Sennette Wroot, Policy & Performance Manager
01302 862533 sennette.wroot@doncaster.gov.uk

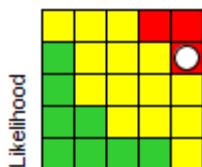
Simon Wiles
Director of Finance and Corporate Services

APPENDIX A

A failure to identify, or to act on, areas of serious performance weakness in the Doncaster Children's Service Trust or in the Council, which could result in significant harm to a child or children which could have

Jo Moxon

20



Impact

Current Position - On behalf of Paul Thorpe: This Strategic Risk was added during the year following the establishment of the Children's Trust

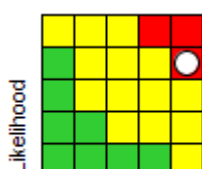
Mitigating Actions - As part of its Ofsted inspection preparation the Council has established robust governance arrangements to address the Trusts and the Councils obligations which arise from the inspection. These include a joint strategic inspection group and the establishment of a DMBC Annex A and joint documentation group and the establishment of a joint logistics group.

Target risk profile - Target currently remains at 5x4 as Children's Trust has only been operational for 9 months. Target will be reviewed with the Trust

The impact of the welfare reforms on communities and on Council Services

Simon Wiles

20



Impact

Current position: Score = 20 (impact 5 likelihood 4). The impacts of welfare reform continue to affect local people and are a risk to the achievement of the Council, and our partnership, objectives. This is now a wider issue than merely welfare reform and is being tackled as a general risk of poverty within the borough. The title of the risk will be changed to reflect poverty this quarter.

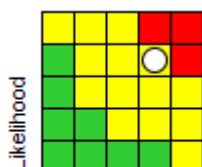
Mitigating actions: A partnership Anti-Poverty Steering Group is operating and is currently working in a number of key areas, including; financial exclusion (impact of latest Govt budget, welfare payments, Local Assistance Scheme etc); employment, education and training; housing; health and well-being; community support and advice. During July 2015 the group will determine key outcomes for anti-poverty which will form a detailed action plan and build upon the commitments made by partners at the Anti-Poverty Summit. Overview and Scrutiny Management have expressed an interest in this work and will be involved as progress is made.

Target risk score: 12 (impact 3 likelihood 4). The likelihood of poverty occurring in Doncaster remains high. The main task is to reduce the impact on local people.

Failure to improve Data Quality will prevent us from ensuring that data relating to key Council and Borough priorities is robust and valid.

Simon Wiles

16



Impact

Current position

Poor data quality will seriously hamper the Digital Council Programme, which in turn will reduce the Council's ability to transform. Clearly poor data and information will also reduce the effectiveness of the decisions that the Council makes. The likelihood of a real impact is increasing and therefore the risk score has been increased to 16.

Mitigating actions

A new risk assessment tool is being used for the first time which will identify the major areas of risk. This will enable key systems and intelligence to be targeted for specific and intense corrective actions. The importance of quality data will also be raised at all key meetings including Executive Board, OSMC and Audit Committee. Engagement across all Council departments will be required to ensure improvements are made quickly.

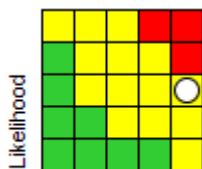
Target risk

Impact 2 (moderate) Likelihood 1 (very unlikely)

Failure to apply agreed safeguarding standards and policies, increasing the risk of vulnerable children experiencing harm or abuse

Jo Moxon

15



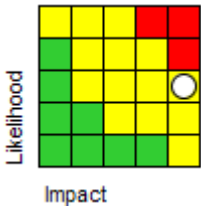
Impact

Current Position = 15 On behalf of Paul Thorpe: The annual review of the corporate performance reporting agreed that in view of the transfer of providers responsibilities this should be re-titled "Failure to obtain assurance as to the safeguarding of children in the borough".

Mitigating Actions - The Council has emboldened its assurance process in advance of monthly and quarterly meetings by holding officer level, check and challenge, meetings and by securing agreement with the Trust to develop and introduce a new more informative performance report from covalent platform.

Target Risk Score - target currently remains at 5x3 as Children's Trust has only been operational for 9 months. Target will be reviewed with the Trust.

15

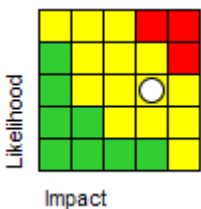


Current position: This risk has been reviewed and is considered to remain unchanged. Some key activities by Resilience and Emergency Planning include developing flu pandemic response arrangements. This is which is considered to be 'high risk' by Central Government. The plans and arrangements have been rehearsed with partners from across South Yorkshire. A recent assessment of DMBC's emergency response capabilities by the Cabinet Office has demonstrated a high level of preparedness and compliance with Government expectations for Civil Contingencies.

Mitigating actions: The challenges of responding to emergencies and supporting our communities and businesses with reducing staff numbers continues to be addressed with training, exercise and development opportunities. 99% have rated these events good or excellent.

Target risk: Impact 5 Likelihood 3

12



Current Position

Unfortunately, there have been 7 data protection breaches by the Council and 2 by Doncaster Children's Services Trust after the excellent performance in quarter 4 last year with no Council breaches.

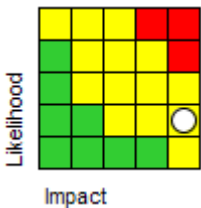
Mitigating Actions

These were mostly due to human error and as always, mitigating actions are being taken such as approaching specific services, raising and discussing at the SIRO Board, completing investigations, implementing lessons learned and taking disciplinary action where relevant as well as all staff accessing data undertaking data protection training as mandatory.

Target Risk

The target risk rating is Major Impact (4) with an Unlikely Likelihood (2) = 8.

10



Current Position:

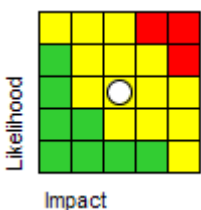
Safeguarding Adult Risk Assessment Matrix in place, Case File Audits measuring adherence to the safeguarding process and action plans on-going to address shortfalls.

Mitigating Actions:

Review of South Yorkshire procedures in light of Care act on-going and out for consultation across South Yorkshire. Safeguarding Adults Training continues to be provided to raise awareness and a training needs analysis is underway. Care Act implementation plan embedded into Policy and Practice sub group work plan to coordinate and direct all work streams. Draft Making Safeguarding Personal Strategy going to Board for approval 27/7/15.

Target Risk: Impact 5 Likelihood 2

9



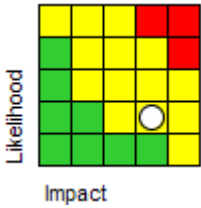
Current Position - There is good progress overall, however 7 key projects are rated red which indicates they may not deliver full savings in 2014/15. These include: Adult Social Care Commissioning, Access & Care Management, Modern & Productive Workforce, Appropriate Assets, Fleet Management & Pool Cars and Residential Homes.

Mitigating Actions - The Doncaster 2017 Programme Team are working closely with Project Leads and Project Sponsors to ensure robust plans and actions are in place to deliver savings. Additional capacity to reduce issues is also provided by the Programme Team. Where there is slippage the Directorates are looking at other areas to bridge the gap.

The Directorate teams together with the DN17 Team and Finance colleagues will be working closely to deliver full savings but there is recognition that there may be a need for some short-term one-off funding to get to the full 2014/15 target.

Target Risk Profile - Impact 3 x Likelihood 2

8

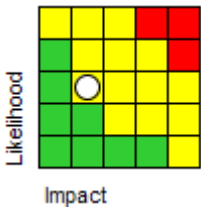


Current position: This risk has been reviewed and remains unchanged. Health and Safety Training for Managers continues to be rolled out across all Directorates, with 'mop-up' sessions being undertaken to ensure all managers have the opportunity to attend. The new Health and Safety Advisor post for Construction Services is working well

Mitigating Actions: A further Health and Safety Training post is being developed as part of a review and restructure of the Regulation and Enforcement Service within Environment. Recruitment to this post will take place in qtr 2 of 2015. A substantial amount of work has also been undertaken to identify and mitigate the health and safety risks within the Council's Markets with appropriate action plans now in place. Work is also progressing within the Assets Team regarding health & safety risks on Council land. A programme of unannounced 'drop in' audits across a range of service areas has also commenced and will continue throughout 2015/16. Action plans will be developed with managers where appropriate to drive and monitor improvements against the audit findings.

Target Risk - Impact 4, Likelihood 2

6

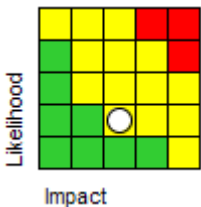


Current Position - Whilst acknowledging outcomes on morale, motivation and performance levels continue to improve, demonstrated by achieving the highest engagement response rate to the latest staff survey reaching 51% which is up by 21% from previous year, and further evidenced in this quarter by the continuing downward trend in both sickness absence figures and case management, e.g. grievance and disciplinaries; this needs to be balanced with only achieving a 78% completion rate overall (with some pockets of good practice achieving 100%) as at Qtr1 for PDRs when the target was 95%, and the current number of service reviews being undertaken that will impact on morale with the threat of industrial action in one service area. Therefore this risk, although currently manageable at a much lower level, should remain as a strategic risk and continue to be monitored.

Mitigating Actions - Continue to monitor sickness trend and ensure action plans progress. All directorates to have action plans in place to improve PDR completion rates by end September 2015. Monitor impact on on-going organisation-wide transformation.

Target Risk Score - Score of 2:2 = 4. To remain as a strategic risk but currently at a much lower and manageable level.

6

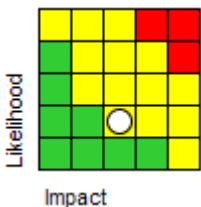


Current Positions - Improvements in the wider economy and housing market have led to a significant increase in activity and supply of affordable housing across the Borough in the past year. Going forward it is possible different pressures arising from more challenging development sites, lack of skilled labour, material supply chain issues and cost increases may reverse recent improvements. Risk level therefore remains in place.

Mitigating Actions - The cost viability for the provision of Affordable Housing through s106 Agreements has been affected by national and local housing market conditions, however we continue to work with developers to facilitate the delivery of affordable housing and explore additional resources to facilitate this, including the promotion of HCA funding streams where appropriate. The Council and SLHD will continue to supply affordable homes through initiatives like the Council House Build Programme, Empty Homes Purchase Programme and Empty Properties Grant programme .

Target Risk - Impact 3 Likelihood 2

6



Current Position: On the 14th July 2015, the Councils Executive Board considered and endorsed a report on the robustness of its partnerships, including the governance and accountability arrangements to Team Doncaster Strategic Partnership and the Council per say.

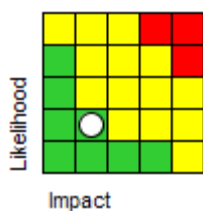
Mitigating Actions: The Council continues to maintain healthy and constructive partnerships, with the direction of travel still continuing the ethos and spirit of partnership working.

Target Risk: There is no target score set however given the PPR2 process this strategic risk requires continuous monitoring.

Failure to set robust assumptions on pensions deficit recovery and future contribution rate

Simon Wiles

4



Current Position: The Council has agreed a 22 year repayment profile for the pension deficit which is reviewed with the actuary every 3 years. Funding has been provided in the budget to meet the pension deficit payments and future contribution for the 2014/15 to 2016/17, and the pension deficit cost paid to South Yorkshire Pensions Authority (SYPA). The next tri-annual assessment is due in 2016, this is a significant cost for the Council and will need to be based on robust assumptions for pensions deficit recovery and future contribution rates.

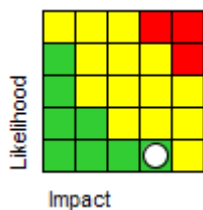
Mitigating Actions: The Council will be reviewing and challenging the assumptions made by the Actuary with SYPA and other LA's in South Yorkshire, and keeps up to date on the latest position. The Council will be working with other LA's at a local and at a national level through the LGA to minimise any additional costs arising from the 2016 Valuation.

Target Risk Profile: Impact 2, Likelihood 2, this risk has been managed down.

Failure to achieve the budget target for 2015/16 and 16/17

Simon Wiles

4



Current Position – The budget savings for 2014/15 have been achieved and the council reported a one-off year end underspend of £3.2m. For 2015/16 the council has a challenging programme of savings to deliver but this is also being robustly managed by programme leads and reviewed by AD's & Directors on a quarterly basis.

Mitigating Actions – Developing other savings or utilising one off funds for any delays in the savings for 2015/16.

Target Risk Profile –Impact 4, likelihood 1 – is as low as we can expect this to go

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To the Chair and Members of the AUDIT COMMITTEE

REVIEW OF PROGRESS IN IMPLEMENTING EXTERNAL INSPECTION RECOMMENDATIONS

EXECUTIVE SUMMARY

1. This report provides an update on the report presented to the Audit Committee meeting in July 2014, about progress made in implementing external inspection recommendations with a focus upon Children and Young People's Services.
2. In the last few months the Council's Governance Group has been putting in place arrangements for identifying and beginning, corporately, to monitor progress in implementing all external inspection recommendations that have been undertaken since 2010.
3. This report now reflects the Council's progress against external recommendations across the whole authority in terms of:
 - a) The number of external inspections broken down by directorate; and
 - b) The number of recommendations that have been completed or are outstanding for each inspection.
4. It does not include progress against external inspection recommendations made in respect of St Leger Homes; schools; or adult and children's care units not controlled by the authority.
5. Since 2010 the council received 158 recommendations from 55 external inspections. 114 of the recommendations have been completed, 23 are in progress and on time and 16 are in progress but out of the recommended timescale. Updates have not been provided for 5 of the recommendations at the time this report was produced.
6. It is expected that in due course a mechanism will be developed to provide assurance to Audit Committee that recommendations have been completed. Additional information will also be presented on the methods for monitoring the work ongoing to address external inspection recommendations (via action plans etc.), together with details of the horizon scanning undertaken to identify any external inspections that should be undertaken in the future.

RECOMMENDATIONS

7. The Audit Committee is asked to:
 - a) Note the updated position in respect of progress on external and inspection recommendations in Appendix A; and
 - b) Agree to the presentation of a further report from Internal Audit once they have validated the information provided and reviewed the governance arrangements currently in place.

BACKGROUND

8. This report provides the Audit Committee with information on the outcomes from external and inspection work and allows the Committee to discharge its responsibility for monitoring external audit and inspection activity.
9. The position on the recommendations is summarised in the table in Appendix A.
10. It should be noted that this analysis excludes St Leger Homes; schools; or adult or children's care units that are not controlled by the authority. The Council is also subject to inspections where recommendations are not issued as part of the process, these have not been included in this report.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

11. Effective implementation of external inspection recommendations provides evidence that the Council is able to respond to external challenge in a timely manner and is committed to continuous improvement. Monitoring of external inspection recommendations adds value to the organisation through systematic, disciplined approach to evaluate and improve the effectiveness of the Council's services. The work undertaken to monitor our external inspection recommendations improves and strengthens governance arrangements within the Council and in some cases those with our partners.

RISKS AND ASSUMPTIONS

12. The implementation of external audit recommendations is a response to identified risks and hence is an effective risk management action.

LEGAL IMPLICATIONS

13. There are no legal implications from this report although some of the recommendations may carry their own legal implications detailed within the originating report

FINANCIAL IMPLICATIONS

14. There are no specific costs arising from this report.

HUMAN RESOURCES IMPLICATIONS

15. There are no specific Human Resources implications arising from this report.

TECHNOLOGY IMPLICATIONS

16. There are no specific technology implications arising from this report.

EQUALITY IMPLICATIONS

17. 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 action plans developed to address external inspection recommendations and as a result a Due Regard statement has not been completed for this process.

CONSULTATION

18. There is consultation with managers at the outset, throughout and at the conclusion of individual inspections in order to ensure that the work undertaken and findings are relevant to the risks identified and that they are accurate.

BACKGROUND PAPERS

19. Audit and Inspection Reports from 2010.

REPORT AUTHOR & CONTRIBUTORS

Sennette Wroot, Policy & Performance Manager
01302 862533 sennette.wroot@doncaster.gov.uk

Sandra Ranns, Policy & Performance Officer
01302 737612 sandra.ranns@doncaster.gov.uk

Simon Wiles
Director of Finance and Corporate Services

APPENDIX A

Inspection and Date	Judgement	Number of Recs	Fully Implemented	Part implemented/ In progress	In progress but late – Aug 15
Corporate Reports					
Information Commissioners Office Consensual Audit	Reasonable Assurance	34	34	0	0
Children & Young Peoples Service					
Local Authority Arrangements for Supporting School Improvement	No rating	6	1	5	0
Inspection of Safeguarding and Looked After Children (2011) (*there were 12 recommendations but 11 have transferred to the Children’s Trust)	No rating	1	0	0	1
Lord Carlile (*there were 24 recommendations but 19 have transferred to the Children’s Trust)	No rating	5	4	0	1
Fostering Service (2010) (*there were 11 recommendations and 11 have transferred to the Children’s Trust)	No rating	0			
Adoption Service (2011) (*there were 9 recommendations and 9 have transferred to the Children’s Trust)	No rating	0			
Inspection of Local Authority Arrangements for the Protection of Children (*there were 18 recommendations and 18 have transferred to the Children’s Trust)	No rating	0			
Intake Children’s Centre (2010)	Good	2			
Balby Children’s Centre (2010)	Good	2	1	0	1
Adwick Children’s Centre (2010)	Satisfactory	3	2	0	1
Rossington Children’s Centre (2011)	Good	3	3	0	0
Denaby Children’s Centre (2011)	Good	3	3	0	0
Bentley Children’s Centre (2011)	Good	2	1	0	1
Stainforth Children’s Centre (2011)	Satisfactory	3	2	0	1
Mexborough Children’s Centre (2011)	Good	3	3	0	0
Edlington Children’s Centre (2011)	Satisfactory	4	4	0	0

Inspection and Date	Judgement	Number of Recs	Fully Implemented	Part implemented/ In progress	In progress but late – Aug 15
Cantley & Bessacarr Children's Centre (2012)	Satisfactory	3			
Askern Children's Centre (2012)	Good	3	2	0	1
Wheatley Children's Centre (2012)	Good	3	3	0	0
Thorne Children's Centre (2012)	Satisfactory	2	0	0	2
Armthorpe Children's Centre (2012)	Outstanding	2	2	0	0
Beak Children's Centre (2012)	Outstanding	1	0	0	1
Central Children's Centre (2012)	Good	2	1	0	1
Dunscroft Children's Centre (2012)	Good	2	0	0	2
GNR Children's Centre (2012)	Good	2	1	0	1
Sprotbrough Children's Centre (2012)	Satisfactory	5	3	0	2
Moorends Children's Centre (2015)	Inadequate	13	4	9	0
Regeneration and Environment					
SFA Funding for Adult, Family & Community Learning & Apprenticeships	Good - 2	4	0	4	0
Matrix – focus on Adult, Family & Community Learning Service	Retained Matrix Quality Mark	5	0	5	0
Food Standards Agency Audit (2012)	No rating	18	18	0	0
White Rose Way Phase 1 Article 13	Satisfied and Complete	n/a			
White Rose Way Phase 1 Article 16	Satisfied and Complete	n/a			
White Rose Way Phase 2 Article 13	Satisfied and Complete	n/a			
Holmes Market Project Engagement Visit	Satisfied and Complete	n/a			
Holmes Market Project Article 13	Satisfied and Complete	n/a			
White Rose Way Phase 1 + 2 Article 16	Satisfied and Complete	n/a			
White Rose Way Phase 2 ECA Visit	On Going Audit Process	n/a			
White Rose Way Phase 1 Article 16	Satisfied and Complete	n/a			

Inspection and Date	Judgement	Number of Recs	Fully Implemented	Part implemented/ In progress	In progress but late – Aug 15
White Rose Way Phase 2 Article 13	Satisfied and Complete	n/a			
White Rose Way Phase 1 + 2 Project Completion	Satisfied and Complete	n/a			
Holmes Market Project Procurement Check	Satisfied and Complete	n/a			
White Rose Way Phase 1 + 2 Procurement Check	Satisfied and Complete	n/a			
White Rose Way Phase 1 + 2 Closure Audit	On Going Audit Process	n/a			
South Yorkshire Sector Growth Enhancement Programme	No further action	2	2	0	0
Doncaster CCQ Enabling Infrastructure - Article 13	Satisfied & Complete	n/a			
Doncaster CCQ Enabling Infrastructure - Enhanced Article 13	Satisfied & Complete	n/a			
Doncaster CCQ Enabling Infrastructure - Enhanced Article 13 Review	Satisfied & Complete	n/a			
Doncaster CCQ Enabling Infrastructure - Article 16	Satisfied & Complete	n/a			
Doncaster CCQ Enabling Infrastructure - Final Progress & Verification	Satisfied & Complete	n/a			
Doncaster CCQ Enabling Infrastructure - ECA Visit	Satisfied in the main. Now Complete	n/a			
Information Commissioner inspection	No rating	8	8	0	0
National Measurement Office Audit	No rating	1	1	0	0
Measuring Instruments Directive	No rating	6	6	0	0
DVLA Vehicle Keeper Service Audit	Pass	1	1	0	0
Adults, Health and Well being					
NONE					
Finance and Corporate Services					
Regulation of Investigatory Powers Acts (R.I.P.A)		4	4	0	0
Total Recommendations		158	114	23	16

To the Chair and Members of the Audit Committee

Covert Surveillance - Regulation of Investigatory Powers Act 2000 (RIPA) Update

EXECUTIVE SUMMARY

1. The Council uses the Regulation of Investigatory Powers Act 2000 (RIPA) to conduct covert surveillance to investigate matters that the Council has responsibility to take action against. Home Office statutory codes of practise include recommendations that it is best practise that Councillors are involved in overseeing covert surveillance. It was agreed at the Audit Committee on 27th July 2010 that the Committee should receive a yearly report reviewing the Authority's use of RIPA and its Policy and quarterly update reports on covert surveillance which had taken place. At the Audit Committee on 17th July 2014 it was agreed that the quarterly reports could be replaced with six monthly reports due to the low number of covert surveillance taking place. This is the six monthly report.

RECOMMENDATIONS

2. That the Committee should note the RIPA applications that have been completed since the 4th February 2015 report, attached at Appendix 1. There have only been three matters authorised since the last report and two of these have been concluded and the details of the outcome of these are referred to. To avoid prejudicing the on-going cases only brief details are shown. The magistrates have not refused any RIPA applications.
3. That the Committee note that following the last report arrangements have been put in place to highlight covert surveillance and the RIPA process and particularly the social media guidance. An email was sent to the Leadership team and a short article appeared in 'spotlight on managers' which led to some queries and also legal services attending a number of team meetings.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. RIPA policies and procedures ensure that the Council has proper arrangements in place to comply with the law relating to RIPA authorisations and covert surveillance and that it is properly and lawfully carrying out covert surveillance where it is necessary.

BACKGROUND

5. The Regulation of Investigatory Powers Act 2000 was introduced in response to the Human Rights Act 1998 to ensure that local authorities could continue lawfully to carry out covert surveillance. The government also set up the office of surveillance commissioners who regularly inspect local authorities. The council has had four inspections in 2003, 2004, 2009 and most recently in October 2012. The action plan following the latest inspection has been completed by the authority.
6. The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012 came into force on 1st November 2012. This provides that directed surveillance can only be authorised under RIPA where the criminal offence sought to be prevented or detected is punishable by a maximum of at least 6 months imprisonment or would constitute an offence involving sale of tobacco and alcohol to underage children.
7. The Protection of Freedoms Act 2012 also requires local authorities to have all their RIPA surveillance authorisations (both directed and CHIS surveillance) approved by a Magistrate before they take effect.
8. Appendix 1 details the recent covert surveillance authorisations. The recent awareness raising within the Council of the requirements for covert surveillance, the RIPA process and the use of social media has led to some enquiries to legal services and also attendance at team meetings to explain the processes. A meeting has been arranged for October for the authorising officers to discuss the RIPA processes.

OPTIONS CONSIDERED

9. To not follow the Code of Practice's revised recommendations with regard to members seeing the reports would lead to criticism at the next inspection by the Office of Surveillance Commissioners.
10. To fail to follow the Inspection reports recommendations would lead the authority open to criticism.

REASONS FOR RECOMMENDED OPTION

11. This will ensure that we are properly and lawfully carrying out covert surveillance where it is necessary

IMPACT ON THE COUNCIL'S KEY PRIORITIES

12.

	Priority	Implications
	We will provide strong leadership and governance, working in partnership.	The work undertaken by the Audit Committee helps to ensure that the systems of covert surveillance used by the Council are overseen ensuring good governance arrangements and compliance with the law and statutory codes.

RISKS AND ASSUMPTIONS

13. To fail to follow the regulations and inspection report will put us at risk of criticism at the next inspection by the surveillance commissioners. However considering the low level of RIPA usage it would seem expedient and appropriate to have the annual report and then a review report at six months. It is considered this can be justified to the commissioners at the next inspection.

LEGAL IMPLICATIONS

16. Failure to follow the law and the statutory codes and the Inspection report would lead to criticism at the next inspection of the surveillance commissioner and may be challenged in a court case relying on RIPA.

FINANCIAL IMPLICATIONS

17. There are no specific implications to the recommendations of this report. where covert surveillance is used the costs are met from within individual service budgets.

HUMAN RESOURCES IMPLICATIONS

18. There are no human resources implications arising directly from the report.

TECHNOLOGY IMPLICATIONS

19. There are no specific technology implications arising directly from this report.

EQUALITY IMPLICATIONS

20. Decision makers must consider the Council's duties under the Public Sector Equality Duty at s149 of the Equality Act 2010. The duty requires the Council, when exercising its functions, to have 'due regard' to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the act, and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' and those who do not share that protected characteristic. There are no specific equality implications arising directly from this report.

CONSULTATION

21.

This report has significant implications in terms of the following:

Procurement		Crime & Disorder	
Human Resources		Human Rights & Equalities	x
Buildings, Land and Occupiers		Environment & Sustainability	
ICT		Capital Programme	

BACKGROUND PAPERS

22. None

REPORT AUTHOR & CONTRIBUTORS

Name: Helen Potts
Principal Legal Officer
01302 734631 helen.potts@doncaster.gov.uk

Jo Miller
Chief Executive

Appendix 1 – Recent RIPA’s

125.	3.11.14 (Magistrates approval)	URN92	Underage sales	Chief Trading Standards Officer	Appropriate action taken against those who failed test purchases and compliance letters sent to those who passed.
126.	24.2.15 (Magistrate Approval)	URN93	Illegal tobacco sales	Chief Trading Standards Officer	Targeted surveillance conducted and appropriate enforcement action taken.
127.	24.2.15 (Magistrate Approval)	CHIS 11	Counterfeit goods	Chief Trading Standards Officer	Ongoing investigation
128.	29.5.15 (Magistrate Approval)	URN 94	Illegal tobacco sales	Chief Trading Standards Officer	Targeted surveillance conducted and appropriate enforcement action taken.

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**Annual
Governance
Statement
2014-15**

What is Corporate Governance?

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.

“Good governance is the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve their objectives.”

Corporate Governance – Improvement and Trust in local Public Service (Audit Commission 2003)

Governance Framework

The Council’s Governance Framework aims to ensure that in conducting its business it:

- ✓ Operates in a lawful, open, inclusive and honest manner
- ✓ Makes sure public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- ✓ Has effective arrangements for the management of risk
- ✓ Secures continuous improvements in the way that it operates

The Governance Framework comprises the systems and processes, culture and values by which the Council is directed and controlled. The framework brings together an underlying set of legislation requirements, good practise principles and management processes. In addition it enables the Council to monitor the achievements of the

Priorities and Outcomes as set out in the Corporate Plan.

The Council also has 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.

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 authority’s code is on our website at www.doncaster.gov.uk.

This statement explains how Doncaster Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

About this Statement

The Annual Governance Statement review was conducted by the Corporate Policy and Performance Team. Part of the process included representatives from each directorate collating, reviewing and evidencing compliance and identifying significant governance issues. Issues identified by Internal and External Audit were also considered for inclusion in this statement.

The draft statement was presented to, the Governance Group on 25th June, Directors on 29th June and to Audit Committee on 16th July, following which this statement was formally approved.



The Principles

The table below demonstrated how Doncaster Council delivers against the six core principles from the Good Governance Standard for Public Services

Principle 1	Principle 2	Principle 3
<p>Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.</p>	<p>Members and officers working together to achieve a common purpose with clearly defined functions and roles</p>	<p>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p>
<p>We achieve this by:</p> <ul style="list-style-type: none"> • Publishing our Borough Strategy, Corporate Plan and quarterly performance reports; • Holding annual Partnership summits; • Setting a Medium Term Financial Strategy; • Having a Partnership Charter and Governance Framework; • Benchmarking with other Local Authorities; • Adopting a commissioning approach to service provision; • Regularly updating our Corporate Procurement Strategy; • People Strategy; • Adopting an Outcome Based Accountability approach; and • Improved effectiveness of partnerships. 	<p>We achieve this by:</p> <ul style="list-style-type: none"> • Holding regular Directors and Executive Board meetings; • Holding quarterly finance and performance challenge meetings; • Setting out clear terms of reference for the Councils committees; • Having a constitution that clearly sets out roles and responsibilities; • Regularly updating Cabinet decision records; • Setting out key aspects of the councils internal control measures in our constitution; • Our Team Doncaster approach; • Improved relationships between officers and members; and • Effective use of our Overview and Scrutiny Management Committee. 	<p>We achieve this by:</p> <ul style="list-style-type: none"> • Ensuring our constitution contains guidance on officer and member conduct; • Having an Audit Committee which takes an active interest in the maintenance of standards across the Council; • Having an effective whistleblowing policy • Maintaining an Internal Audit Function • Having an Anti-fraud, bribery and corruption framework; • Team Doncaster Staff Charter; and • Staff Performance Framework.
Principle 4	Principle 5	Principle 6
<p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>	<p>Developing the capacity and capability of members and officers to be effective</p>	<p>Engaging with local people and other stakeholders to ensure robust public accountability</p>
<p>We achieve this by:</p> <ul style="list-style-type: none"> • Implementing our Risk Management Framework; • Considering significant risks in all formal decision-making and major projects/programmes; • Publishing our Strategic Risk Register as part of our quarterly challenge process; • Approving our Annual Governance Statement; • Approving our Annual Accounts; • Receiving reports from Internal and External Audit; • Having clear procedures to comply with Freedom of Information requests; • Effective use of equality information; • Using accurate information to base decisions on; and • Promoting a culture of openness and honesty. 	<p>We achieve this by:</p> <ul style="list-style-type: none"> • Providing an intensive 5 day member induction programme; • Providing Personal Development Plans for all staff to ensure they know what work priorities they have and what work is expected of them; • Have a suite of mandatory training for members; • Implementing a comprehensive e-learning package; • Leadership Academy; and • Mandatory training for officers; 	<p>We achieve this by:</p> <ul style="list-style-type: none"> • Having a Community Engagement and consultation strategy • Using the Public consultations element on the Website • Having a Voluntary, Community and Faith sector strategy; • Considering consultations as part of our reporting process, where relevant; • Compliance with the Local Government Transparency Code; and • Publishing equality information on our website. • Using social media to communicate with the public;

Audit Committee

The Council's Audit Committee oversees the production of the Council's statutory accounts, the management of risks within the Council and the operation and effectiveness of the Council's internal control arrangements. Additionally, from 2014-15 the Committee has been given delegated 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;
- Fewer significant internal audit issues;
- A continuing positive external audit report on the accounts;
- The achievement of a 'Reasonable Assurance' opinion given by the Information Commissioner on the Council's information governance 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 Director of Finance and Corporate Services and includes other key officers with responsibility for promoting good governance across the organisation. The Group has led on the development of governance arrangements at the Council, including in 2014/15:

- Ensuring the Council complies with best practice guidance issued by CIPFA / SOLACE and any other sector leading advice;
- Refreshing and re-launching a range of corporate policies and procedures;

- Ensuring senior managers confirm compliance with policies and procedures;
- Ensuring recommendations made by Internal Audit, External Audit, the Audit Committee and other key stakeholders about the Council's governance arrangements are fully and effectively actioned;

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 of the council's Financial Accounts, grant claims and performance indicators
- review the adequacy of performance management arrangements including the Best Value Performance Plan
- review aspects of Corporate Governance and the Statement of Internal Control
- assess the financial standing of the authority

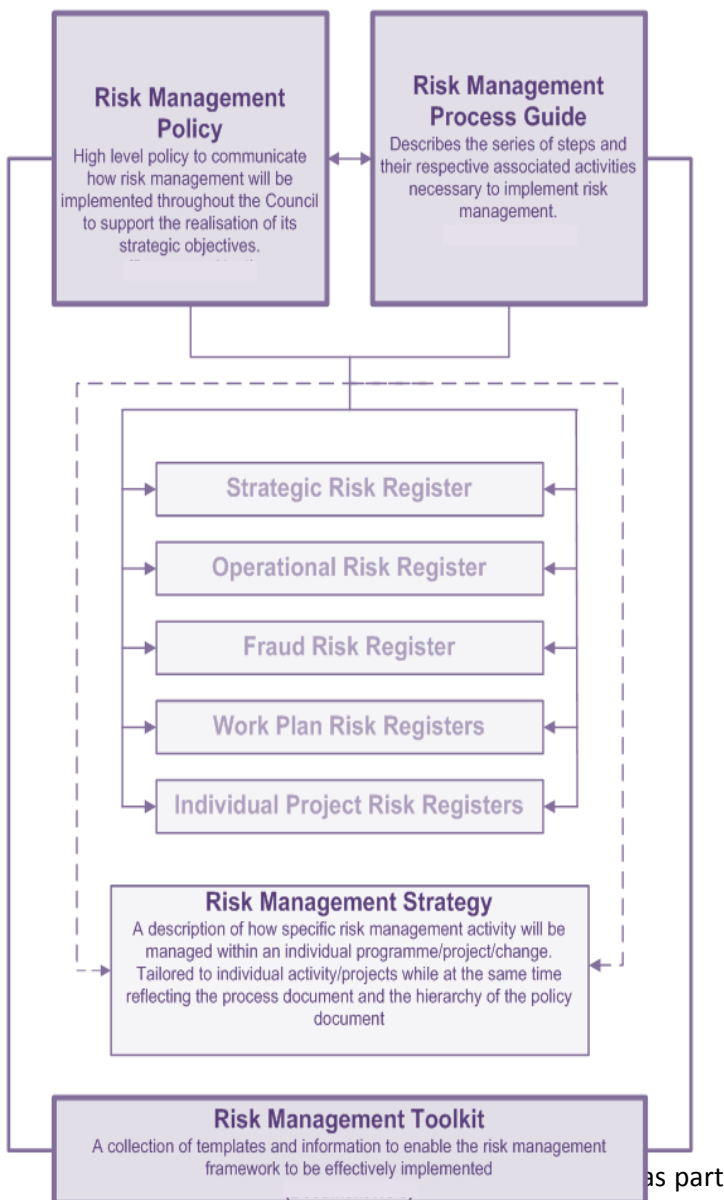
Internal Audit and KPMG aim to coordinate their work to get the best value from the resources in use and to this aim work closely together to achieve our objectives.

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.

Risk Management Framework



as part of the quarterly Finance and Performance challenge process. These risks make up the Council’s Strategic Risk Register. Senior Managers review the risks and report on the current position and on controls put in place to mitigate the risk. During 2014/15 the following

Strategic risks were identified and reviewed as part of the Risk Management Framework.

The Strategic Risk Register is attached at Appendix B.

Key Areas of Improvement from 2013/14 that have been completed

There are a numbers of areas requiring improvement identified in 2013/14 that have been effectively managed to the extent that they are no longer significant in 2014/15.

These are:

- **Doncaster Children’s Trust Monitoring** – A smooth a timely transfer to the trust was achieved. There are a number of monitoring arrangements in place to provide assurance to the Council of the effective working of the Doncaster Children’s Service Trust. Governance arrangements for all monitoring meetings are being reviewed to clarify terms of reference.
- **Safeguarding Personal Assets** – All actions identified by Internal Audit to strengthen the control systems surrounding the handling of personal assets for vulnerable adults have been completed. The main improvements have been around the storage, identification and tracking of personal assets held and a full reconciliation process for the handling of daily cash needs.
- **Financial Reporting** – In their Annual Governance Report the Council’s external auditors highlighted a weakness in the overall process for the management of the production of the accounts. The latest external audit plan states that there are no significant risks identified for the 2014/15 accounts and all recommendations within the ISA 260 reports received from KPMG have been implemented
- **Management of Temporary Accommodation** – There has been a rigorous review of the use of temporary accommodation and bed and breakfast and

this has resulted in a vast reduction in the use of temporary accommodation. This service has now transferred to St Leger Homes.

Significant Governance Issues Identified in 2014/15

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 2014/15 Annual Governance Statement process:

- **Procure to Pay**

Improve the performance of ordering and payment and fully embed the online processes across the Council. Revisited teams to ensure they are adopting the correct process, as well as communicating with suppliers to ask them to supply order numbers. The Council will also be monitoring and reporting on the payment of invoices, as has set a target of 95% (invoices paid within 30 days) , as part of the Corporate Plan targets.

The Lead Officer for this is the Director of Finance & Corporate Services; the completion date is December 2015

- **Fraud Code of Practice Assessment**

Deliver the improvement actions identified as part of our assessment against the new Code of Practice on Managing the Risk of Fraud and Corruption. A full assessment against the Code of Practice for Managing the Risk of Fraud and Corruption will be undertaken and, where appropriate, an action plan will be created and action taken to address any improvements required. Assessment is due to be complete by September 2015. Implementation of actions to be agreed as identified and will be reported to Audit Committee as appropriate. ***The Lead Officer for this is the Director of Finance & Corporate Services; the completion date is September 2015***

- **Doncaster Children's Trust**

Continue to develop arrangements with Doncaster Children's Trust to ensure that all responsibilities are properly discharged and to ensure that joint working ensures the best possible impact on children in Doncaster. The Council have an agreed performance framework and monitoring arrangement with Doncaster Children's Services Trust which ensures that key statutory and contractual obligations are being effectively and safely met. Officers meet regularly to ensure shared service development in the context of the Children & Young People Strategy and the Doncaster Safeguarding Children Board Working Together requirements. For example in relation to developing mutual early help services as part of shared pathway and jointly assessing the delivery of service outcomes in readiness for future Ofsted inspection.

The Lead Officer for this is the Director of Learning & Opportunities: Children & Young People; the completion date is October 2015

- **External Funding**

An issue has arisen relating to European funding of the White Rose Way development scheme. Following an audit a claim has been made to potentially claw back funding over procurement procedures. Doncaster Council has completed a report which outlines the justification for the European Commission Audit (ECA) to rescind its correction order. The report is currently with Department for Communities and Local Government (DCLG) who will submit it to the European Commission Audit. Procurement procedures are to be reviewed dependant on the outcome of the European Commission Audit. We should hear the response to the report in December 2015.

The Lead Officer for this is the Director of Regeneration & Environment; the completion date is December 2015.

- **Doncaster Market**

Deliver the improvements identified to upgrade the facilities in Doncaster Market and enhance the service offer. Numerous actions have been identified which include the implementation of repairs and maintenance programme; health

and safety improvements; the introduction of a cashless system; a full

notified. Details of the completed issues have been highlighted on the previous page.

Statement of Commitment

We have been advised of the implications of the result of the 2014-15 review of the effectiveness of the governance and internal control framework 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 on 16th September 2015:

Ros Jones
Mayor of Doncaster

Jo Miller
Chief Executive

review of all policies and procedures; improved communications; accessibility to the market; and footfall solution

The Lead Officer for this is the Director of Regeneration & Environment; the completion date is April 2016.

The progress that has been made in dealing with governance issues, that were identified in 2013/14 and are still an issue in 2014/15, can be found in Appendix A. Certain governance issues relating to the Doncaster Children's Services Trust are indicated with an asterisk (*) in Appendix A and the Doncaster Children's Services Trust has been

APPENDIX A

An update on Key Improvement Areas identified during 2013-14 that remain an issue in 2014-15

- **Direct Payments**

An improvement area was identified in the recovery of direct payments and personalised budgets. Progress has been made on the actions agreed in the personal budgets and direct payments audit and 50% of the actions have been implemented. **Work is ongoing on the remaining actions and the Director of Adults, Health & Wellbeing has agreed a completion date of November 2015.**

- **Information Commissioners Office (ICO) Inspection & Recommendation**

The information Commissioners Office (ICO) carried out a consensual audit in December 2012 with the outcome of 'limited assurance' against the Council's arrangements for Data Protection compliance. The Council now has a 'reasonable assurance' rating and all of the 34 ICO recommendations are either complete or on-going. The level of data protection breaches has reduced for the Council but breaches are still being reported within Doncaster Children's Trust. Work is on-going to embed data protection awareness and training within the Children's Trust to ensure breaches are reduced. **This activity is on-going and the Director of Finance & Corporate Services will monitor quarterly.**

- **Corporate Procurement and Contract Management**

An improvement area was identified in the procurement and contract management arrangements around the compliance with Contract Procedure Rules. Phase 2 of the Procurement Transformation Plan has been completed. Dates for commissioning and procurement training have been published and proposed changes to Contract Procedure Rules are being presented to Full Council in July 2015. The service plan for 2015-16 will extend and develop the commissioning procurement and contract management activity and process. **The Director of Finance & Corporate Services will have implemented these actions by March 2016.**

- **Data Quality Arrangements**

Internal Audit and the Corporate Performance Team highlighted an opportunity to improve the reliability of information to support performance management. The Data Quality Strategy 2013-15 implementation plan has slipped from its original timescale but work is clear and planned to fulfil the commitments within the Strategy. Officers responsible for submitting a statutory return will complete a data quality self-assessment to produce a comprehensive picture of data quality across the organisation. This will inform the review of the Data Quality Strategy. **The Director of Finance & Corporate Services has agreed a completion date of October 2015.**

- **Income Management**

Internal Audit identified an improvement opportunity regarding compliance with the Council's procedures and associated best practice for monitoring and collecting debt. An Income Management project plan has been produced that aims to maximise all income opportunities, ensure all income due is identified and collected in a cost efficient and timely manner. **The Director of Finance & Corporate Services has agreed this will be established by 2016.**

- **Asset Register**

The Council is reviewing its arrangements for maintaining its asset register to enhance arrangements and better facilitate accounting for assets. The Fixed Asset Register implementation is part of Phase 2 of the Enterprise Resource Planning programme. Early work has commenced on collating the information and drawing up a project plan for infrastructure assets. ***The Director of Finance & Corporate Services will provide an update on the Phase 2 project plan in October 2015.***

- ***Respite Care Overpayments**

A weakness was identified in the processing of respite care payments to respite carers. A full review is taking place to identify and correct these weaknesses. Additional capacity has been identified to oversee a review of commissioning, invoicing and procurement of services. ***The Director of Learning & Opportunities: Children & Young people has agreed a completion date of November 2015.***

- ***Improving Children & Young Peoples Services**

An improvement action was identified to ensure robust performance reporting against outstanding arrangements and the implementation of actions as a result of recommendations emerging from internal and external audit/inspection recommendations. The Improvement Board continues to oversee the associated action plan. Specific areas of work are underway to address areas of concern and are monitored through the Doncaster Children's Services Trust Board. ***This is an ongoing priority for the Director of Learning & Opportunities: Children & Young people.***

- ***Professional Practice**

We continue to experience concerns around the consistency in quality of professional practice, highlighted in services own audits and confirmed by the 2012 Ofsted Inspection, of local authority arrangements for the protection of children. Improvement activity is underway in Doncaster Council and Doncaster Children Services Trust to improve practice and consistency through regular case file auditing, the use of supervision and continuous professional development. ***This is an ongoing priority for the Director of Learning & Opportunities: Children & Young people.***

- ***Children's Services – Foster Care Service**

During 2009/10 overpayments in excess of £225k were identified as being made to foster carers. In February and March 2013 management identified a number of new overpayments amounting to £50k. No substantial overpayments have been made to foster carers following the overpayments reported. Any minor overpayments are immediately resolved through amendment to the following weeks payments. Potential issue due to differing systems for foster care and Special Guardianship Orders payments will be resolved through the integration of all payments into the ContrOCC system and management through the placements service. ***The Director of Learning & Opportunities: Children & Young people has agreed a deadline of July 2015.***

- **Business Continuity**

Business continuity arrangements need to be reviewed across the authority. Business Continuity Plan Review meetings have been held with 42 Heads of Service to date. 120 Doncaster Council priority activities have been identified and individual business continuity plans are being progressed for those activities which have been identified as priority.

The full review of Business Continuity Plan has been completed and embedded across the authority. The Business Continuity Plan action plan is being progressed and the strategic steering group and Resilience and Emergency Planning continue to review Business Continuity Management with heads of services to identify priority activities the actions should be completed by December 2015. ***This is an ongoing priority for the Director of Regeneration & Environment.***

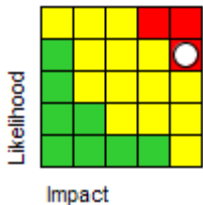
- **Risk Assessment**

A recent incident highlighted a weakness relating to risk assessments on vacant buildings/land and some health and safety practices across the service. This is being addressed by managers attending Health & Safety training and implementing appropriate associated actions to identify and mitigate risk. Measures have now also been put in place to ensure the land transfers between council and contractors is clear and explicit and timely and procedures are in place to prevent a re-occurrence. ***This is an ongoing priority for the Director of Regeneration & Environment.***

APPENDIX B

The Strategic Risk Register as at 31st March 2015, reported in order of risk score, highest to lowest

The impact of the welfare reforms on communities and on Council Services

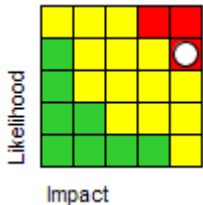


Current position The impacts of welfare reform continue to affect local people and are a risk to the achievement of the Council, and our partnership, objectives. It will be proposed that this strategic risk be replaced by one which considers the effects of poverty, as a whole, and is addressed by the Anti-Poverty Strategy Group.

Mitigating actions The second Anti-Poverty summit in January 2015 identified a series of commitments to address the effects of poverty on local people. The Anti-Poverty Strategy Group will monitor progress and report to the Doncaster Together Strategic Partnership.

Target risk profile Impact currently remains at '5 Critical', Likelihood '4 Likely', giving a score of 20. Mitigating actions are likely to prevent deterioration and maintain the profile score, due to the severity of the risk this currently acceptable.

A failure to identify, or to act on, areas of serious performance weakness in the Doncaster Children's Service Trust or in the Council, which could result in significant harm to a child or children which could have been avoided, or which could lead to an 'inadequate' judgement at Ofsted Inspection, which will negatively impact on the reputation of the local authority.

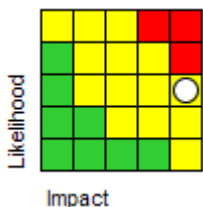


Current position - This Strategic Risk was added during the year following the establishment of the Childrens Trust

Mitigating actions - Ofsted inspection preparation is underway which will include self-assessment; dummy runs; data quality review and performance check and challenge strengthening. From the contract an escalation process is in place to address timeliness of reactions to underperformance.

Target risk profile - target currently remains at 5x4 as Childrens Trust has only been operational for 6 months. Target will be reviewed with the Trust.

Failure to apply agreed safeguarding standards and policies, increasing the risk of vulnerable children experiencing harm or abuse

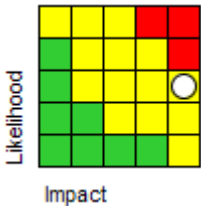


Current position - In view of transfer of responsibilities this risk should be retitled 'Failure to obtain assurance as to the safeguarding and protection of children in the borough'.

Mitigating actions - A new accountability framework has been put in place and is being developed to improve the quality of reporting in order to better facilitate effective check and challenge.

Target risk profile - target currently remains at 5x3 as Childrens Trust has only been operational for 6 months. Target will be reviewed with the Trust.

Failure to respond adequately to borough emergencies or mitigate effectively against the effects of extreme weather conditions e.g. flooding [R&E-ENV].



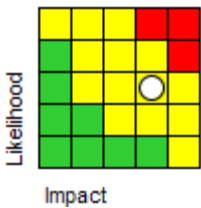
Current Position -This risk has been reviewed and is considered to remain unchanged. Some key activities by Resilience and Emergency Planning include developing flu pandemic response arrangements. This is which is considered to be ‘high risk’ by Central Government. The plans and arrangements have been rehearsed with partners from across South Yorkshire in April 2014.

Mitigating Actions A recent assessment of DMBC’s emergency response capabilities by the Cabinet Office has demonstrated a high level of preparedness and compliance with Government expectations for Civil Contingencies.

The challenges of responding to emergencies and supporting our communities and businesses with reducing staff numbers continues to be addressed with training, exercise and development opportunities delivered to 820 staff and partners since April 2014. 99% have rated these events good or excellent.

Target Risk: Impact 5 Likelihood 3

Failure to improve Data Quality will prevent us from ensuring that data relating to key Council and Borough priorities is robust and valid.

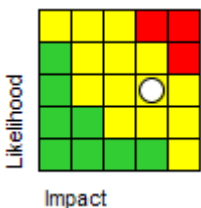


Current Position: Risk score not changed. The Council continues to be at risk of making decisions using data that is not always as robust as it should be. In order to commission properly, make good decisions and ensure vulnerable people are safe, then the quality of data within its systems must be of good quality.

Mitigating Actions: A new Tier 1 Data sharing strategy has been agreed and signed by most partners and is being co-ordinated prior to publication, which demonstrates the willingness of the partnership to have good quality data and share data securely and appropriately. The single data list of returns to central government has been brought together for the first time with relevant ownership across the authority and further self-assessments and audits will follow in May 2015. This approach will allow a picture of data quality across all statutory datasets to be formed and appropriate action taken to address poor data quality arrangements.

Target Profile: Likelihood 2 Impact 4 = Total Score 8.

Failure to comply with the Data Protection Act 1998

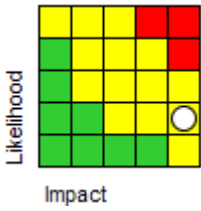


Current Position – Much improved outcome this quarter with no breaches for the council but 3 for the Children’s Trust. That said, we cannot be complacent and continual work is progressing as mitigation against future breaches.

Mitigating Actions – Continuing training, awareness and guidance being provided.

Target Risk Profile – Likelihood Unlikely (2) and Impact Major (4) = 8

The agreed standards and policies are not adequately understood and implemented by practitioners who work with vulnerable adults increasing the risk of vulnerable people experiencing harm or abuse

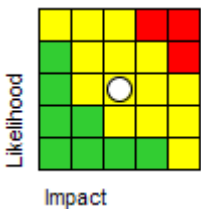


Current Position: Safeguarding Adult Risk Assessment Matrix in place, Case File Audits measuring adherence to the safeguarding process and action plans on-going to address shortfalls.

Mitigating Actions: Review of South Yorkshire procedures in light of Care act on-going. Training continues to be provided to raise awareness and a training needs analysis is underway. Care Act implementation plan in place to identify and direct all work streams.

Target Risk: Impact 5 Likelihood 2

As a result of sickness not being effectively managed, there is a risk that the council target of delivering national average sickness levels by 2015/16 would not be achieved

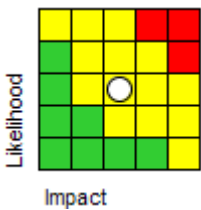


Current Position – 9.75 days per fte

Mitigating Actions – A significant amount of resource and effort has been planned into managing sickness more effectively and this has resulted in this reduction over time. Levels are now far more manageable resulting in this no longer needing to be reported as a strategic risk for the council this financial year.

Target Risk Profile – 9.10 days per fte

DN17 Programme does not deliver the level of savings required and this impacts on the services the council can offer to the public

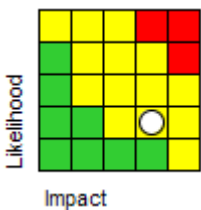


Current Position – For 2014/15 although there has been a delay in some projects, this has been mitigated by other savings throughout the council. For 2015/16 the risk still exists for major projects such as Digital Council and Assets, but rigorous review by Assistant Directors & Directors, is driving improvement and transformation across the council.

Mitigating Actions – Other savings will need to developed if programmes cannot deliver the savings, however where there is slippage in the programme, this can be funded from the Service Transformation fund.

Target Risk Profile – 3 x 3 (total 9) is a reasonable risk for a programme of this size and complexity.

Failure to identify and manage Health and Safety risks

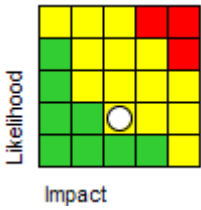


Current Position -This risk has been reviewed and remains unchanged. Health and Safety Training for Managers continues to be rolled out across all Directorates. The new Health and Safety Advisor post for Construction Services has been in post since Oct 2014 and this is working well. In addition a further Health and Safety Training post is being developed as part of a review and restructure of the Regulation and Enforcement Service within Environment. Recruitment to this post is expected to take place in June 2015 (currently subject to staff consultation as part of a wider review of the service area).

Mitigating Actions -A substantial amount of work has also been undertaken in quarters 3 and 4 to identify and mitigate the health and safety risks within the Council's Markets with appropriate action plans now in place. Work is also progressing within the Assets Team regarding health & safety risks on Council land.

Target Risk: Impact 4 Likelihood 2

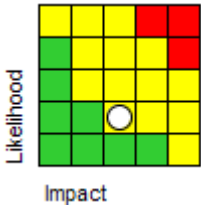
Lack of capacity from house builders to build affordable properties



Current Position - Improvements in the wider economy and housing market have led to a significant increase in activity and supply of affordable housing across the Borough in the past year. Going forward it is possible different pressures arising from more challenging development sites, lack of skilled labour, material supply chain issues and cost increases may reverse recent improvements. Risk level therefore remains in place.

Target Risk: Impact 3 Likelihood 2

Failure to implement the Council's key borough objectives in partnership

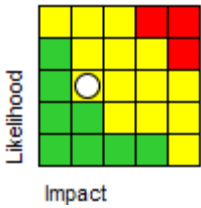


Current Position - The Annual Borough Strategy Stock take held on the 21st November was a huge success with a plethora of partners determining future priorities and the successes over the last 12 month, of particular importance was the launch of the Refreshed Borough Strategy refresh, which determines partner's objectives and strategy for the forthcoming year.

Mitigating Actions - All mitigating actions have been implemented

Target Risk Profile - this risk has been managed from a profile of 16 (at its highest) down to a profile of 6.

Low staff motivation/morale and low performance

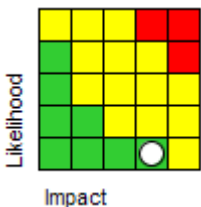


Current Position – Continued downward trend in risk profile

Mitigating Actions – based on the latest staff survey response reaching 51% which is up by 21% from previous year, with encouraging responses given to questions around pride (93% 2174) and enjoying work (88%-2051), although lower response to statement on feeling the council is a better place to work than a year ago (54% 1225). Sickness statistics also impact on morale and performance and are continuing a downward trend; as well as a downward trend in case management, e.g. grievance and disciplinaries. This also needs to be balanced with only achieving a 75% completion as at Quarter 4 for PDRs when target was 95% to be achieved by Quarter 2. So overall, this will remain a risk but at a much lower and manageable level.

Target Risk Profile –aligned to a number of measurable outcomes of Culture Change to achieve moderate and unlikely profile

Failure to achieve the budget target for 2014/15 - 16/17

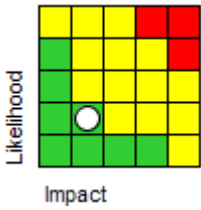


Current Position – The budget savings for 2014/15 have been achieved and the council is due to report a year-end underspend of £3.2m. For 2015/16 the council has a challenging programme of savings to deliver but this is also being robustly managed by programme leads and reviewed by AD's & Directors on a quarterly basis.

Mitigating Actions – Developing other savings or utilising one off funds for any delays in the savings for 2015/16.

Target Risk Profile –Impact 4, likelihood 1 – is as low as we can expect this to go

Failure to set robust assumptions on pensions deficit recovery and future contribution rate



Current position – The council has agreed a 22 year repayment profile for the pension deficit which will be reviewed with the actuary every 3 years. These were agreed and set within the budget for 2014/15 to 2016/17 and confirmed again in the budget in February 2015. The council has also taken advantage of low interest rates to repay the current 3 year contribution, which will save approximately £650k over 3 year. Further options will be examined; the next assessment is not scheduled until 2016.

Mitigating Actions – Working with South Yorkshire Pensions and other LA’s in South Yorkshire to ensure we kept aware of the latest position. We are also looking to retender the services for the Actuary for SYPS

Target Risk Profile 2 x 2 – this risk has been managed down to target.

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**To the Chair and Members of the
AUDIT COMMITTEE**

**STATEMENT OF ACCOUNTS 2014/15
ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE**

EXECUTIVE SUMMARY

1. In accordance with International Standard on Auditing (ISA) 260, the Council's external auditor is required to issue a report detailing the findings from the 2014/15 audit and the key issues that the Committee should consider before the external auditor issues their opinion on the financial statements.
2. The ISA 260 report (Appendix A) has to be considered by 'those charged with governance' before the external auditor can sign the accounts which legally has to be done by 30th September.
3. The external auditor expects to issue an unqualified opinion on the Council's financial statements for 2014/15.
4. Overall the ISA 260 report is an extremely positive one and it recognises the further improvements that have been made by the Council in preparing the Statement of Accounts for audit.
5. 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.

RECOMMENDATIONS

6. It is recommended that the Audit Committee
 - Note the action that is proposed in relation to amendments to the accounts as covered in the ISA 260 report;
 - Note the contents of the external audit ISA 260 report;
 - Consider the Letter of Representation and endorse its contents; and
 - Approve the Statement of Accounts 2014/15.

BACKGROUND

7. The Council's 2014/15 accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) accounting standards and the appropriate accounting codes of practice and were approved by the Council's Responsible Finance Officer on the 23rd June and published on the Council's website on 26th June, both dates being within statutory deadlines.
8. The draft accounts were presented to this Committee for information on 16th July 2015. KPMG were presented with these draft accounts on 29th June with working papers being provided on 20th July.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

9. An unqualified audit opinion on the Council's financial statements indicates that there are excellent internal controls in place safeguarding Council resources.

OUTCOMES OF THE AUDIT

10. Since Monday, 20th July the audit has been undertaken and included examination of evidence relevant to the amounts and disclosures in the financial statements and related disclosure notes. It also included an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed. This has resulted in findings and conclusions contained in the ISA 260 report.
11. Throughout the audit process the Council's Financial Management team have responded promptly to audit queries which have contributed positively to the audit's satisfactory conclusion. During the audit of the accounts KPMG identified one material misstatement with £29m of Lender Option Borrower Option loans ('LOBOs') being incorrectly classified as short term loans rather than long term loans. This followed a prolonged dialogue with KPMG and associated technical advice. These have now been reclassified in the accounts. It should be noted that this advice was contrary to previous audit advice, received during the 2012/13 audit, which helped to inform the Council's interpretation of the Code and relevant accounting standards and the initial classification of the loans in 2014/15. It should be noted that there is no impact on the General Fund or the cost of provision of services as a result of this change.
12. This continues the year-on-year improvement of the Council in preparing the year end statutory accounts and the following table gives an indication of the improvement in the annual audit process by the Council since 2007/08.

Statement of Accounts for the financial year	Audit recommendations	Adjusted misstatements plus amendments to disclosure notes	Unadjusted items	Total adjusted + unadjusted
2007/08	9	28	0	28
2008/09	7	34	2	36
2009/10	10	28	5	33
2010/11 ^(a)	10	26	7	33
2011/12	3	7	0	7
2012/13	3	7	0	7
2013/14 ^(b)	1	3 ^(c)	0	3
2014/15	1	1 ^(d)	0	1

(a) First year of compliance with IFRS accounting standards

(b) Implementation of Phase 1 of the ERP system in September 2013

(c) Two of the three errors identified, pre-audit, by the Council

(d) Original classification of short term borrowings (LOBOs) partially based on previous KPMG advice

- 13 KPMG have also identified some minor presentational and grammatical changes that have been corrected (e.g. narrative - inconsistent naming of Landsbanki KK; formatting – figures in both £m and £k in the same disclosure note; casting – missing brackets in tables; etc.). None of these amendments have changed the financial results previously reported in the draft financial statements; the outturn position as reported to Cabinet in June; or the reader's interpretation of the accounts. It is a testament to the knowledge and expertise of all staff engaged in the final accounts process that there is just the one material adjustment required this year. This reflects the benefit of key finance officers taking a proactive role in identifying potential risks so that a dialogue can take place with audit at an early stage to discuss and seek agreement on significant, and often highly complex, accounting issues affecting the year's accounts.
14. During the course of the audit, KPMG identified a potential issue with the Council's completion of HMRC's assessments for temporary staff. These assessments enable us to determine whether the temporary staff member should be on the Council's payroll or employed as a sub-contractor and paid via invoice. Whilst KPMG are satisfied that there is no issue to report as a result of their audit work, this has been noted as a recommendation for Internal Audit to follow up as part of their work programme.
15. The accounts were made available for public inspection for 20 working days (in accordance with the Accounts and Audit (England) Regulations 2011) on Monday, 20th July, during which, members of the general public were able to inspect the accounts and raise questions on the financial statements and the associated disclosure notes. During this period no inspection visits were made.
16. KPMG intends to issue an unqualified Value for Money (VfM) conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. This follows on from the positive conclusion obtained last year and is recognition of the work undertaken to embed robust financial and governance arrangements within the Council.
17. The Letter of Representation (see Appendix B) requires endorsement by the Committee as an important final stage in the audit of the Council's 2014/15 Statement of Accounts. The letter is from the Director of Finance and Corporate Services to the external auditor as an assurance from management that the accounts have been prepared correctly and to bring to the auditors' attention any further matters that need to be taken into account prior to their opinion being issued.
18. As previously advised to this Committee, the dates for the 2017/18 accounts to be signed by the Responsible Finance Officer and then published will be brought forward to 31st May, with the audited deadline being brought forward to 31st July. The continued improvements in the quality of working papers and supporting information have resulted in this year's audit progressing extremely smoothly, in a more timely fashion than in previous years, and it is expected that the timescale for the production of the 2015/16 draft accounts will be brought forward in advance of this year's dates. Alongside this, it is expected that the date for the approval of the audited accounts will also be brought forward although this is subject to external audit resources being available.

OPTIONS CONSIDERED

19. The Council is subject to statutory external audit and performance evaluation by KPMG and must prepare annual accounts.

IMPACT ON THE COUNCIL'S KEY OBJECTIVES

20.

Priority	Implications
<p>We will support a strong economy where businesses can locate, grow and employ local people.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Be a strong voice for our veterans</i> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	<ul style="list-style-type: none"> • Audited Statement of Accounts provides information on all Council priorities incorporating income and expenditure for all Council services. • An unqualified audit opinion from KPMG on the financial statements and supporting disclosure notes together with an unqualified Value for Money ('VfM') conclusion assists with the positive reputation of the Council and ensure that strong governance is in place.
<p>We will help people to live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
<p>We will make Doncaster a better place to live, with cleaner, more sustainable communities.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
<p>We will support all families to thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
<p>We will deliver modern value for money services.</p>	
<p>We will provide strong leadership and governance, working in partnership.</p>	

RISK AND ASSUMPTIONS

21. The table below highlights the most significant risks that could have a negative impact on the deliverability of the Council's financial position and the action taken to mitigate them.

Risks/Assumptions	Probability	Impact	Action taken
Robustness of correct outturn figure	Low	High	<ul style="list-style-type: none"> • Work undertaken during monitoring and closedown to process all transactions correctly, and prepare for audit. • Increase in quality control and internal checks of financial statements and supporting disclosure notes.
The audit identifies a number of material / significant findings or inaccuracies in the production of the accounts.	Low	High	<ul style="list-style-type: none"> • Continuous dialogue with KPMG throughout the year. • In year discussions on key complex areas as part of the regular audit liaison meetings. • Retaining knowledge and experience of key finance officers.

LEGAL IMPLICATIONS

22. The Council is subject to statutory external audit and performance evaluation by KPMG.

FINANCIAL IMPLICATIONS

23. The audit fee budget is managed by the Director of Finance and Corporate Services and this review is included in the planned expenditure for the 2014/15 audit.

HUMAN RESOURCES IMPLICATIONS

24. There are no Human Resources implications contained within this report.

EQUALITY IMPLICATIONS

25. There are no equality implications contained within this report.

CONSULTATION

26. This report has no significant implications in terms of the following:

Procurement	N/A	Crime & Disorder	N/A
Human Resources	N/A	Human Rights & Equalities	N/A
Buildings, Land and Occupiers	N/A	Environment & Sustainability	N/A
ICT	N/A	Capital Programme	N/A

BACKGROUND PAPERS

27. Draft Statement of Accounts 2014/15;
Code of Practice on Local Authority Accounting based on IFRS for 2014/15;
ISA 260 report 2014/15; and
Accounts and Audit (England) Regulations 2011

REPORT AUTHOR & CONTRIBUTORS

Mick Wildman, Technical Accounting Manager, Financial Management

☎ 01302 737160

✉ michael.wildman@doncaster.gov.uk

Steve Mawson, Assistant Director of Finance and Performance

☎ 01302 737650

✉ steve.mawson@doncaster.gov.uk

Simon Wiles

Director of Finance and Corporate Services



cutting through complexity

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Report to those charged with governance (ISA 260) 2014/15

Doncaster Metropolitan Borough Council

September 2015

The contacts at KPMG in connection with this report are:

Clare Partridge

Director

KPMG LLP (UK)

Tel: + [44 113 231392]

clare.partridge@kpmg.co.uk

Simon Dennis

Senior Manager

KPMG LLP (UK)

Tel: + [44 113 2313576]

simon.dennis@kpmg.co.uk

Louise Booth

Assistant Manager

KPMG LLP (UK)

Tel: + [44 113 231358]

louise.booth@kpmg.co.uk

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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 are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact **Trevor Rees**, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and
- our assessment of the Authority's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- our audit work at Doncaster Metropolitan Borough Council ('the Authority') in relation to the Authority's 2014/15 financial statements; and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in April 2015, set out the four stages of our financial statements audit process.



This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for this took place during March 2015 (interim) and August 2015 (year end audit).

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work. We have now completed the work to support our 2014/15 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas; and
- carrying out additional risk-based work.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations and this is detailed within the section relating to the VFM conclusion.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages for the Authority. The remainder of this report provides further details on each area.

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<p>Proposed audit opinion</p>	<p>We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.</p>
<p>Audit adjustments</p>	<p>Our audit has to date identified one audit adjustment with a total value of £29 million. This is a balance sheet disclosure movement between short term and long term liabilities. There is no impact on the general fund or the cost of provision of services as a result of this change.</p> <p>We have included a full list of significant audit adjustments to date at Appendix 2. This was adjusted by the Authority</p> <p>We have raised a number of recommendations in relation to the matters highlighted in the course of the audit, which are summarised in Appendix 1.</p>
<p>Key financial statements audit risks</p>	<p>We identified no key financial statements audit risks in our 14/15 External audit plan issued in April 2015. However, we have since drawn your attention to the significant risk of LAAP Bulletin 101: Accounting for Non-Current Assets Used by Local Authority Schools.</p> <p>We have worked with officers throughout the year to discuss this key risk and our detail findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in this key risk area.</p>

<p>Accounts production and audit process</p>	<p>We have once again noted an improvement in the quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p>
<p>Completion</p>	<p>At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas:</p> <ul style="list-style-type: none"> ■ Receipt of final Bank confirmations ■ Payroll testing ■ Property, Plant and Equipment testing ■ Our work on Whole of Government Accounts <p>Before we can issue our opinion we require a signed management representation letter.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>
<p>VFM conclusion and risk areas</p>	<p>We identified the following VFM risks in our External audit plan 2014/15 issued in April 2015.</p> <ul style="list-style-type: none"> ▪ Children's Trust ▪ Savings Plans <p>In the course of the year we also identified the Better Care Fund as a VFM risk. We have worked with officers throughout the year to discuss these VFM risks and our detailed findings are reported in section 4 of this report. There are no matters of any significance arising as result of our audit work in these VFM risk areas.</p> <p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2015.</p>

Our audit has to date identified one audit adjustments.

This adjustment has no effect on the general fund balance and has no impact on the cost of provision of services.

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Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 16th September 2015.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 5 for more information on materiality) level for this year's audit was set at £14 million. Audit differences below £0.69 million are not considered significant.

Our audit identified one significant audit difference, which we set out in Appendix 2. It is our understanding that this will be adjusted in the final version of the financial statements.

The table on the right illustrate the total impact of audit differences on the Authority's movements on the Balance Sheet for the year ended 31 March 2015.

This is the result of the following amendment:

- Reclassification of £29m of "Lender Option, Borrower Option" loans from short term to long term liabilities

Balance Sheet as at 31 March 2015			
£m	Pre-audit	Post-audit	Ref (App.3)
Property, plant and equipment	1,310	1,310	
Other long term assets	42	42	
Current assets	154	154	
Current liabilities	(193)	(164)	1
Long term liabilities	(801)	(830)	1
Net worth	512	512	
General Fund	(21)	(21)	
Other usable reserves	(98)	(98)	
Unusable reserves	(393)	(393)	
Total reserves	(512)	(512)	

Financial Statements (continued)

Proposed opinion and audit differences

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2015.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code')*. We understand that the Authority will be addressing these where significant.

In the course of the audit we also identified a potential issue with the Council's completion of IR35 assessments for temporary staff. These assessments enable the Council to determine whether the temporary staff member should be on the Council's payroll or employed as a sub-contractor. We are satisfied that there is no issue for us to report as a result of our work on your financial statements, and your Internal Auditors are currently following up our findings as part of their work programme.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Financial Statements (continued)

Significant risks and key areas of audit focus


We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus

This section sets out our detailed findings on those risks

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In our *External Audit Plan 2014/15* presented to you in April 2015, we identified the following area of audit focus which has now become a significant risk affecting the Authority's 2014/15 financial statements. We have now completed our testing of this area and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Significant audit risk	Issue	Findings
	<p>CIPFA issued LAAP Bulletin 101 in December 2014. This provides guidance on Accounting for Non-Current Assets Used by Local Authority Maintained Schools. This is new guidance for 2014/15. We need to understand how it applies to the Authority, and ensure the Authority complies where required</p>	<p>Our discussion with officers indicated that LAAP Bulletin 101 did not apply to the Authority.</p> <p>Our subsequent work on the requirements of LAAP Bulletin 101 and Note 3 Critical Judgements in Applying Accounting Policies has assured us that this is, in fact, the case.</p>

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.


The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
 <p>Management override of controls</p> <p>Audit areas affected</p> <ul style="list-style-type: none"> All areas 	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.</p> <p>In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
 <p>Fraud risk of revenue recognition</p> <p>Audit areas affected</p> <ul style="list-style-type: none"> None 	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our <i>External Audit Plan 2014/15</i> we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.</p> <p>This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.</p>

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In our *External Audit Plan 2014/15*, presented to you in April 2015, we identified one area of audit focus, LAAP Bulletin 101. This was not considered as significant risks but an area of importance where we would carry out some substantive audit procedures to ensure there is no risk of material misstatement. As previously mentioned this is now considered to be a significant risk. During the audit our work has identified another area of audit focus, the Pensions Deficit Prepayment.

We have now completed our testing. The table sets out our detailed findings for the area of audit focus.

Areas of audit focus	Issue	Findings
	<p>In the course of the 2014/15 the Council made a one off payment to the South Yorkshire Pension Authority of £28.013m to meet the costs of accrued deficits for past service. This payment was made to cover a three year period and is intended to generate significant savings for the Council over the period.</p> <p>The Council needed to have taken appropriate advice to enable it to make the payment in a lawful manner. Additionally, as this is a new and developing area, it is important to ensure that the accounting entries made to reflect the transactions are materially correct.</p>	<p>We note that the Council has taken legal advice to support the approach it has taken and has complied with that advice.</p> <p>We have concluded that the accounting entries made for the Pension Prepayment are materially in accordance with proper accounting practice.</p>

Financial Statements (continued)

Accounts production and audit process

The Authority has a well established and good accounts production process. This operated well in 2014/15, and the standard of accounts and supporting working papers was good.

Officers dealt promptly and efficiently with audit queries and the audit process was completed within the planned timescales.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority continues to maintain a good financial reporting process and produce statements of accounts to a good standard. We consider that accounting practices are appropriate
Completeness of draft accounts	We received a complete set of draft accounts on 29 June 2015.
Quality of supporting working papers	The quality of working papers provided was high and fully met the standards required.
Response to audit queries	Officers resolved all audit queries in a reasonable manner.

Element	Commentary
Group audit	To gain assurance over the Authority's group accounts, we placed reliance on work completed by Beever and Struthers on the financial statements of <i>St Leger Homes Ltd</i> . There are no specific matters to report pertaining to the group audit.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

There were no recommendations relating to the financial statements in our ISA 260 Report 2013/14

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Doncaster Metropolitan Borough Council for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Doncaster Metropolitan Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Director of Finance for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;

- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2014/15 financial statements.

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



We have identified a number of specific VFM risks.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

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Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:



- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas

Key findings

Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We concluded that we did not need to carry out additional work for these risks as there was sufficient relevant work that had completed by the Authority, inspectorates and review agencies in relation to these risk areas.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>In August 2013, the Secretary of State for Education appointed Alan Wood as Commissioner for Children's Social Care in Doncaster and issued a statutory direction requiring Doncaster Council to work with the commissioner to enable transfer of services to a trust and secure improvements to children's social care.</p> <p>The Trust commenced operations on 1st October 2014 and is now responsible for delivering social care for children in the Doncaster area.</p> <p>This action is relevant to the economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>The arrangements for the outsourcing of the Children's and Young People's Services has gone through an appropriate process. The arrangements involve a collaborative approach to the sharing of risks and use of DBMC facilities (IT, properties) on a licence basis and on an arm's length basis for use of the Council's premises. There is periodic reporting to Cabinet in place and relationships between the Trust and the Council are developing.</p> <p>The Council has arrangements in place for monitoring the risks associated with the delivery of Children's Services, and we will revisit these once they are fully embedded.</p> <p>Specific risk based work required: No</p>

Key VFM risk1313	Risk description and link to VFM conclusion	Assessment
	<p>In response to the cuts in funding from central government, the Authority has plans to reduce its spending by £109m between 2014/15 and 2016/17. Our ISA260 report for 2013/14 recommended that the Authority should complete its work on developing and approving savings plans for 2015/16 by December 2014 to enable the savings to be achieved from the start of the 2015/16 financial year.</p> <p>A balanced budget has been approved, on 3rd March 2015, for 2015/16 and 2016/17, with savings plans in place to deliver the remaining savings of £70.5m from the three year target. This is made up of £39.2m in 2015/16 and £31.3m in 2016/17. The balanced budget is based on reduced but sustainable income and without taking money from reserves. Delivery of the budget depends on achieving the challenging reductions in spending whilst continuing to deliver high quality services.</p> <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>The Authority delivered an underspent outturn at the end for 2014/15 and, although this contained one of savings, it once again demonstrated the Authority's success in identifying and delivering its savings plans.</p> <p>Only savings that can be permanently delivered have been built into the budget to address the remaining £70.5m gap and the Authority is currently broadly on target to deliver a balanced outturn for 2015/16.</p> <p>Further work is being carried out to ensure that the Authority is able to produce a balanced budget for 2016/17 and meet the remaining savings gap of £12m. Work is also being carried out on a revision to the Medium Term Financial Plan which is intended to take into account the results of the Government's Comprehensive Spending Review which is expected to report in November.</p> <p>Specific risk based work required: No</p>
	<p>Locally within the Health Economy a Better Care Fund of £24.2m was agreed with Doncaster CCG, with the CCG delegating £6.9m in 2015/16 approved by NHS England. The Council needs to ensure that it has the appropriate governance and legal agreements in place for this new scheme.</p> <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>All the key, governance and financial risks were managed as part of the set up process with the appropriate S75 legal agreements signed and in place.</p> <p>The Council has joint arrangements in place to monitor the delivery of the Better Care fund on 2015/16 and is currently carrying out a governance review to ensure it is complying with best practice.</p> <p>Specific risk based work required: No</p>

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up this recommendation next year.

Priority rating for recommendations

- | | | |
|--|--|---|
| <p>1 <i>Priority one:</i> issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p> | <p>2 <i>Priority two:</i> issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> | <p>3 <i>Priority three:</i> issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> |
|--|--|---|

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	3	<p>IR35 Assessments</p> <p>Our audit identified a potential issue relating to the completion of IR35 assessments for temporary staff. Internal Audit are currently carrying out a review of this area.</p> <p>Recommendation</p> <p>The Authority should ensure that the Internal Audit review of IR35 compliance is completed.</p>	

This appendix sets out the audit differences.

The financial statements have been amended for all of the errors identified through the audit process.

There is no net impact on the General Fund and HRA as a result of the amendments.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Uncorrected audit differences

We are pleased to report that there are no uncorrected audit differences.

Corrected audit differences

Material misstatements

Our audit identified £29m worth of "Lender Option, Borrower Option" loans which have first "call" dates within 12 months of the balance sheet date but have a life of over 12 months. These had been classified as short term liabilities in the draft financial statements, however the correct accounting treatment is to regard such liabilities as long term even though the Authority has an option to terminate the loans if the bank change the interest rate at the first "call" date.

This misstatement is only presentational in nature and does not impact on the net worth of the Council nor the net cost of running its services.

Non material audit differences

Our audit identified a small number of non material errors in the financial statements. These have been discussed with management and the financial statements have been amended accordingly.

A number of minor amendments focused on presentational improvements have also been made to the draft financial statements. The Finance Department are committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

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Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.

- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

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Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Doncaster Metropolitan Borough Council for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Doncaster Metropolitan Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

For 2014/15 our materiality is £14 million for the Authority's accounts.

We have reported all audit differences over £690,000 for the Authority's accounts to the Audit Committee.

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Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2014/15, presented to you in April 2015

Materiality for the Authority's accounts was set at £14 m which equates to around 2 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £690,000 for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

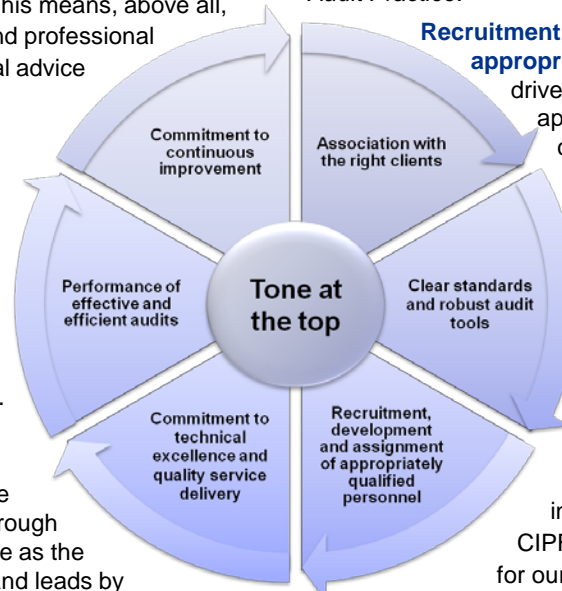
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Clare Partridge as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.
- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery:

Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (<http://www.psa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/>).

The latest Annual Regulatory Compliance and Quality Report issued June 2015 showed that we are meeting the overall audit quality and regulatory compliance requirements.



cutting through complexity™

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Clare Partridge,
KPMG LLP,
1 The Embankment,
Neville Street,
Leeds.
LS1 4DW

16th September 2015

Dear Clare,

This representation letter is provided in connection with your audit of the financial statements of Doncaster Metropolitan Borough Council ("the Authority") for the year ended 31st March 2015, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31st March 2015 and of the Authority's and the Group's expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

These financial statements comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
 - give a true and fair view of the financial position of the Authority and the Group as at 31st March 2015 and of the Authority's and the Group's expenditure and income for the year then ended;
 - have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15; and
 - the financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable [ISA (UK&I) 540.22]
3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 requires adjustment or disclosure have been adjusted or disclosed [ISA (UK&I) 560.9].
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Information provided

5. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority and Group from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - ii) The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and the Group and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Authority's and the Group's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 Related Party Disclosures.
11. The Authority confirms that:

The financial statements disclose all of the uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.

Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority and the Group to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved, have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 16th September 2015.

Yours sincerely,

Chair of the Audit Committee

Chief Financial Officer

Appendix A to the Board Representation Letter of Doncaster MBC: Definitions

Financial Statements

A complete set of financial statements comprises:

- Comprehensive Income and Expenditure Statement for the period
- Balance Sheet as at the end of the period
- Movement in Reserves Statement for the period
- Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information, and

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state the following:

Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue, and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 Related Party Disclosures as the "reporting entity").

Related parties include:

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel are all chief officers (or equivalent), elected members, chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.