

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, Waterdale, Doncaster
DATE: Wednesday, 27th January, 2016
TIME: 10.30 am

Please note the time of the meeting

Items for Discussion:

	Page No.
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 19th November, 2015	1 - 6
5. Adults, Health and Wellbeing Audit Recommendations Progress Report.	7 - 14
6. Electronic and Physical Records Progress Report.	15 - 24

Jo Miller
Chief Executive

Issued on: Tuesday, 19 January 2016

Governance Officer Amber Torrington
for this meeting: 01302 737462

7.	Arrangements and Timetable for the Preparation of the Statement of the Accounts - 2015/16.	25 - 30
8.	The Insurance Fund.	31 - 38
9.	KPMG: External Audit Plan 2015/16.	39 - 56
10.	KPMG: Certification of Claims and Returns - 2014/15.	57 - 66
11.	Quarter 2 2015/16 Strategic Risk Update.	67 - 76
12.	Doncaster Council Governance Plan 2016 and Update on Actions from Previous Years.	77 - 98
13.	Internal Audit Report for the Period: September 2015 to December 2015.	99 - 112

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, 19TH NOVEMBER, 2015

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER - CIVIC OFFICE on THURSDAY, 19TH NOVEMBER, 2015, at 2.00 pm.

PRESENT:

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

Councillors John Healy, Alan Jones and Smart

CO-OPTED MEMBER

Kathryn Smart

Also in Attendance:-

Denise Bann, Head of Procurement
Scott Fawcus, Head Of Service, Contracts, Property & Governance – Legal
Roger Harvey, Assistant Director of Legal & Democratic Services & Monitoring Officer
Pat Higgs, Assistant Director, Adult Social Care
Bill Hotchkiss, Head of Service, Community Safety
Peter Jackson, Internal Audit Manager
Steve Mawson, Assistant Director, Finance
Simon Dennis (KPMG)
Claire Pritchard (KPMG)

APOLOGIES:

An apology for absence was received from Councillor Susan Durant.

29 Declarations of Interest, if any

Kathryn Smart declared a non pecuniary interest in Item 5 by virtue of being an employee of RDasH.

30 Minutes of the meeting held on 16th September, 2015

RESOLVED that the minutes of the meeting of the Audit Committee held on 16 September, 2015, be approved as a true record.

31 Financial & Purchasing and Contract Procedure Rules.

The Committee received a report that provided details of Waivers and Breaches to Contract Procedure Rules for the period 1 April to 30 September, 2015. Members were informed by the Assistant Director of Finance, that the values for this period were considerably lower than in the past, and it was a considerably pleasing outcome.

Members were informed that there had been 2 breaches and 29 waivers for the period and the report provided detailed information on these.

The two breaches were both within the Adults, Health and Well-Being Directorate, with one relating to the Solar Centre Day Service, and the other relating to the Service and Maintenance for Public Realm CCTV, Concierge/Door Entry and Building Security.

The relevant Officers endeavoured to provide further information on these breaches and invited any questions from Members, provoking an in-depth discussion on these issues.

The Head of Service for Community Safety was in attendance at the meeting and informed the Committee that the Service and Maintenance Contract was in breach. This was due to a number of contracts needing to be consolidated, and the need for best value to be achieved. There was work currently being undertaken and the proposed framework agreement would allow for more companies to bid for the work ensuring more competitive prices. The initial documents had been prepared but there were still a number of issues needing work and had therefore resulted in the breach. However it was hoped that the tender would now be published at the end of March 2016, and would look to achieve value for money.

The Assistant Director of Adult Social Care provided an update on the Solar Centre, reporting that this issue had been a breach for some time. Work was currently underway to resolve this situation, and the users of the Solar Centre were having their cases reviewed with a view to personalised budgets being provided. There is a considerable amount of work to be done on this item, as the tendering process is constrained due to the building where the Solar Centre is based being owned by RDaSH and therefore cannot be let to a different service provider. Members were informed that the proper procedures had to be followed and although this had been ongoing for some time, it was imperative that this was done correctly in order to avoid any future challenges. However, until this was properly worked through and all relevant reviews were undertaken, the contract would remain in breach.

The Committee discussed the number of low level waivers that had been put forward and agreed to recommendations to introduce a £5k limit on waivers.

RESOLVED that the Committee note the information and actions contained within the report regarding waivers and breaches.

32 Danvm Drainage Board Governance Review Update.

The Committee considered a report that provided an update on concerns raised at the April Meeting of the Audit Committee with regard to the Danvm Drainage Board. Complaints had been made by a member of the public to the Mayor with regard to matters previously raised by the individual that had not been appropriately dealt with by the Board.

The initial report considered by Members in April had raised a number of issues further to a review carried out by DMBC's Audit Team which had prompted a number of recommendations. The Audit Team were now in a position to report that good progress had been made since April, and as of 23 October, 2015, 23 out of 40 recommendations had been fully implemented, and aside from one, all further recommendations were in progress. Members noted that although it was disappointing more recommendations hadn't been implemented, this was still an encouraging direction of travel.

Members were informed by Officers that with regard to the issues that remained outstanding, a 'task and finish' group would be established in order to bring this matter to a conclusion.

With regard to the referral to the National Audit Office / DEFRA, whilst there was no specific date by which the review had to be concluded, DEFRA appeared to be reasonably relaxed about the matter and it was hoped that this would be finalised as soon as possible.

The Internal Audit Manager reported that he had offered assistance with regard to the finalisation of these recommendations and it was hoped that the Board would take up this offer to ensure a conclusion.

Members raised a number of queries and concerns relating to the review, and Officers endeavoured to respond to these. Points were raised with regard to the following:-

- The number of members on the Drainage Boards;
- The need for a dedicated minute taker at Board meetings to ensure accuracy of decisions made;
- The need for input from other Local Authorities who provide funding to the Drainage Board;
- The need to drive this further forward;
- The need for training to be undertaken to enable members to realise their role on the Board; and
- The issue of 'them' and 'us' in terms of the landowners and nominated representatives, and the need to overcome this to drive improvement.

It was acknowledged that it was indeed a very complex issue and there was still a long way to go but Members were appreciative of the progress made, and thanked the Internal Audit Manager for all his work and asked for an update on the issues raised and the ongoing problems at the next appropriate meeting.

RESOLVED that the Audit Committee note the progress of the Audit Review.

33 Review of Progress in implementing external inspection recommendations.

The Committee received an update report with regard to a report presented at the last meeting in September, regarding the implementation of external recommendations across the authority.

Members noted the current position in relation to the 160 recommendations made in inspection reports relating to the whole authority since 2010. With regard to these recommendations, the current position was as follows:

- 121 recommendations had been fully implemented
- 19 recommendations were partly implemented
- 15 recommendations were in progress but would be late in implementing
- 5 recommendations were outstanding and the status was unknown.

With regard to the 5 recommendations where the status was unknown and the 15 recommendations that would be late in being implemented, it was explained that these related to Children's Centres. However, as the current Inspection Cycle for Children's Centres was currently on hold due to an ongoing national consultation about their future framework, these were not currently being pursued as work is being undertaken to meet the new standards.

It was also stated that these related to centres rated as satisfactory, good or outstanding and therefore these actions were only a relatively low level. The exception was Moorends Children's Centre where an action plan to address the 4 remaining actions from the original 15 was in place.

Concerns were raised by Members as to whether or not they should be pursuing the outstanding actions as it was felt by the Committee that the Authority should look to implement all recommendations as proposed. However, the Committee was assured that Auditors had held discussions surrounding this and were satisfied with the outcome as the Council's responsibilities were still being managed. Members further noted that the inspections relating to other recommendations preceded the establishment of the Doncaster Children's Trust and

the new Early Help Strategy, and new recommendations would be brought about as a result that would be implemented in the future. These initial recommendations were therefore deemed out of date in terms of the Council's current responsibilities, particularly in light of the establishment of the Trust. Officers aimed to allay the concerns of Members by informing them that the Ofsted inspection recently undertaken would be published on 27 November, 2015 and this would result in a new action plan being put into place. This report would be fed back through the relevant bodies.

Although there was still concern that the recommendations produced under the Carlile report should be implemented, Members were reassured that arrangements had progressed since then, and although they were deemed appropriate at that time, the establishment of the Children's Trust, the new Early Help Strategy, and finally the recommendations as a result of the Ofsted Inspection ensured that changes and improvements were continually being made.

RESOLVED that the Audit Committee note the updated position in respect of progress on External Inspection recommendations.

34 KPMG Annual Audit Letter 2014/15

The Committee were presented with a report that referred to KPMG's Annual Audit Letter for 2014/15. The Annual Audit Letter summarised the activity throughout the year and signified the formal sign off of the audit to the Audit Committee.

The Annual Audit Letter confirmed that the external auditor:-

- Issued an unqualified opinion on the Council's core financial statements and associated disclosure noted included in the Council's 2014/15 Statement of Accounts;
- Concluded that the Council made appropriate arrangements to secure financial resilience and economy, efficiency and effectiveness in the use of its resources; and
- Issued an audit certificate to demonstrate that the full requirements of both the Audit Commission's Code of Practice and the Audit Commission Act 1998 had been discharged for the year.

Claire Pritchard and Simon Dennis from KPMG were in attendance at the meeting to present the report and provide any further information where needed.

Members of the Committee noted that the Council has made further improvements in its timeliness, accuracy and quality of its final accounts over the last five years with significant improvement in terms of its standards and performance in producing and publishing the Statement of Accounts.

The 2014/15 Statement of Accounts received an unqualified opinion on 28th September, 2015 with the audit certificate issued on 1st October, 2015. This determined that the audit had concluded that financial statements provided a true and fair view with regard to the financial position of the Council.

A query was raised with regard to the additional work which fell outside of the Public Sector Audit Appointments Limited (PSAA), which the representatives from KPMG aimed to provide clarity on. This included the Teacher's Pension Grant Claim. Members were informed that there was still a requirement to get an auditors opinion on these issues, but this was done as a separate piece of work.

Following consideration of this item, the Chair reported that this would be the final meeting of the Audit Committee that Simon Dennis would be attending. The Chair and Members thanked him for his hard work and wished him well for the future.

RESOLVED that the Audit Committee:-

- 1) Note the contents of the Annual Audit Letter; and
- 2) Note the overall significant and positive progress made by the Council.

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To the Chair and Members of Audit Committee

ADULTS, HEALTH AND WELLBEING AUDIT RECOMMENDATIONS PROGRESS REPORT:

EXECUTIVE SUMMARY

1. Audit Committee at its meeting in September noted the current progress being made in relation to the outstanding actions within Adults Health and Wellbeing and requested further update at the next meeting scheduled for January 2016 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 December 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	December 2015	
Major Risk	7	6	2	2	2
Significant Risk	73	27	22	19	25
Moderate Risk	11	1	1	1	3
Total	84	34	25	22	30

3. Some progress has been made in reducing the number of outstanding recommendations since the last meeting in September, but there are still 22 of the original 84 actions outstanding. The reason for this is the length of time it is anticipated to deliver the required outcomes and individual deadlines have been extended appropriately to accommodate this. In addition to the 84 original actions from February 2015, a further 7 significant and 3 moderate actions have been issued resulting from the completion of two further audits.
4. Since the last Audit Committee Meeting in September, five actions have been signed off as completed (4 significant and 1 moderate – made up of three significant actions from the original 84 actions plus one significant and one moderate action from from the improvement plans that have been issued since February 2015) There are currently 30 outstanding actions within the directorate and these are all currently being addressed. This is made up of 22

recommendations remaining from the original 84 and 8 from the 10 actions that have been added since February 2015.

5. One action relating to Section 117 emergency payments that had previously been de-escalated from Major risk to Significant risk, has now been completed.
6. There are two “Major” risks outstanding; both have progressed since the last meeting:
 - The Debtors’ Write-Off process has been transferred to Professional Business Support and whilst the deadline has been extended, work is ongoing and it is currently on track to be delivered within the revised deadline of 31/03/2016
 - In relation to the Resource Allocation System (RAS), calibration has commenced and substantial progress has been made in relation to the analysis. It is acknowledged that the some of the stages within action plan timeline have slipped and this is mainly due to the availability of the external RAS expert who is supporting the process, but a meeting has been scheduled for the 15th January to look at progress and review the timeline, However, it appears that there will not be much change to the overall timeline which has a completion date of 29/02/2016

Table 1 provides a more detailed update on the Major risks. **Annexes 1 and 2** show action plans relating to the two remaining Major risks.

7. Of the 24 actions still outstanding from the original 84, ten sit within one improvement plan which relates to Direct Payments/Personal Budgets. Both major actions sit within this area and are dealt with separately within this report. Of the remaining 8, due to recent structural changes a meeting has been held with the Head of Service to reallocate ownership of these actions and a further meeting is to be arranged imminently with the new owners to determine a way forward for the completion of these actions.
8. It should also be noted that a further audit of Direct Payments/Personal Budgets is currently ongoing and indications are that there will be a further improvement plan which when produced will be managed alongside the current actions. Internal Audit are encouraged by progress being made in this area and the positive approach by both staff and management within both the Adults, Health and Wellbeing and Finance and Corporate Services directorates

RECOMMENDATIONS

9. **Audit Committee is asked to:**
 - a) **Note the update on current recommendations.**

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

10. 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

11. 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 OUTCOMES

12. 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:

Outcomes	Implications
Council services are modern and value for money.	By delivering audit action plans performance will improve and increase the effectiveness and efficiency of a whole range of services across the directorate.
Working with our partners we will provide strong leadership and governance.	The work undertaken to address and implement audit actions will drive forward performance improvements across the directorate

RISKS AND ASSUMPTIONS

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

LEGAL IMPLICATIONS

14. 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

15. 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

16. Internal Audit Reports

REPORT AUTHOR & CONTRIBUTORS

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Pat Higgs
Assistant Director of Adult Social Care

Table 1 below highlights the current situation of the 2 Major Risks

Action	Service Area	Comments
Direct Payments/ Personal Budgets – Manage and Monitor Debtor Accounts	M & C	This process has now moved to Professional Business Support and it has been reported that progress is being made and completion within the revised deadline is anticipated. Training is underway to strengthen social care workers role supporting financial management for service users.
Direct Payments/ Personal Budgets – Improve the Resource Allocation System	M & C	Almost 70 cases have been scrutinised in depth to determine whether variances between the RAS and the final budget amount are due to the RAS calibration or the use of the new RAS (or both). Findings are currently being analysed but the indications are that no or only minimal changes to the calibration will be recommended...

**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	October 15	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. Direct payment policy and processes to be reviewed to ensure more robust. Decision taken that direct payment account (Card account) will be the default position for the first 6 months of a new direct payment to allow easy audit and support of new accounts to reduce likelihood of debts accruing and non-payment of contributions
Establish process for recovery action	September 2015	November 15		
Establish proactive approach to monitoring balances and contributions	July 2015	December 15		
Engagement with Legal services on recovery of outstanding raised debtor accounts	July 2015	October 15		
Audits up to date to end March 2015	January 2016		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		Complete	Approval has now been granted for external consultant's (OLM) involvement in developing the recalibration process and discussions have commenced
Analyse data, identify issues and investigate results to determine change requirements	31/12/2015		In Progress	The extent of work required at this stage is unknown until the number of cases that fall outside the acceptable range have been determined. Detailed scrutiny of outlier cases will be required to determine root cause and inform the re-calibration.
Produce calibration options and recommendations	15/01/2016			
Obtain sign off for re-calibration option for go live	31/01/2016			
Configure and test in CareFirst and sign-off for go live	29/02/2016			

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.

27 January, 2016

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

ELECTRONIC AND PHYSICAL RECORDS PROGRESS REPORT

EXECUTIVE SUMMARY

1. The purpose of this report is to update the Committee on the progress made with regards to the electronic and physical storage of records, including the options considered and the associated costs, requested following the Information Governance progress report presented to the Committee in February 2015.

EXEMPT REPORT

2. Not applicable.

RECOMMENDATIONS

3. The Audit Committee is asked to note and comment on the content of this report.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. The Council is committed to ensuring that the resources it allocates to records management are cost effective and efficient, therefore maximising the amount of resources to be spent on the delivery of other 'front line' Council services. The effective management of the Council's records also ensures that citizens' information is adequately protected and minimises the risk of this information being compromised.

BACKGROUND

5. The statutory SIRO (Director of Finance and Corporate Services) for the Council and the Customer Information Team within Customer Services are responsible for ensuring that the Council adheres to legislation, policy and procedure relating to:
 - Data Protection;
 - Freedom of Information;
 - Information Management;
 - Records Management;
 - Local Government Ombudsman enquiries; and
 - Complaints.

These legislative areas are collectively known as Information Governance.

6. On the 4th February 2015, a report was presented informing the Audit Committee of the Council's long-standing position relating to information and records management. It identified the vulnerable state the Council was in relating to Information Governance prior to the establishment of the SIRO and Customer Information Team, the progress and achievements that had been made since the implementation of the Council's Information Governance structure and some of the work to be delivered moving forward.
7. One of these deliverables was to undertake a comprehensive review of the current records management stores and implement a new Council wide records management solution by identifying suitable Council premises or an alternative solution to house the Council records.
8. The Council currently stores up to 26,000 boxes of paper records, many with varying retention periods, in three different locations. These stores are located in the Town Centre, at Thorne and Balby Two of these locations (Town Centre and Balby) are internally managed, whilst the third (Thorne) is an external company. The Council's internal locations manage up to 15,000 boxes of records and approximately 11,000 are managed by the external supplier.
9. The boxes of records stored at Balby have significant damage due to the conditions they have been kept in. Some of the boxes are damaged due to damp and in some instances this has led to mould growth; however following a review of a sample of boxes, the contents appear to remain unaffected by the mould.
10. The following options were considered when reviewing the current records management stores:
 - Develop our own internal solution for all records management;
 - Move the records held at Thorne to a Council building and work to merge the current three records stores at a later date;
 - Tender for a commercial managed corporate records management solution; and
 - A further option of leaving the records in their current locations was also considered as part of this review. (However the current costs for storage across the 3 locations compared with the costs published in the ESPO framework number 2957 – Document Storage and Retrieval Service, indicated that significant savings could be achieved by going out to tender).
11. Following consultation with the Assets and Property Team, the development of our own internal solution has been considered not to be an option as the Council does not own any premises that are large enough to hold the current volume of boxes and to structurally alter numerous premises would incur significant resources, require additional staffing and have an impact on the savings earmarked as part of the Asset Review and Rationalisation programme. A full cost analysis of this option has not been completed as initial investigation indicated it was not a serious option for the above reasons.
12. To move the records held at Thorne to a Council building is also not an option. There are approximately 11,000 boxes of records stored at the Thorne premises.

The Asset and Property Team identified one suitable premise that had the capacity, however significant investment would be required to ensure that the records would be kept in appropriate conditions in the premises that they would be relocated to. As well as the atmospheric conditions, risk of fire or flood, risk of rodent infestation and security of the boxes, how the boxes are stored has also been considered as part of this option. Investigations have proved that the current 11,000 boxes are single walled boxes therefore substantial crush damage would occur if they were stacked on top of each other.

13. The following table provides the cost for the 11,000 boxes stored at Thorne only for the next 3 years, compared with 2 suppliers on the ESPO framework.

		Annual Cost
Frame work supplier 1 – Max cost £31,987 per annum	Storage per year	£31,987
Frame work supplier 2 – Max cost £26,208 per annum	Storage per year	£26,208
Current supplier – the Council is paying £71,900 but is currently in dispute	Storage per year	£71,900

14. Given this information, the best option was to tender for a commercial managed corporate records management solution. Therefore, consultation was undertaken with Procurement and as there was a current framework – ESPO 2957, the Council had the option of procuring services via the framework.
15. The current external supplier based in Thorne is not however on the ESPO framework therefore, as they are the current supplier and a locally based company, the Council decided that the most fair and appropriate form of procurement would be to go down the route of full European Union tender, therefore allowing the current external supplier to submit a tender
16. On the 15th June 2015 the tender opened with a closing date of 20th July 2015. Seven tenders were submitted and it should be noted that the current external supplier did not submit a tender. The following table provides the cost over 5 years based on a records management cost model for all records management services, from the tenders submitted.

Supplier 1	£517,775.00
Supplier 2	£887,642.50
Supplier 3	£503,433.50
Supplier 4	£945,312.50
Supplier 5	£563,179.00
Supplier 6	£436,065.00
Supplier 7	£501,950.00

17. Due to legal negotiations and the dispute around a current contract, the new contract has only just been awarded to one of the tendering suppliers and the Council is currently working with them to develop a comprehensive implementation plan that will include reviewing the contents of boxes where the information currently held on them is not specific and re-boxing where the boxes are damaged or affected by mould. The transfer of records will start in January.
18. The anticipated savings are approximately £98,000 per annum, however this could increase if the volume of boxes stored is less than the current predicted volume of 26,000.
19. To further improve how electronic data is managed initially by reviewing the data held and deleting Redundant, Obsolete and Trivial files (known as ROT), was another deliverable from the report presented to the Audit Committee in February 2015.
20. The Council has over 16 million files held digitally across the organisation and the Doncaster Children's Service Trust. Many of which are redundant folders and files due to the many changes the organisation has gone through and the lack of electronic records management guidance. The Council has procured a product called Active Navigation that interrogates the s: drive and enables the identification of our ROT files. The software is then used to reduce the ROT by deleting the files that have been identified as no longer required.
21. The ROT is categorised into three levels of confidence – high, medium and low level ROT. This means that high level of confidence ROT can be deleted without review, whereas medium and low levels of confidence ROT require analysis before deletion.
22. The Council has now deleted over 490,000 files classified as high level ROT and work is progressing with all Directorates to review the low and medium level ROT, reviewing over 3.5 million files.

OPTIONS CONSIDERED

23. Not applicable.

REASONS FOR RECOMMENDED OPTION

24. Not applicable.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

- 25.

Outcomes	Implications
<p>All people in Doncaster benefit from a thriving and resilient economy.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> 	<p>The embedding of robust information management arrangements within the Council contributes to the effective delivery of all the Council's key</p>

<ul style="list-style-type: none"> • <i>Mayoral Priority: Be a strong voice for our veterans</i> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> • 	<p>priorities.</p>
<p>People 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>The current records management function does not deliver value for money; therefore procuring an alternative solution that does deliver value for money is the only option available.</p>
<p>People in Doncaster benefit from a high quality built and natural environment.</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>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
<p>Council services are modern and value for money.</p>	
<p>Working with our partners we will provide strong leadership and governance.</p>	

RISKS AND ASSUMPTIONS

26. As a result of the movement of our records, the Council is exposed to the potential risk of a financial penalty from the Information Commissioners Office if the Data Protection Act is breached as our records will be temporarily unsecure.

The initial risk rating is 12 = likelihood 3 (possible) x impact 4 (Major).

However with the processes put in place to secure the documents the current rating is 8 = likelihood 2 (unlikely) x impact 4 (Major).

27. As a result of a third party handling and storing our records, again the Council is exposed to the potential risk of a financial penalty if the Data Protection Act is breached as these records are not managed appropriately or are at risk of damage or theft where they are stored.

The initial risk rating is 12 = likelihood 3 (possible) x impact 4 (Major).

Following the tender process and after visiting the premises where the documents will be stored, and assessing the records management procedures that are in place, the current risk rating has been revised to 8 = likelihood 2 (unlikely) x impact 4 (major).

- 28.** As a result of not adhering to the principles of the Data Protection Act, the Council are at risk of retaining both electronic and paper information for too long or not long enough, considering the Data Retention Schedule. This could include disposing of documents before they should be destroyed, deleting critical records, and keeping records for longer than they should be retained. Again this could lead to a financial penalty and reputational damage to the Council.

The initial risk rating is 12 = likelihood 3 (possible) x impact 4 (Major).

However, all of the paper records that are stored in the different locations have a retention date written on the box, which is also duplicated in the respective database for that store. Prior to the movement of the boxes, any box that has reached its destruction date will be reviewed and after confirmation from the Council the box will be destroyed. The electronic data held is currently being reviewed and a project has been initiated to review the electronic storage of the 16 million files. The Retention Guidelines for Local Authorities on records retention is available for all staff on the Intranet, and specific guidance is also available on the Intranet on the records management page, including information on how to box records for storage. The current risk rating is therefore 15 = likelihood 3 (possible) x impact 5 (Critical).

- 29.** As a result of the Council failing to ensure that its records are retained for the correct period of time, the Council is at risk of not fulfilling its statutory obligations under the Freedom of Information Act and the Data Protection Act. This could result in a financial liability, legal proceedings and reputational damage.

The initial risk rating is 12 = likelihood 3 (possible) x impact 4 (Major).

Following on from point 35 above, the current risk rating is 8 = likelihood 2 (unlikely) x impact 4 (major).

LEGAL IMPLICATIONS

- 30.** The tendered contract between the Council and the new supplier places various obligations on the new supplier regarding security of the Council's information and security of personal data. It also contains provisions to ensure robust and effective information management on behalf of the Council by the new supplier. Such contractual provisions include:
1. Comprehensive clauses covering obligations regarding personal data and other confidential information; rights to inspect and audit the supplier's processes during the term of the contract and for a period thereafter;

obligations to act in accordance with the Council's reasonable direction in relation to data protection.

2. All supplier personnel must sign confidentiality agreements and comply with the Data Protection Act; supplier warranties as to monitoring and control over supplier personnel to ensure information is not accessed inappropriately or in breach of and legislation; no supplier personnel are to be employed in the services who are barred from any activity re safeguarding vulnerable groups; rights of the Council to remove any supplier personnel from the service.
3. The Supplier's limit on liability to the Council is uncapped with regard to breach of data protection and confidentiality duties.
4. In the event of a dispute as to charges, the supplier must continue to supply the services and cannot exercise a charge or lien over the Council's information and withhold documents.
5. Further detail of the services are described in the schedules to the contract and include:
 - requirement for robust security and duty to comply with asset security legislation across physical and digital records and ensure the personal information is being protected from loss, unauthorised access or data breach.
 - service levels to ensure that documents to be retrieved within certain time limits. Service credits shall become payable if timescales are missed.
 - Core services such as destructions, ingests and scan on demand of any records to be done in agreed controlled conditions with a set down agreed process.
 - requirement to ensure that all transfer of records through physical and electronic to be done in a secure manner and requirement to run a secure electronic file management system which complies with the government secure intranet (GSI).
 - All physical and digital data to remain property of the Council specific arrangements on exit transfer with agreed costs and agreed activities.

FINANCIAL IMPLICATIONS

31. As detailed in the body of the report, DMBC currently stores corporate records and historic archives in 3 separate premises, 2 of which are council owned (Copley House and Balby Archives) and 1 is a private storage company.

The current budget funding the storage of records and archives is:

	£
Copley House	47,240

Balby Archive	33,570
Private Storage Company	71,900
Staffing	50,050
Total current budget	202,760

32. The cost of the new contract and the resulting savings are:

	£
Current records and archives budget	202,760
Annual cost of new storage contract	87,210
Budget saving	115,550

The saving of £115,550 will be allocated to meet existing savings targets as follows: £80,810 to Asset Rationalisation due to a reduction in buildings; and £34,740 staff costs to the Digital Council Programme once the transfer is complete and the staff are no longer required.

33. As the current supplier is not the appointed supplier of the new contract, all records will have to be removed, with an estimated (one-off) cost of retrieval of £109,500. To ensure that funding is in place, £110k of the Service Transformation Fund ear-marked reserve has been set aside for storage retrieval costs. If the actual cost of retrieval is less than £110k then the balance will be released to fund other Service Transformation priorities.
34. The council's budget currently does not include funding of the removal costs associated with the Copley House and Balby Archives movement of records, nor the treatment of mould infestation within the records and archive documents.
35. With regard to electronic files stored on the Council's ICT network, the Finance & Corporate Capital Programme for 2015-16 (approved as part of the Capital Budget by Full Council on 3rd March, 2015) includes £100k that has been identified for use on Data Management projects (part of the wider £914k allocation for the ICT Strategy). Active Navigation is a sub project within the Data Management £100k budget and is expected to cost £50k, thereby leaving £50k for other Data Management projects.

For information:

The approved Finance & Corporate Capital Programme for 2015-16 included a budget of £100k, on the assumption that a new storage solution would be created in a council owned building, to fund the purchase and installation of new shelving. During capital budget monitoring at Quarter 2 of 2015/16, it became clear that this was not required as the Council had initiated a tender exercise to store records with an external supplier. Therefore, the £100k capital budget was released to fund other council priorities.

HUMAN RESOURCES IMPLICATIONS

36. There are staff who are affected by a decision to award a new contract for a

corporate records management solution. The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) applies to those staff and protects their employment rights in a transfer situation enabling them to be protected on the same contractual terms and conditions and their continuity of service preserved. All staff employed in the transferring service immediately before the transfer automatically transfer from the council (the transferor) to the new provider (the transferee) unless they choose not to in which case they are deemed to have resigned their position.

37. Where employees transfer the “transferee” will take over the rights and obligations arising from those contracts of employment, except criminal liabilities. Any liabilities relating to employees who were dismissed before the transfer (for a reason connected with it) also transfer to the transferee.
38. The Council has a responsibility to conduct a full and meaningful consultation with employees at the earliest practicable time. The Council is also obliged to give the “transferee” written information about the employees who are to transfer. Not all contractual provision may be capable of transfer and the “transferee” will need to inform the Council of any “measures” that it intends to take to change these. Failure to do any of these could result in a liability for the payment of compensation.
39. Human Resources will provide advice and guidance on the processes to be followed throughout.

TECHNOLOGY IMPLICATIONS

40. The successful supplier of the corporate records management solution will provide the necessary ICT system to manage the lifecycle of the records they hold on behalf of the council and partners and will provide on line access to associated services (for example, requesting the retrieval of records, viewing records online etc). The ICT Security & Compliance Officer has provided the necessary advice/input to the procurement exercise and is being consulted further as part of the ongoing service implementation planning.
41. There are likely to be data migration requirements and changes to existing systems used to manage/record the location of physical records under the previous arrangements. The requirements and options (including potential ICT resource implications) are currently being assessed.
42. ICT resources will also be needed to decommission the ICT services and remove any redundant ICT equipment from buildings that are no longer required, following the transfer of records to the new supplier.
43. The ongoing work with Active Navigation to interrogate, review and delete redundant, obsolete and trivial (ROT) files supports the Data Management theme of the Council’s ICT Strategy to transform the way we keep records and data ensuring they are only held once, are easily retrievable and only held as long as they need to be.

EQUALITY IMPLICATIONS

44. 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 from this report. However, any activities arising from the management of information will need to be the subject of separate 'due regard' assessments.

CONSULTATION

45. There are no specific consultation requirements, however many stakeholders have been involved in this process and will continue to be on an on-going basis.

BACKGROUND PAPERS

46. None.

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27th January 2016

To the Chair and Members of the AUDIT COMMITTEE

ARRANGEMENTS AND TIMETABLE FOR THE PREPARATION OF THE ACCOUNTS – 2015/16

EXECUTIVE SUMMARY

1. This report provides details of the audit plan and timetable for producing the 2015/16 Statement of Accounts. The statutory deadlines for producing the draft accounts and the approved audited accounts are set out in regulation and are currently 30th June and 30th September respectively.
2. The Accounts and Audit Regulations 2015 bring forward the timetable for the preparation and approval of the 2017/18 draft accounts to 31st May (1 month earlier) and an audit deadline of 31st July (2 months earlier). The Government believes that this change will reduce the burden of the closure process, enabling finance staff to give more time to in-year financial management.
3. The Council will quicken the production and subsequent publishing of the draft and audited accounts over this year and the following two years to meet these future timescales. The intention is for the draft accounts for 2015/16 to be certified and published by 31st May with the audited accounts to be finalised and published by 17th August. The Council will be fully compliant with the deadlines and the revised inspection process for the production of the 2017/18 accounts.

EXEMPT REPORT

4. The report is not exempt.

RECOMMENDATIONS

5. It is recommended that Members note the arrangements being put in place to close down future years' accounts and note the draft timetable to meet the revised deadlines for 2015/16.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

6. These arrangements will contribute towards the Council receiving an unqualified opinion on their accounts and secure good governance and value for money in its use of resources.

BACKGROUND

7. The Accounts and Audit Regulations 2011 introduced a two stage approval process for the Statement of Accounts; the first stage is in June each year. The Regulations require that the responsible financial officer, by no later than 30th June, signs and certifies that the Statement of Accounts presents a true and fair view of the financial position of the Council for the year to 31st March previous, subject to the views of the External Auditor.
8. The second stage, as set out in those Regulations, requires that on or before the 30th September, approval needs to be given to the Statement of Accounts by resolution of the Audit Committee. This approval will take into account the views of the External Auditor. This is done so that the Statement of Accounts can then be published.
9. To achieve this, a draft timetable has been developed which will enable the closedown process for the 2015/16 accounts to be proactively managed and work towards the new deadlines for 2017/18. Appendix A provides a summary version of the timetable showing the key dates and deadlines.
10. The date for the sign off of the draft 2015/16 accounts has therefore been set as Tuesday, 31st May 2016 with the audited 2015/16 accounts expected to be presented to this Committee on Wednesday, 17th August 2016. It is expected that future years' accounts will be produced in line with the dates in the table below.

Financial year	Draft accounts	Audited accounts
2016/17	31 st May 2017	9 th August 2017
2017/18	31 st May 2018	31 st July 2018

11. The timetable continues to be extremely challenging. However, the increased use of estimation techniques; the professionalism, knowledge and experience of key finance officers; and the development of the ERP system will assist in making these future deadlines achievable.
12. The Council will move to the 31st July deadline, see paragraph 2 above, earlier than the above table suggests, and by 2016/17 accounts if possible. This will be subject to embedding changes to internal procedures and the early availability of external audit resources.
13. The preparation and production of last year's Statement of Accounts went extremely well and the auditors highlighted officers' hard work and the high quality of working papers as major contributory factors. The auditors issued an unqualified opinion on both the Statement of Accounts and the Council's Value for Money conclusion following the presentation of the accounts to this Committee on 16th September 2015.
14. Work to improve the quality and timeliness of both the Statement of Accounts and associated working papers continues. Internal Financial Management Final Accounts meetings are held on a regular basis over

the four month period to May to ensure that accounting procedures are applied consistently; best practice is shared; there is a shared understanding of any difficulties or delays that are happening and to disseminate updated information quickly and consistently.

15. Interim audit visit(s) will be undertaken between February and April with a view to advancing some work from the final audit fieldwork that usually takes place in July.

OPTIONS CONSIDERED

16. Not relevant for this report

IMPACT ON THE COUNCIL’S KEY OUTCOMES

- 17.

	Outcomes	Implications
	All people in Doncaster benefit from a thriving and resilient economy. <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> 	
	People live safe, healthy, active and independent lives. <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	People in Doncaster benefit from a high quality built and natural environment. <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> 	
	All families thrive. <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster’s vital services</i> 	
	Council services are modern and value for money.	Receiving an unqualified opinion on the accounts and a good Value for Money conclusion will show that the Council is delivering effective services and demonstrating good governance arrangements.
	Working with our partners we will provide strong leadership and governance.	

RISKS AND ASSUMPTIONS

18. Failure to meet the statutory deadlines for signing, producing and/or publishing the accounts would attract adverse comments from the auditors who could issue a public interest report.
19. The auditors need to be confident that the information in the accounts is accurate and reliable otherwise they may not be able to give an unqualified opinion on the accounts.

LEGAL IMPLICATIONS

20. The Council must comply with the CIPFA's Code of Practice on Local Authority Accounting (the 'Code') when preparing the accounts.
21. The Account and Audit Regulations 2011 (and the 2015 Regulations) and the Local Audit and Accountability Act 2014 specify the deadlines for signing and producing the accounts and when they will be available for public inspection.

FINANCIAL IMPLICATIONS

22. There are no direct financial implications.

CONSULTATION

23. Not relevant for this report

BACKGROUND PAPERS

24. None

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Final Accounts Summary Timetable 2015/16

Date	Item	Responsibility
01/04/2016	Final valuation report signed, certificate and supporting schedules	DMBC
12/04/2016	Capital funding agreed for all capital programmes including all capital financing	DMBC
27/04/2016	HRA outturn	SLHD
29/04/2016	Deadline for finalising Revenue Outturn Position and Balance Sheet	DMBC
20/05/2016	Completion of Core Statements	DMBC
23/05/2016	Draft Statement of Accounts (excluding Cash Flow Statement) sent to RFO	DMBC
26/05/2016	Completion of Cash Flow Statement and supporting notes	DMBC
27/05/2016	Draft Statement of Accounts (including Cash Flow Statement) sent to RFO	DMBC
31/05/2016	Draft Statement of Accounts signed by RFO	DMBC
31/05/2016	Draft Statement of Accounts distributed to Audit Committee members	DMBC
08/06/2016	Informal Audit Committee (Workshop to consider draft accounts)	DMBC / Audit Committee
14/06/2016	Audit Committee report & draft accounts deadline	DMBC
17/06/2016	Inspection of accounts advert	DMBC
22/06/2016	Audit Committee – draft Statement of Accounts for endorsement	DMBC / Audit Committee
22/06/2016	Draft Statement of Accounts published on Council website	DMBC
30/06/2016	Unaudited Whole of Government Accounts (WGA) deadline	DMBC
04/07/2016	Public inspection of accounts starts for statutory four week period	DMBC
04/07/2016	Audit of Statement of Accounts starts	KPMG
29/07/2016	Public inspection of accounts finishes	DMBC
01/08/2016	Date of representation to external audit	KPMG
05/08/2016	Finalise WGA with audit adjustments	DMBC
05/08/2016	Audit of Statement of Accounts finishes - IAS260 issued	KPMG
08/08/2016	Audit Committee report & ISA260 deadline	DMBC
tbc	Audited WGA return submitted to CLG by KPMG	KPMG
17/08/2016	Audit Committee – to approve and certify final audited Statement of Accounts, Letter of Representation	DMBC / Audit Committee
17/08/2016	Final audited Statement of Accounts published on Council website (subject to audit opinion being received)	DMBC

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27 January, 2016

To the Chair and Members of the AUDIT COMMITTEE

THE INSURANCE FUND

EXECUTIVE SUMMARY

1. This report provides information regarding the Insurance Fund and details the underwriting arrangements and recent loss histories for the principal areas of insured risk. The provisions and reserves within the Insurance Fund at the end of 2014/15 are also confirmed.

EXEMPT REPORT

2. The report is not exempt

RECOMMENDATIONS

3. It is recommended that Members note the contents of the report regarding the current position of the Insurance Fund

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. The Insurance Fund is available to:
 - cover the estimated value of outstanding claims for which the Council has a potential legal liability
 - provide an adequate level of self-insurance, and
 - protect the Council against unexpected liability claims.

BACKGROUND

5.0 Current Approach to risk financing

The Council utilises a combination of self-insurance and external insurance to address the financial consequences of risk. Those risks which have the potential to generate substantial losses are self-insured to a high level. Since 2010 the Council's liability has been capped on these risks, above which costs are met by insurers. Such risks include our legal liability to employees, members of the public and to other organisations for injury or damage to property, motor accidents involving Council vehicles and damage to Council buildings. Other more minor, expected, losses such as damage to equipment and vandalism to schools are wholly self-insured.

- 5.1 This balance of internal and external insurance aims to provide a cost effective solution to ensure that risks are covered internally where it is financially prudent to do so, thereby only incurring external insurance costs where cover is required by statute and to cover catastrophic events.

5.2 The self-funding of losses (claims) directly benefits the Authority not only in reduced premium costs but also reduced expenditure on settling claims spend has an immediate impact on Council expenditure. Self-funding also minimises the Council's liability for Insurance Premium Tax (increased from 6% to 9.5% in November 2015) and contributions to insurers' administrative costs and profits. The level of self-insurance is influenced by the need to maintain the stability of the Insurance Fund over the long term and by the Council's overall appetite for financial risk.

5.3 Principal Areas of Insured Risks

Property Insurance

The Council insures property against the risk of damage through fire, lightning, explosion, terrorism and storm flood. Details of the excesses and premiums are indicated in the following table:

Property Insurance	Premium 2015 (£)	Excess (£)
Housing units	106,013	500,000
General properties	83,315	1,000,000
Education/Schools	330,868	500,000
Terrorism	75,790	Nil

With regards to general properties and schools, cover is also provided for additional expenses incurred in the event of fire where the value of the loss is greater than the policy excess.

5.4 Liability Insurance

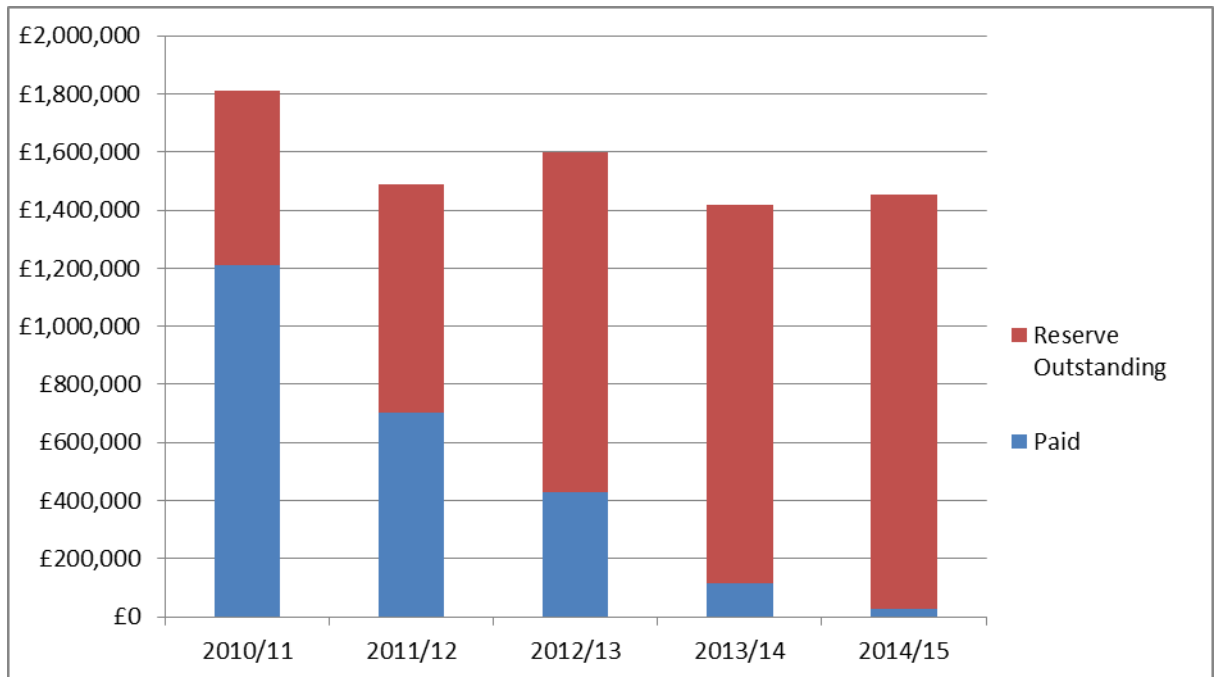
The Council's maximum liability for any single insured claim is currently limited to £250,000. In addition, an aggregate stop loss is in place for liability risks limiting the Council's loss to a maximum aggregate of £5.2m for all claims occurring in any one policy year. This level of aggregate varies year to year depending on market conditions and loss history; prior to 2010 the Council did not have an aggregate stop loss in place.

The following table provides an indication of the premiums for each class of liability insurance:

	Premium 2015 (£)	Excess (£)
Public Liability	244,963	250,000
Employers Liability	75,496	250,000

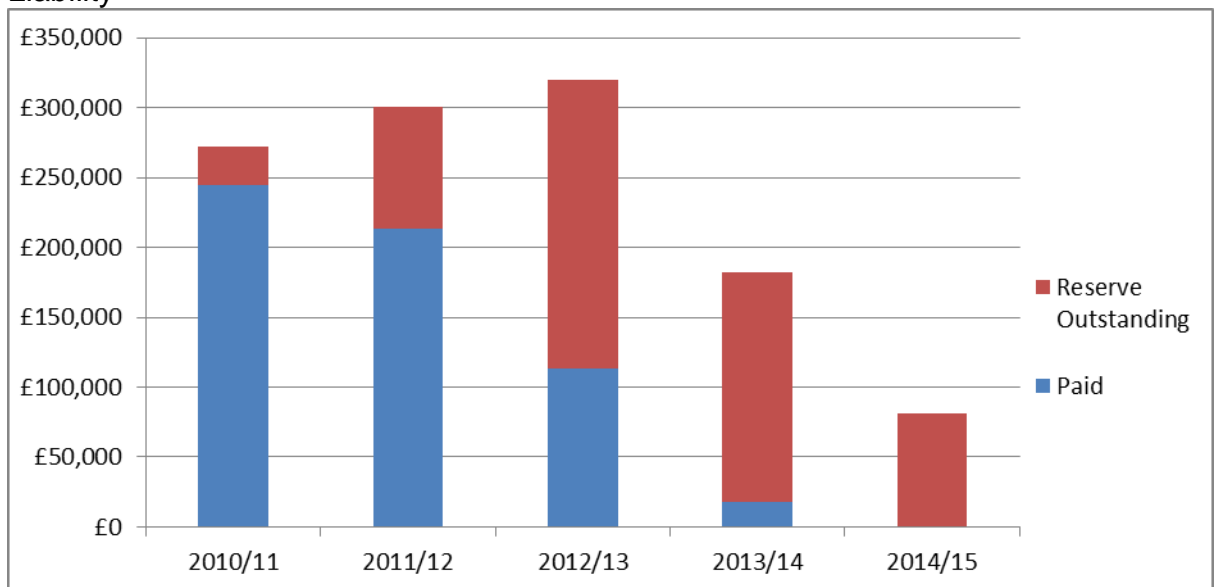
5.5 The chart below indicates the expected final costs of known public liability claims occurring over a 5 year period. The yearly totals are split between amounts paid and reserves for claims outstanding. The chart does not incorporate any element of the necessary funding for claims incurred but not yet received.

Chart 1 – Public Liability



5.6 The chart below indicates the expected final costs of known employer's liability claims occurring over a 5 year period. The yearly totals are split between amounts paid and reserves for claims outstanding. The chart does not incorporate any element of the necessary funding for claims incurred but not yet received.

Chart 2 – Employers Liability



5.7 Liability Claim Numbers

The following table details the number of liability and motor claims received within each year. It should be noted that in 2010 and 2011 the number of Public Liability claims were high due to the poor weather over the winter period and the increase in claims associated with highways related incidents.

It should also be noted that the Council is receiving a higher proportion of significantly more complex claims than in the past, involving abuse, defamation, industrial disease, tree related subsidence, nuisance and social services matters for both failure to remove and / or inappropriate removal.

	Number of Liability claims received within year				
	2010/11	2011/12	2012/13	2013/14	2014/15
Public Liability	963	775	644	556	500
Employers Liability	68	44	65	40	43
Total Number Received	1031	819	709	596	543

Liability claims can take many years to settle, therefore the following repudiation and settlement rates are based on claims that are concluded.

	Split of settled Liability claims by policy year				
	2010/11	2011/12	2012/13	2013/14	2014/15
Number & % Repudiated	652 69%	468 68%	399 65%	290 68%	215 76%
Number & % Settled	297 31%	227 32%	211 35%	138 32%	67 24%
Total closed claims	949	695	610	428	282

5.8 Motor Insurance

The Council's maximum exposure for any single motor incident is currently limited to £50,000 for own damage and £50,000 for third party damage and injuries. The current premium for motor insurance is £90,000 per annum.

5.9 Payment of Claims and Premiums

External premiums and claims are met centrally from the Insurance Fund. The Fund is maintained through proportionate recharges to all directorates, St Leger Homes and schools. Recharges cover a proportion of the commercial insurance together with a charge to fund all potential losses that the insurance fund is responsible for meeting.

5.10 Claims relating to property insurance are settled within a number of months of the loss occurring, with the exception of major/large losses. Liability claims can take a number of years to settle, depending on the nature of loss or injury. For example, the Council is receiving claims back to the 1970s for exposure to industrial deafness, hand/arm vibration, asbestosis and mesothelioma as well as claims for failure to protect/abuse back to the 1980s.

Charges are made on the following basis:

Property: Pro rata premium based on the value of buildings and contents

Casualty: Pro rata premium based on the salary budget for each service

Motor: Charge is based on the number of vehicles

5.11 The following table details the flow of funds in and out of the insurance fund over the last 4 years.

	2011/12	2012/13	2013/14	2014/15
Fund balance at 1 April	£6,760,000	£8,351,758	£8,592,116	£7,607,705
Insurance charges to Services, Schools, St Leger	£7,850,951	£7,006,979	£6,460,977	£6,212,356
Payment of Insurer Premiums	(£2,638,740)	(£2,137,224)	(£1,335,827)	(£1,502,559)
Payment of claims	(£3,620,453)	(£4,629,397)	(£3,109,561)	(£3,229,247)
Contribution to General Reserves			(£3,000,000)	
Fund balance at 31 March	£8,351,758	£8,592,116	£7,607,705	£9,088,255

It should be noted that the insurance charges to services have reduced over the 4 year period. This is due to the ongoing review of the Council's insurance requirements and overall appetite to risk. Increasing the level of self-insurance and retaining a higher excess on commercial policies has generated savings in both commercial insurance premiums and Insurance Premium Tax, which has enabled us to reduce charges that are passed on to services.

5.12 Insurance Fund

The balance held within the Insurance Fund covers the estimated value of settling outstanding claims for which the Council has a potential legal liability. In addition an amount is also held for potential liability claims yet to be made against the Council and emerging claims exposure.

The chart below identifies the value of outstanding claims over the last four years, the provision held to cover these claims and the reserve held for potential future claims.

Year	Outstanding Claims	Provision held for outstanding claims	Reserve for potential future claims	Total Insurance Fund/Provision
2014/15	£8,170,586	£5,616,694	*£3,368,078	£8,984,772**
2013/14	£9,038,899	£6,184,838	£1,422,867	£7,607,705
2012/13	£9,627,664	£6,483,749	£2,108,366	£8,592,116
2011/12	£9,353,615	£6,057,243	£1,478,537	£7,535,780

*Due to the increase in failure to remove/abuse claims received, an increased reserve was made for this type of claim; this was after seeking clarity from other Council's on their approach within this area.

**Year-end provision required in 2014/15 was £8,984,772. However actual fund balance was £9,088,255 no adjustment was made to reduce the fund balance.

5.13 Claims Handling

In April 2015 the Claims Handling function was brought in-house and the Insurance Team now handle all claims made against the council since this date. The decision to do this will a saving of £365k over the next 5 years compared to the cost of external contractors providing the service.

The internal claims handling service is providing a streamlined service to claimants and their legal representatives as claims are dealt with at the single point of contact without referring to an external handler and removing the time delays associated with the referral. This streamlined service enables the

claims handler to investigate the claim thoroughly within the strict legal protocol timescales and provide a robust decision on liability efficiently and thereby improving customer service standards.

OPTIONS CONSIDERED

6. Not relevant to this report

IMPACT ON THE COUNCIL'S KEY OUTCOMES

7.

	Outcomes	Implications
	<p>All people in Doncaster benefit from a thriving and resilient economy.</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> 	
	<p>People 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>People in Doncaster benefit from a high quality built and natural environment.</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>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
	<p>Council services are modern and value for money.</p>	<p>Ensuring that sufficient funds are available to cover both self-insured items and any potential insurance liabilities means that the Council is demonstrating good governance and</p>

		minimising any one-off pressures on the budget.
	Working with our partners we will provide strong leadership and governance.	

RISKS AND ASSUMPTIONS

8. Failure to maintain an adequate balance in the fund could expose the Council to an unexpected budget pressure. It is essential that the assumptions when calculating the required fund balance are robust and relevant.

LEGAL IMPLICATIONS

9. In accordance with S111 Local Government Act 1972 “a local authority shall have power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

Furthermore, S151 of the Act provides that “...every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.”

FINANCIAL IMPLICATIONS

10. Financial Implications are contained within the report

HUMAN RESOURCES IMPLICATIONS

11. None

TECHNOLOGY IMPLICATIONS

12. None

BACKGROUND PAPERS

13. None

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27 January 2016

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

KPMG EXTERNAL AUDIT PLAN 2015/16

EXECUTIVE SUMMARY

1. KPMG will undertake a programme of work in order to deliver their Code of Audit Practice audit which will cover work on the financial statements and the value for money conclusion for the 2015/16 financial year.
2. Attached to this report, at Appendix 1, is KPMG's plan for completing this review of the Council's financial statements and associated disclosure notes and providing an audit opinion on the Council's 2015/16 Statement of Accounts.

EXEMPT REPORT

3. The report is not exempt.

RECOMMENDATIONS

4. The Audit Committee is asked to note the content of the External Audit Plan 2015/16.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

5. The audit programme of work is necessary to enable KPMG to satisfy themselves that the Council has secured good governance and value for money in its use of public resources.

BACKGROUND

6. The External Audit Plan covers how the audit is performed in terms of the risks identified, key deliverables, timeline and fees for the audit.
7. KPMG are required to satisfy themselves that the Council's accounts comply with statutory requirements and that proper practices have been observed in their compilation. The statutory responsibilities and powers are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Audit Commission's Code of Audit Practice.
8. The Code of Practice covers two main responsibilities requiring KPMG to review and report on the Council's: -
 - Financial statements (including the Annual Governance Statement) providing an opinion on the Council's accounts; and

- Use of Resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the Council’s use of resources (the ‘value for money’ or VfM conclusion).
9. There are no significant changes to the accounting standards and financial reporting framework in 2015/16. Based on initial planning work, KPMG have identified no significant risks for the audit.
 10. KPMG have not currently identified any significant VfM risks. If any are identified, KPMG will highlight the risk to the council and consider the most appropriate audit response in each case.
 11. The main year end audit is currently planned to commence on 4th July 2016. An interim visit is scheduled to commence in March/April 2016 when KPMG will evaluate and test controls over key financial systems identified as part of our risk assessment; review the work undertaken by the internal audit function on controls relevant to our risk assessment; review the accounts production process; and review progress on critical accounting matters.

OPTIONS CONSIDERED & RECOMMENDED OPTION

12. The External Audit Plan includes information about planned audit work and the related fees for this work which KPMG deem to be necessary to fulfil their legal obligations. The Council is required to meet such fees.

IMPACT ON THE COUNCIL’S KEY OUTCOMES

13.

Outcomes	Implications
Council services are modern and value for money	Receiving an unqualified opinion on the accounts and a good Value for Money conclusion will show that the Council is delivering effective services and demonstrating good governance arrangements
Working with our partners we will provide strong leadership and governance.	

RISKS & ASSUMPTIONS

14. KPMG identifies respective risks which their work is intended to consider. Assumptions about these risks have been made by KPMG in the planning of this work and the calculation of the respective fees.

Materiality for planning purposes has been set at £14 million which equates to 2% of gross expenditure.

LEGAL IMPLICATIONS

15. The Council is subject to statutory external audit and performance evaluation by KPMG in their role as the external auditor for the Council.

FINANCIAL IMPLICATIONS

16. The proposed fee for this work for the 2015/16 audit is £164,844, compared to £219,792 for 2014/15. This saving formed part of the budget savings proposals for 2015/16 (ref: NS30).
17. The audit fee budget is managed by the Director of Finance and Corporate Services. Audit fees will continue to be minimised if the Council continues to achieve an efficient and well controlled financial closedown and accounts production process which complies with good practice and appropriately addresses new accounting developments and risk areas.

CONSULTATION

18. This report consults with members of the Audit Committee in these matters. There is consultation with managers at the outset, throughout and at the conclusion of the annual audit in order to ensure that key audit issues are identified and resolved and that adjusted / unadjusted audit differences and performance improvement recommendations are adequately communicated.

BACKGROUND PAPERS

19. None

REPORT AUTHOR & CONTRIBUTORS

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Simon Wiles
Director of Finance and Corporate Services

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External Audit Plan 2015/2016

Doncaster Metropolitan Borough
Council

January 2016

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has been based on last year's expenditure and set at £7 million.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £0.35 million.

Significant risks

We regard significant risks as those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified. Our planning to date has not identified that require our attention for 2015/16. Should this change we will bring this to your attention.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- The Minimum Revenue Provision calculation.

See pages 3 to 5 for more details.

Value for Money Arrangements work



The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

Our risk assessment is ongoing and, should any arise, we will report VFM significant risks during our audit.

See pages 6 to 9 for more details.

Logistics



Our team is:

- Clare Partridge – Director
- Jillian Burrows – Senior Manager
- Louise Booth – Assistant Manager

More details are on **page 12**.

Our work will be completed in four phases from January to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 11**.

Our fee for the audit is £164,844 (£219,792 2014/2015) see **page 10**.

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

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

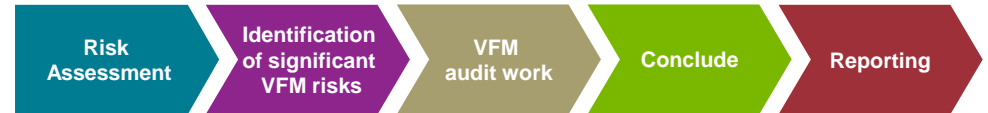
Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 6 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2015/16.



Financial Statements Audit Planning

Our planning work takes place during January to February 2015. This involves the following key aspects:

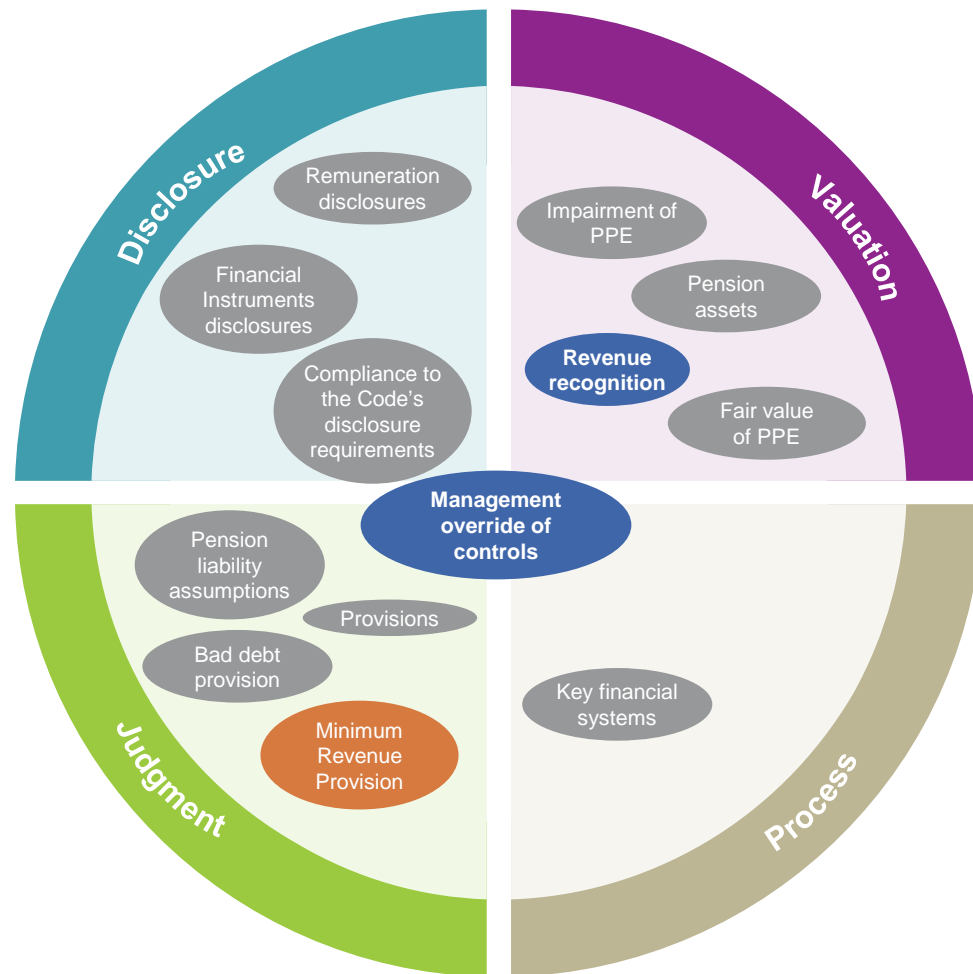
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry 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.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach

**Other areas of audit focus**

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Minimum revenue provision

- In 2015/16 the Authority have proposed a change in the methodology used to calculate their Minimum Revenue Provision (MRP). The MRP charge is the means by which capital expenditure which is financed by borrowing or credit arrangements is paid for by council tax payers. Local Authorities are required each year to set aside some of their revenues as a provision for this debt.
- We have considered the proposed new methodology and are not minded to challenge it at this stage. We will substantively test the accounting entries during the audit of the financial statements.



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £14 million which equates to 2 percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

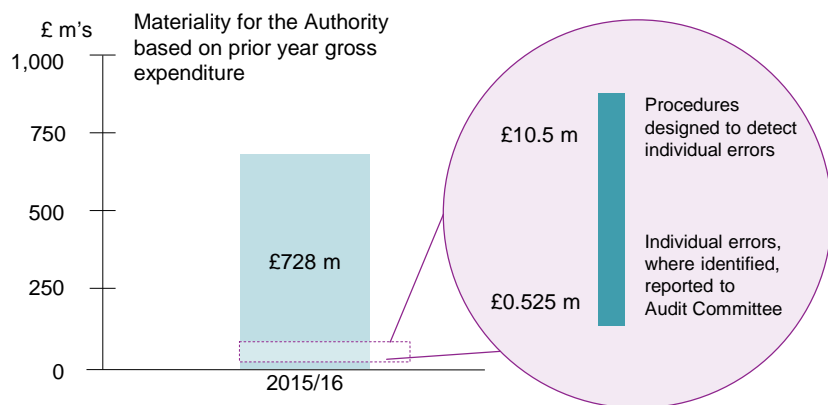
Reporting to the Audit Committee

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 unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

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

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 £0.525 million.

If 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.



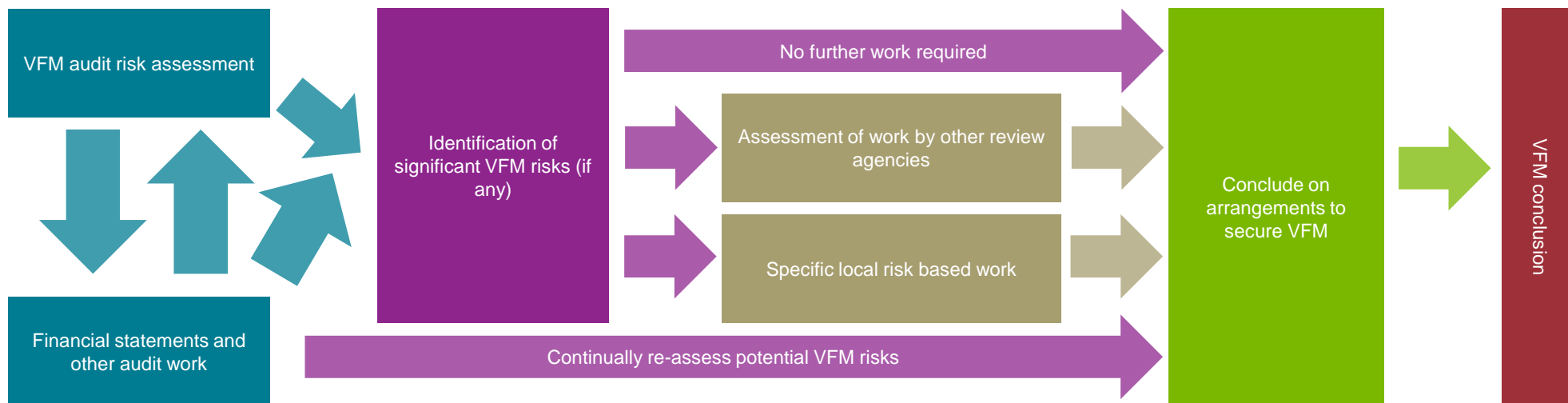
Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work at the Authority. The diagram to the right shows the details of this criteria.

Overall criterion
 In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.





VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant '<i>if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.</i>'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2015/16 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Clare Partridge who remains as the Director and Jillian Burrows who will provide a fresh perspective as the new Senior Manager. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

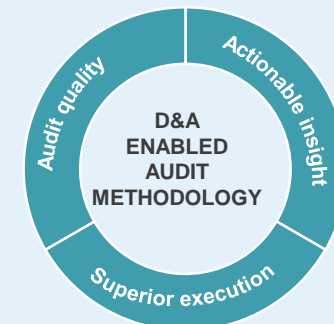
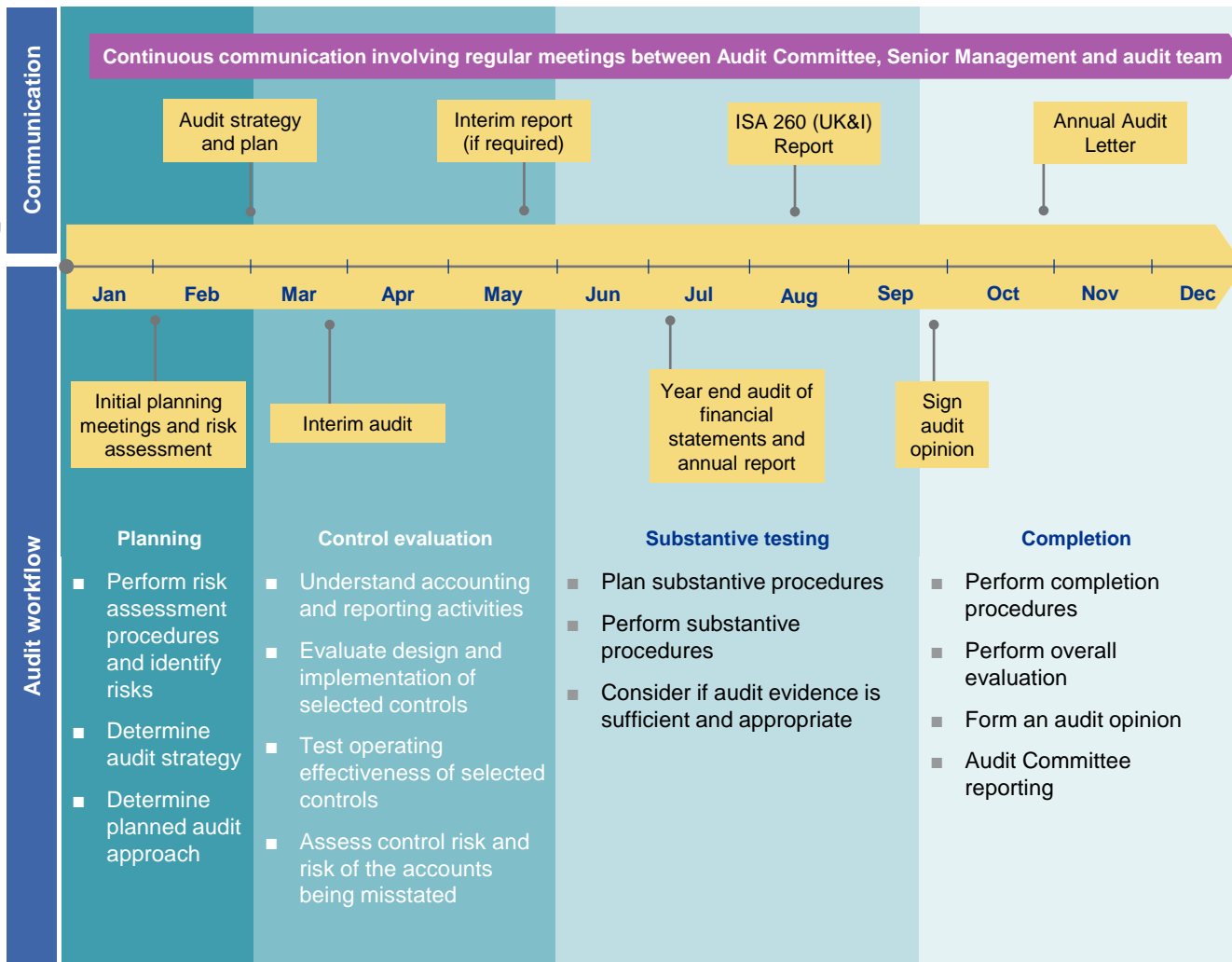
Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2015/2016 presented to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2015/16 is £164,844. This is a reduction in audit fee, compared to 2014/2015, of £219,792 (25%).

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.



Your audit team has been drawn from our specialist public sector assurance department.



Name	Clare Partridge
Position	Director
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Audit Committee and Chief Executive.</p>

Clare Partridge

Director

0113 231 3922/ clare.partridge@kpmg.co.uk



Name	Jillian Burrows
Position	Senior Manager
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with the Director to ensure we add value.</p> <p>I will liaise with the Director of Finance and Corporate Services and other Executive Directors.'</p>

Jillian Burrows

Senior Manager

0161 246 4705/ jillian.burrows@kpmg.co.uk



Name	Louise Booth
Position	Assistant Manager
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>

Louise Booth

Assistant Manager

0113 231 3585/ louise.booth@kpmg.co.uk

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of January 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.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 [...], 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, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA'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.

27 January 2016

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

CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2014/15

EXECUTIVE SUMMARY

1. This report brings KPMG's report 'Annual Report on Grants and Returns work 2014/15' to the attention of Members of the Council's Audit Committee.
2. The document formally sets out KPMG's certification arrangements, the Council's responsibilities in this area and matters arising from the audit of claims for this period.

EXEMPT REPORT

3. The report is not exempt.

RECOMMENDATIONS

4. It is recommended that Members of the Audit Committee consider the report and note its findings.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

5. These arrangements will contribute towards the Council receiving an unqualified opinion on their 2015/16 accounts and secure good governance and value for money in its use of resources.

BACKGROUND

6. Under section 28 of the Audit Commission Act 1998, KPMG make arrangements for certifying claims and returns in respect of grants or subsidies paid by the Government to local authorities.

MATTERS ARISING

7. Members should note that through close liaison with KPMG, efforts have been made to improve the preparation of grant claims, taking improvement opportunities highlighted by KPMG into account. This is done to minimise the external audit work required to certify the claims and minimise the respective audit fees.
8. The main area of improvement remains the independent review of claims after compilation and before submission to the auditor.

9. Processes will continue to be enhanced to ensure that claims and returns comply with conditions set by the grant paying body and that the claims and returns are fully completed and accurate. There were four claims and returns that required audit certification for 2014/15: -

- Housing Benefit Subsidy
- Pooling of Housing Capital Receipts Return
- Employment Based Initial Teacher Training Grant
- Teachers' Pension Authority EOYCa Return

	2013/14	2014/15
Number of claims and returns certified	4	4
Number of claims and returns which were issued a qualification letter	2 (50%)	1 (25%)
Total cost of certification work	£31,929	£42,880
Increase in audit fee (year on year)		£10,951 (34%)

10. The Housing Benefit Subsidy claim of £96m was qualified. An error resulted in an overpayment of £3k. The claim was not adjusted but reported to the Department for Work and Pensions (DWP) in the qualification letter. We have since had confirmation from DWP that the claim has been settled on the unadjusted basis and that no repayment is required.

OPTIONS CONSIDERED AND REASON FOR RECOMMENDED OPTION

11. Not relevant to this report.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

- 12.

Outcomes	Implications
We will deliver modern value for money services.	Receiving an unqualified opinion on the accounts and a good Value for Money conclusion will show that the Council is delivering effective services and demonstrating good governance arrangements.
We will provide strong leadership and governance, working in partnership.	

RISKS AND ASSUMPTIONS

13. Failure to address issues reported by the auditor could lead to a lower standard of financial control and accountability, potential claw-back of grant and higher external audit fees.

LEGAL IMPLICATIONS

14. The Council must comply with the requirements for audit relating to the submission of grants claims.

FINANCIAL IMPLICATIONS

15. Based on the work carried out, the actual audit certification fee charged for 2014/15 was £42,880. The original indicative fee for these claims and returns in 2014/15 was £41,839 representing a slight increase of £1,041.
16. The fee for the same four claims in 2013/14 was £31,929, an increase of £10,951. The difference is largely due to an increase in the fee for the Housing Benefit Subsidy claim. These fees are set nationally by the Public Sector Audit Appointments company.

CONSULTATION

17. Not relevant to this report.

BACKGROUND PAPERS

18. None

REPORT AUTHOR & CONTRIBUTORS

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Simon Wiles
Director of Finance and Corporate Services

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cutting through complexity

Page 61

KPMG Annual Report on grants and returns work 2014/15

Doncaster Metropolitan Borough Council

January 2016

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louise.booth@kpmg.co.uk

	Page
■ Headlines	2
■ Summary of certification work outcomes	3
■ Fees	4

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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 Clare Partridge, 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, Andrew Sayers, by email to andrew.sayers@kpmg.co.uk After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA'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.

<p>Introduction and background</p>	<p>This report summarises the results of work we have carried out on the Council’s 2014/15 grant claims and returns.</p> <p>This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2014/15 is:</p> <ul style="list-style-type: none"> ■ Under the Public Sector Audit Appointment arrangements we certified one claim – the Council’s 2014/15 Housing Benefit Subsidy claim. This had a value of £96.2 million. ■ Under separate assurance engagements we certified 3 claims/returns as listed below: <ul style="list-style-type: none"> – Pooling of Housing Capital Receipts Return. – Employment Based Initial Teacher Training Grant. – Teachers’ Pension Authority EOYCa Return. 	
<p>Certification results</p>	<p>Our work on the Council’s Housing Benefit Subsidy claim was subject to a qualification letter.</p> <ul style="list-style-type: none"> ■ An error was identified in HRA Rent Rebate testing which led to an overpayment of benefit. No further errors were identified in the additional testing and the error was extrapolated with cell 61 overstated by £3,233 and Cell 65 understated by £3,233. This was not adjusted but reported in the qualification letter. ■ The in year reconciliation cells identified variances between £1 and £3, this is simply reported to the Department for Work and Pensions. ■ An error was identified in cell 131 backdated expenditure, however this has no impact on subsidy. <p>Our work on the other grant assurance engagements resulted in the following reports:</p> <ul style="list-style-type: none"> ■ Employment Based Initial Teacher Training Grant - National College for Teaching and Leadership Annual Grant Report and Income and Expenditure Report. 	<p>Pages 3 – 4</p>
<p>Fees</p>	<p>The indicative fee for our work on the Council’s 2014/15 Housing Benefit Subsidy was set by Public Sector Audit Appointments at £33,380. The actual fee for this work was £33,380.</p> <p>Our fees for the other ‘assurance’ engagements were subject to agreement directly with the Council and were £9,500 in total.</p>	<p>Page 5</p>

Summary of reporting outcomes

Overall, we carried out work on 4 grants and returns:

- 3 were unqualified with no amendment; and
- 1 required a qualification to our audit certificate.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council's 2014/15 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments arrangements					
■ Housing Benefit Subsidy	1				
Other assurance engagements					
■ Pooling of Housing Capital Receipts Return	2				
■ Employment Based Initial Teacher Training Grant	3				
■ Teachers' Pension Authority EOYCa Return	4				
		1	0	1	3

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2014/15 was £42,880

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2014/15 (£)	2013/14 (£)
Housing Benefit Subsidy claim	33,380	23,470
Pooling of Housing Capital Receipts	2,750	1,709
Employment Based Initial Teacher Training Grant	3,500	3,500
Teachers' Pension Authority EOYCa Return	3,250	3,250
Total fee	42,880	31,929

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2014/15 of £33,380. Our actual fee was the same as the indicative fee, and this compares to the 2013/14 fee for this claim of £23,470. These fees are set by the PSAA.

Grants subject to other assurance engagements

The fees for our assurance work on other grants/returns are agreed directly with the Council. Our fees for 2014/15 were £9,500.



cutting through complexity

27 January, 2016

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

Q2 2015/16 STRATEGIC RISK UPDATE

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

EXECUTIVE SUMMARY

1. The purpose of this report is to provide a progress update on strategic risks for Quarter 2 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 17 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):
 - The delivery of the Equality & Inclusion Action Plan
4. The Audit Committee asked that the target risk score be more visible. The target risk matrix is now shown as part of the updates in Appendix A.

RECOMMENDATIONS

5. 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

6. Not Applicable

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

7. 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

8. Not Applicable

REASONS FOR RECOMMENDED OPTION

9. Not Applicable

IMPACT ON THE COUNCIL’S KEY OUTCOMES

10.

Outcomes	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

11. 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

12. 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

13. 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

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

TECHNOLOGY IMPLICATIONS

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

EQUALITY IMPLICATIONS

16. 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

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

BACKGROUND PAPERS

18. Reports generated via Covalent for Directorate Q2 challenge meetings.

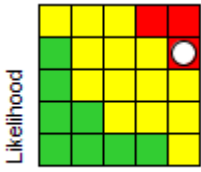
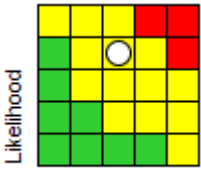
REPORT AUTHOR & CONTRIBUTORS

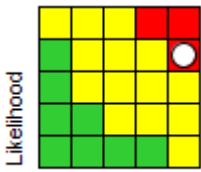
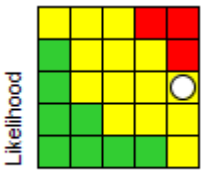
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Simon Wiles
Director of Finance and Corporate Services

APPENDIX A

Current Risk		Strategic Risk	Ownership	Target Risk
 <p style="font-size: small;">Likelihood</p> <p style="font-size: small;">Impact</p>	20	<p>Current austerity measures result in increased poverty in Doncaster, causing deprivation for citizens and restricting the borough's ability to improve and grow</p>	Simon Wiles	 <p style="font-size: small;">Likelihood</p> <p style="font-size: small;">Impact</p>
<p>Current position: The impacts of welfare reform continue to affect local people and are a risk to the achievement of Council and 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 has been changed to reflect poverty rather than welfare reform.</p> <p>Mitigating actions: A partnership Anti-Poverty Strategy 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, Universal Credit, Tax Credits etc); employment, education and training; housing; health and well-being; community support and advice. Key themes have now been agreed and actions are being progressed. Current progress has been presented to the Overview and Scrutiny Management Committee and a series of recommendations have been made by the committee. In line with these recommendations a member workshop has been arranged in December to further join up the work of the Anti Poverty Group with that of Ward Members.</p> <p>Target risk score: 12 (impact 3 likelihood 4). Poverty is already an issue in Doncaster, as evidenced by the recent Indices of Multiple Deprivation.. The main task is to reduce the impact on local people.</p>				

Current Risk		Strategic Risk	Ownership	Target Risk
 <p style="font-size: small;">Likelihood</p> <p style="font-size: small;">Impact</p>	20	<p>Health and social care services does not change fast enough , impacting on quality, accessibility and affordability of services for people who need them most</p>	AH&W	 <p style="font-size: small;">Likelihood</p> <p style="font-size: small;">Impact</p>
<p>CURRENT SITUATION: The work required to maximise independence and Transform Adult Social care services is not happening quick enough and improved service outcomes, financial savings and ambition levels are not where they need to be at this time. Key projects are being scoped and activity is planned. There will be a greater focus on projects that will keep people out of the care system and reduce the reliance on traditional social care.</p> <p>MITIGATING ACTIONS: A cross council Improvement Board has been established which will oversee key work and govern the transformation process in the short to medium term, meeting on a three weekly basis. External supports both internal and external to the council have been put in place with further support in the process of being arranged. A single plan is being developed to co-ordinate the key strands of work that will deliver the changes needed to maximise peoples independence and establish a modern health wellbeing and social care service..</p> <p>TARGET SCORE: Impact 5 (out of 5) and Likelihood 3 (out of 5) = 15</p>				

Current Risk	Strategic Risk	Ownership	Target Risk
	(Children and Young People do not achieve in line with national expectation	Damian Allen	

Current Position:
Provisional Key Stage 2 Level 4 results have shown a disappointing drop in performance for 2014 putting Doncaster in the bottom quartile nationally. Provisional 2014 GCSE 5 A*-C inc English and Maths indicate a 2% improvement but we are still behind national performance and too few of our schools are rated 'Good' or 'Outstanding' putting Doncaster at the bottom of the league table.

Mitigating Actions:

- . Continue to deliver School Improvement 3 year Post Ofsted action plan which is currently midway through its implementation - with an improving picture regarding the quality of 'Leadership & Performance' which will have an effect on the overall Ofsted outcomes.
- . Challenge Schools Commissioner and Sponsors of Academies on underperformance.
- . Ensure School Improvement Strategy is delivered, taking into account new Ofsted Measures.
- . Improve pupil attendance via enhanced early help
- . Rapid improvement plan for KS2 outcomes and KS1 phonics

Target Risk Score: Impact - 4, Likelihood - Possible 3

Current Risk	Strategic Risk	Ownership	Target Risk
	Failure to achieve the budget target for 2015/16 and 16/17	Simon Wiles	

Current Position:
For 2015/16 the council has a challenging programme of savings to deliver, which is being robustly managed by programme leads and reviewed by AD's & Directors on a quarterly basis. Although an overall overspend of £1.2m is forecast, there is a significant shortfall forecast against the delivery of savings in 2015/16 of circa £6m (on-going shortfall circa £9m less one-off savings £3.5m which are helping to meet the shortfall this year).

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 4 - this has increased due to the shortfall forecast for the 2015/16 savings targets at Q2.

Current Risk	Strategic Risk	Ownership	Target Risk
	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	

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 poor data will reduce the effectiveness of the Council's new Strategy and Performance Unit.

Mitigating actions
Self assessment returns have been received from all service areas. They will now be used to aid the development of a new, more rigorous, Data Quality Strategy. 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.
This risk links to all existing council plans, since the data we use informs all actions and decisions.

Target risk

Impact 2 (moderate) Likelihood 1 (very unlikely)

Current Risk	Strategic Risk	Ownership	Target Risk
	<p>15</p> <p>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</p>	<p>Damian Allen</p>	

Current Position:

The formal arrangements to monitor and review the effectiveness and input of services to children provided by the Trust are believed to provide assurance as to this risk.

Mitigating Actions:

The annual review of the contractual arrangements will seek to embolden the effectiveness of this scrutiny in proposing revisions and additions to the current performance and Q.A. indicators and will take cognisance of the Ofsted Inspection Report findings into the Performance Management System which are due to be revealed during November 2015.

Target Risk Profile – Target has been amended to Impact 5 x Likelihood 3.

Current Risk	Strategic Risk	Ownership	Target Risk
	<p>15</p> <p>Failure to obtain assurance as to the safeguarding of children in the borough</p>	<p>Damian Allen</p>	

Current Position:

The formal arrangements to monitor and review the effectiveness and input of services to children provided by the Trust are believed to provide assurance as to this risk.

Mitigating Actions:

The annual review of the contractual arrangements will seek to embolden the effectiveness of this scrutiny in proposing revisions and additions to the current performance and Q.A. indicators and will take cognisance of the Ofsted Inspection Report findings into the Performance Management System which are due to be revealed during November 2015.

Current Risk	Strategic Risk	Ownership	Target Risk
	<p>12</p> <p>Failure to comply with the Data Protection Act 1998</p>	<p>Simon Wiles</p>	

Current Position

Unfortunately, there have been 7 data protection breaches by the Council and 4 by Doncaster Children's Services Trust.

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.

Current Risk	Strategic Risk	Ownership	Target Risk
	12	Failure to set robust assumptions on pensions deficit recovery and future contribution rate for the 2016 valuation	Simon Wiles
<p>Current Position: The next tri-annual assessment is due in 2016 and effective for the 3 year period 2017/18 to 2019/20, 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. The Council has been prudent in its assumptions from 2017/18 but a relatively small change in discount rates could result in significant extra costs for the Council.</p> <p>Mitigating Actions: The Council will be reviewing and challenging the assumptions made by the Actuary with SYPA and other LA's in South Yorkshire. The Actuary will be attending a meeting of the South Yorkshire Finance Directors to explain the position. The assumptions need to be finalised before July 2016 in order that the information can be fed into our budget setting process. 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.</p> <p>Target Risk Profile: Impact 2, Likelihood 2 = 4.</p>			

Current Risk	Strategic Risk	Ownership	Target Risk
	10	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	Dave Hamilton
<p>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.</p> <p>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.</p> <p>Target Risk: Impact 5 Likelihood 2</p>			

Current Risk	Strategic Risk	Ownership	Target Risk
	9	Lack of capacity from house builders to build affordable properties	Peter Dale
<p>The impact of the summer Budget and subsequent Housing Bill may reverse the recent improvements in delivery of affordable housing across the Borough. The full impact of all the measures and changes (including the Starter Homes model) will not be known until after the autumn Statement and RP's have a better understanding of access to grant and availability of loan funding.</p>			

Current Risk	Strategic Risk	Ownership	Target Risk
	<p>DN17 Programme does not deliver the level of savings required and this impacts on the services the council can offer to the public</p>	Simon Wiles	
<p>Current position: there is an overall programme gap of £3.83m mainly made up of Adult Social Care Commissioning (£.56m), Modern & Productive Workforce (£1.87m) and Appropriate Assets (£1.17m).</p> <p>Mitigating Actions: An improvement board has been established for Adults that will be delivering the wider programme to 2017 and some short-term savings; Modern & Productive Workforce shortfall will be funded on the short-term basis from reserves and delivered in future years; Appropriate Assets has been realigned with some savings delivered as approved by cabinet on 20th October beyond 2016/17</p> <p>Target Risk – 3x2</p>			

Current Risk	Strategic Risk	Ownership	Target Risk
	<p>Poorly developed early help services could result in children and young people failing to maximise their opportunities and the council failing to improve or ameliorate health, education and life inequalities across the Borough</p>	Damian Allen	
<p>Current Position: Ongoing performance and quality assurance activity across Team Doncaster partners suggests that vulnerable children (living in the 30% most deprived LSOAs nationally) are not achieving similar health, education or well-being outcome levels compared to the wider childrens population</p> <p>Mitigating Actions: The council working with key partners has established an Early Help Hub to support practitioners to identify children who might benefit from early help and to improve the timeliness and quality of assessment and 'team around the child' working. The councils Early Help Service is making proposals to establish 5 local hubs to support practitioners and agencies to deliver and target and early help offer which will contribute to and be measured against the Team Doncaster Early Help Strategy Performance Targets. The service is also working with parents and young people to make sure views and wishes and included in proposed service delivery and investment. The L&O;CYP service is supporting local agencies to review and develop local outcome accountability plans to inform future commissioning of Early Help Services based on local knowledge of need and what works</p> <p>Target Risk: 3 x 2</p>			

Current Risk	Strategic Risk	Ownership	Target Risk
	<p>Failure to identify and manage Health and Safety risks</p>	Peter Dale	
<p>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 and Councillors have the opportunity to attend. The new Health and Safety Advisor post for Construction Services continues to work well. Risks have been identified at Hatfield Colliery and work is ongoing to mitigate risks to public safety. This includes proposals to demolish the 2 headstocks and secure buildings. Intensive work, with the assistance of competent advisors and mining engineers will take place during quarter 3. Separate reports on this work are being provided to the Chief</p>			

Executive and Leadership Team to update on progress.

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. 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.

Current Risk		Strategic Risk	Ownership	Target Risk
	8	Failure to respond adequately to borough emergencies or mitigate effectively against the effects of extreme weather conditions e.g. flooding	Peter Dale	

Current position:

This risk has been reviewed and has been reduced due to the intensive work that has been undertaken regarding the Council's plans for preparedness and business continuity. 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.

Current Risk		Strategic Risk	Ownership	Target Risk
	6	Low staff motivation/morale and low performance	Simon Wiles	

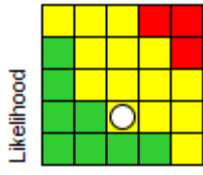
Current Position:

Outcomes on morale, motivation and performance levels continue to improve, demonstrated by the increased level of completion of PDRs achieving the corporate target of 95% for the first time giving more assurance that performance management is being undertaken. However, sickness absence performance for quarter 2 is at 2.25 days/FTE an increase from 1.89 days /FTE in Quarter 1. Although the Council overall is still on track to achieve the corporate target, 2 Directorates are already forecast to be above the Directorate target which would not be expected at this time of the year. There is still a high proportion of service reviews being undertaken along with on-going organisational transformation that will impact on morale, therefore this risk, although still currently manageable at a much lower level, will remain the same for this quarter.

Mitigating Actions:

Continue to monitor sickness trend and ensure action plans progress. Monitor impact on on-going organisation-wide transformation.

Target Risk Score – Score of 2:2 = 4.

Current Risk	Strategic Risk	Ownership	Target Risk
	<p style="text-align: center;">Failure to implement the Council's key borough objectives in partnership</p> <p style="text-align: center;">6</p>	<p style="text-align: center;">Simon Wiles</p>	
<p>Current Position Partners are currently working effectively together and have a clear understanding of the outcomes that are important to Doncaster and that must be delivered together. However it is clear that public service reform will intensify and closer partnership working and collaboration is vital to the future improvement of the Borough.</p> <p>Mitigating Actions Partnership outcomes have now been agreed for all Theme Boards and a new performance framework has been developed. This will be presented to the Team Doncaster Partnership and integrated with the Council's performance arrangements to create a joined up approach to delivering on our priorities. All outcomes are linked to the existing Borough Strategy.</p> <p>Target Risk Target Impact 3 (Significant), Target Likelihood 2 (Unlikely). The target risk is identical to the actual risk as it is felt that the current position is as positive as it is feasible to be.</p>			

27th January 2016

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

**DONCASTER COUNCIL GOVERNANCE PLAN 2016 AND UPDATE ON ACTIONS FROM
PREVIOUS YEARS**

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. Since the 2010 Corporate Governance Inspection we have made significant progress in our governance arrangements. This can be demonstrated by coming out of corporate intervention earlier than expected and, more recently, by the reduced number of issues highlighted in this report.
2. Moreover, members will recall that the Annual Audit Letter 2014/15, presented at Audit Committee on 19 November 2015, had reflected the overall significant and positive progress made by the Council. It should be noted that no high priority recommendations were raised as a result of KPMG's 2014/15 audit work and therefore, no further activities have been included in the Governance Plan 2016, arising from the Annual Audit Letter 2014/15.
3. 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.
4. Since the last Audit Committee meeting the following recommendation(s) has been implemented: R4 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.

Governance Plan 2016

5. The Governance Plan for 2016 includes:
 - a) Issues raised by the Governance Group that contribute to the effective delivery of the Council's Corporate Plan priorities shown at Appendix 1 as R1-R3;

- b) Recommendations arising from the Annual Audit Letters provided by KPMG. Currently there are only three recommendations included from previous Annual Audit Letters. These are from the 2013/14 Annual Audit Letter and are shown at Appendix 1 as R4-R6;
- c) Updates on progress made against the improvement issues identified in the 2014-15 Annual Governance Statement shown at Appendix 2 as R7; and
- d) Any relevant updates on the Council's Internal Audit Governance Strategy Action Plan (none).

Annual Audit Letter

6. The Annual Audit Letter provides a summary of the key findings from the external audit of the authority. Outstanding recommendations from the Annual Audit Letter 2013/14 are shown at Appendix 1 with relevant updates. The Annual Audit Letter for 2014/15 covers the audit of the authority's 2014/15 financial statements and the 2014/15 Value for Money Conclusion. The 2014/15 letter confirms the external auditor:
 - a) Issued an unqualified opinion on the Council's core financial statements and associated disclosure notes included in the Council's 2014/15 Statement of Accounts;
 - b) Concluded that the Council made appropriate arrangements to secure financial resilience and economy, efficiency and effectiveness in the use of its resources; and
 - c) Issued an audit certificate to demonstrate that the full requirements of both the Audit Commission's Code of Audit Practice and the Audit Commission Act 1998 have been discharged for the year.
7. 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.
8. 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.
9. Paragraph 18 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

- 10. 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 2016, in particular that the following activities have now been completed and will now be removed from the Governance Plan:**
 - a) R4 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.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

11. 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

12. 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

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

Annual Governance Report (KPMG)

14. 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.
15. 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 an 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

16. 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.

Annual Governance Statement

17. The Audit Committee requested an update be provided to show progress against the issues raised within the Annual Governance Statement. This request has been embedded within the Governance Plan report to provide a single, concise update on current priorities.

Exception Report for Activities that are a Cause for Concern

18. The Governance Group has noted that the following activities are currently causing particular concern: There are some concerns over aspects of financial administration within some teams within Adult Services. These are being investigated as part of the Adult Services improvement programme. Initial indications are that some administration affecting customers is significantly below the standards expected and special remedial work will be required.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

19. The delivery of activities contained within the Governance Plan 2016 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'.

Outcomes	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

20. 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

21. Any specific implications will be reported separately and in the context of any

initiative proposed to be taken.

FINANCIAL IMPLICATIONS

22. 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

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

TECHNOLOGY IMPLICATIONS

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

EQUALITY IMPLICATIONS

25. 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

26. 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 2016 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 Letters
Annual Governance Statement 2014-15

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Simon Wiles
Director of Finance & Corporate Services

Doncaster Council Governance Plan 2016

ACTIVITIES IN PROGRESS

Key R1	Strand		Responsible Assistant Director
R1.1	Proposed activity to deliver the recommendation (Original recommendation reference number)	Target Completion Date	Completed (Date)

KEY ACTIONS BEING TAKEN FORWARD BY THE COUNCIL'S GOVERNANCE GROUP FROM THE CORPORATE PLAN (R1-R3)

R1	Partnership Risks Managed		Lee Tillman
R1.1	Improve partnership risk arrangements	31/03/13	
	Update January 2016: During w/c 30 th November 2015 a series of dedicated training sessions were held for a multitude of Officers, Members and Senior Personnel on the stewardship of governing Partnerships. As a result of this training a number of additional actions were identified this will strengthen the partnership governance arrangements for Doncaster Council. In addition a further training session will be held on the 3 rd February 2016 to capture members of partnerships who represent Doncaster Council but are not Officers or Elected Members, ie drainage board members.	Additional Training session to be held 3 rd February 2016.	
Risks			
Update January 2016			
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: 3x3=9

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 PPR2 process:

Risk Profile: 4x3 =12

Mitigating Action: The PPR2 process has resulted in the loss of three partnership officers who all declared an expression for VR, all three were accepted. The officers have produced detailed hand over notes, in addition to intense work shadowing in there hand over period to help minimize disruption.

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	
	<p>Update January 2016</p> <p>Of the 13 major recommendations with agreed actions due for completion by the end of Q3, 8 have been achieved. These are divided between the directorates as follows:</p> <ul style="list-style-type: none"> Finance and Corporate Services, 7 out of the 7 agreed actions have been implemented, including ensuring data protection training has been completed by officers, monitoring delays in raising invoices for the collection of debts, enforcing legal action for non-payment of debt, monitoring of non-compliance with the procure to pay process, the monitoring of performance indicators for procure to pay and dealing with mis-match invoices. 		

- In Adults, Health and Wellbeing Services, 1 out of 3 agreed actions have been implemented or sufficiently progressed to no longer be regarded as major risks. This action relates to establishing new outcome based contracting arrangements for external home care. Outstanding actions are to finalise arrangements for ensuring accurate and full client contributions are being made as appropriate towards care costs and the implementation of a new Resource Allocation System for managing Direct Payments. These are major work streams and progressing at a good pace now.
- Learning, Opportunities and Skills: 0 out of 3 agreed actions due for completion by the end of Q3 have not been implemented, all of which relate to the development of Information Governance arrangements within the directorate. Outstanding actions relate to production of System Asset information and the development directorate information strategy and information governance strategies.
- Regeneration and Environment Directorate had no major recommendations due for implementation during the period.
- 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.

Risks

Update January 2016

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.

R3 Data Protection Incidents Minimised		Simon Wiles	
R3.1	Improved data protection arrangements	Ongoing	
	<p>Update January 2016 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> <p>The new Data Protection Regulations were announced in December, this means that the Regulations are standard across the EEA, the Council now has 2 years to implement these. The Data Protection Officer will now be putting together a plan to roll this out to ensure compliance with the deadline date.</p> <p>The Data Protection Officer is revising the Data Protection Breach Process which will now be renamed to the Data Protection Incident Process which will reflect that all reports of a 'breach' will now be an incident. If the incident has to be referred to the Information Commissioner's Office then the incident may become a breach but this will be determined by the Information Commissioner's Office.</p>		
Risks			
<p>Update January 2016</p> <p>Incidents in Data Protection Unfortunately, in quarter 3 there were 10 data protection incidents, 7 by the Council and 3 by Doncaster Children's Services Trust these incidents have increased since quarter 2.</p> <p>Risk Profile 4 x 3 = 12</p> <p>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.</p>			

KEY ACTIONS BEING TAKEN FORWARD FROM THE ANNUAL AUDIT LETTER 2013/14 (R4-R6)

R4	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 (R9)		Steve Mawson
	Update January 2016 All actions have been completed and the accounts signed off. KPMG, in its Annual Audit Letter 2014/15 issued an unqualified opinion on the Council's core financial statements and associated disclosure notes included in the Council's 2014/15 Statement of Accounts.	Completed	
Risks			
Update January 2016 Accounts have now been signed off and therefore there are no further mitigating actions required for this activity.			
R5	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 (R8)		Steve Mawson
	Update January 2016 The Mayor will make a formal announcement on the 2016/17 budget on 25th January 2016. This will contain initiatives to deliver the balance of the £109m savings detailed in the original recommendation.	2014-2017	
Risks			
Update January 2016 Failure to meet the budget gap of £109m. Risk Profile 3x2=6 – Mitigating Action: The DN17 Programme Team continues to focus on managing the projects to deliver the identified savings. Further work will progress to ensure a balanced budget is approved for 2016/17.			
R6	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 (R7)	On-going	Steve Mawson

	<p>Update January 2016 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 was expected to be around the end of December 2015. As at 14th Jan 2016 we are still awaiting this confirmation.</p>		
Risks			
<p>Update January 2016</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>			

KEY ACTIONS BEING TAKEN FORWARD FROM THE ANNUAL GOVERNANCE STATEMENT

R7	2014-15 Annual Governance Statement Process (see Appendix 2)		
R7.1	Significant issues identified in 2014-15 7.11 Procure to Pay 7.12 Fraud Code of Practice assessment 7.13 Doncaster Children's Services Trust 7.14 External Funding 7.15 Doncaster Market	See Appendix 2	See Appendix 2
R7.2	Key improvement areas identified during 2013-14 that remain an issue in 2014-15 7.21 Direct Payments 7.22 Information Commissioner Office (ICO) Inspection and Recommendation 7.23 Corporate Procurement and Contract Management 7.24 Data Quality Arrangements 7.25 Income Management 7.26 Asset Register 7.27 Business Continuity	See Appendix 2	See Appendix 2

	7.28 Risk Assessment		
R7.3	<p>Key improvement areas identified for the Doncaster Childrens Services Trust during 2013-14 that remain an issue in 2014-15.</p> <p>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</p> <p>7.31 *Respite Care Overpayments</p> <p>7.32 *Improving Children and Young People’s Services</p> <p>7.33 *Professional Practice</p> <p>7.34 * Children’s Service – Foster Care Service</p>	See Appendix 2	See Appendix 2
	<p>Update January 2016</p> <p>An update is presented at Appendix2.</p>	See Appendix 2	See Appendix 2

R7 2014-15 Annual Governance Statement - Progress Update
SECTION 1: Significant Governance Issues Identified in 2014/15

Appendix 2

7.11 Improvement Issue	Action Date	Responsible Manager
<p>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.</p>	December 2015	Director of Finance & Corporate Services
Improvement Action Progress update – Latest Update		
<p>The current performance on the payment of invoices at the end of October 2015 was 92% and the target of 95% is still expected to be achieved by the end of December 2015 and on line processes embedded across the council. The majority of invoices are now being received centrally. Teams have been revisited to ensure compliance with the P2P process and business processes are being reviewed where non-compliance occurs. Suppliers who are submitting invoices without an order number are being contacted by telephone and by written communication on a fortnightly basis. In order to achieve performance targets all receptors are being contacted on a weekly basis by telephone where there has been an invoice mis-match, this is in addition to receive an automatically generated E-mail from the system. The use of confirmation orders is also being monitored monthly and reported to Financial Systems Design Authority, Financial Systems Board and the Corporate Procurement Team.</p>		
7.12 Improvement Issue	Action Date	Responsible Manager
<p>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.</p>	September 2015	Director of Finance & Corporate Services
Improvement Action Progress update – Latest Update		
<p>This work has been completed. A range of actions have been implemented and are ongoing in relation to the Council's anti-fraud and corruption arrangements, including:</p> <ul style="list-style-type: none"> A full refresh of the Council's Anti-Fraud and Corruption Policy and Strategy was carried out by officers and subsequently agreed by the Audit 		

Committee on 31 July 2015. The refresh ensured the Policy and Strategy reflected the requirements of the CIPFA Code

- The Council's Whistleblowing Policy has been updated and re-launched
- A survey has been completed with middle managers to establish awareness of fraud risks and to identify risk areas
- Fraud risk registers are being developed initially using the survey responses
- A number of workshops are being held with managers to further raise awareness, identify fraud risks, building on the survey results, and ensure appropriate mitigating actions are put in place to manage the risks.

These will ensure full compliance with the CIPFA Code and consistency with good practice.

7.13 Improvement Issue	Action Date	Responsible Manager
<p>Doncaster Children's Trust</p> <p>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.</p>	<p>October 2015</p>	<p>Director of Learning & Opportunities: Children & Young People</p>
<p>Improvement Action Progress update – Latest Update</p>		
<p>The formal arrangements to monitor and review the effectiveness and impact of services to children delivered by the Trust were jointly agreed by the Local Authority and the Trust and have been shared with the department for Education. These arrangements commenced in April 2015 but have been emboldened, such that by the summer of 2015 a system of performance monitoring meetings has been established which consist of monthly performance and financial meetings overseen by a high level quarterly monitoring group. In addition there is a regular strategic improvement group which meets at Assistant Director level between the two organisations. There are also other challenge fora, the Children's scrutiny panel, Corporate Parenting Panel and the Doncaster Children's Safeguarding Panel.</p>		
<p>The Ofsted inspection report of services for children in need of help and protection, children looked after and care leavers published on 27th November 2015, commented favourably noting that: 'A range of formal reporting mechanisms between the Trust and the Council are evident, with monthly and quarterly performance meetings that monitor progress against the contractual requirements. Meeting minutes show appropriate attendance at senior level Formal meetings for the Council to monitor and challenge performance by the Trust exceed the requirements set out in the contract between the organisations... Meeting minutes show evidence of scrutiny of performance and appropriate challenge'.</p>		

7.14 Improvement Issue	Action Date	Responsible Manager
<p>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.</p>	December 2015	Director of Regeneration & Environment
Improvement Action Progress update – Latest Update		
<p>The activity is on track for delivery within the agreed timescales although we have no control over the European Commission Audit reaching a conclusion. Indications are that all issues have been satisfied with the exception of one issue which further supplementary information has been provided. There is still a risk of claw-back until we get the report back from the European Commission Audit. Whilst we should have heard from the European Commission Audit by the end of December 2015 we are still awaiting news on this topic.</p>		
7.15 Improvement Issue	Action Date	Responsible Manager
<p>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 review of all policies and procedures; improved communications; accessibility to the market; and footfall solution.</p>	April 2016	Director of Regeneration & Environment
Improvement Action Progress update – Latest Issue		
<p>The major activities completed are a comprehensive repairs and maintenance programme has been developed; health and safety improvements have now been implemented; the introduction of a cashless system has commenced and take-up continues to grow; a full review of all policies and procedures has been completed; improved communications are in place; accessibility to the market continues to be improved and a new footfall measuring solution is being procured.</p>		

SECTION 2: Improvement Areas identified during 2013-14 that remain an issue in 2014-15

7.21 Improvement Issue	Action Date	Responsible Manager
<p>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 on-going on the remaining actions and the Director of Adults, Health & Wellbeing has agreed a completion date of November 2015.</p>	November 2015	Director of Adults, Health & Wellbeing
<p>Improvement Action Progress update – Latest Update</p>		
<p>There is still an outstanding risk of inappropriate amounts being paid to service users, inappropriate spend and inadequate recovery processes resulting in a loss of money to the Authority. This is because there are a number of actions and processes that still need to be put into place or be embedded. Substantial work and resources have been put into managing this area from staff within Adults, Health and Wellbeing and Finance and Corporate Services. The Service now has approval to appoint a further 4 full time equivalent (FTE's) posts to help with the work in this area. This issue is a key element of the transformation of adult social care. A full report will be presented to the Adults Health and Wellbeing Improvement Board on 25th January 2016.</p>		

7.22 Improvement Action	Action Date	Responsible Manager
<p>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</p>	On-going Monitoring	Director of Finance & Corporate Services
<p>Improvement Action Progress update – Latest Update</p>		
<p>Unfortunately, in quarter 3 there were 10 data protection incidents, 7 by the Council and 3 by Doncaster Children's Services Trust these incidents have increased since quarter 2. 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. 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</p>		

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.

The new Data Protection Regulations were announced in December, this means that the Regulations are standard across the EEA, the Council now has 2 years to implement these. The Data Protection Officer will now be putting together a plan to roll this out to ensure compliance with the deadline date.

The Data Protection Officer is revising the Data Protection Breach Process which will now be renamed to the Data Protection Incident Process which will reflect that all reports of a 'breach' will now be an incident. If the incident has to be referred to the Information Commissioner's Office then the incident may become a breach but this will be determined by the Information Commissioner's Office.

7.23 Improvement Issue	Action Date	Responsible Manager
<p>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.</p>	<p>March 2016</p>	<p>Director of Finance & Corporate Services</p>
<p>Improvement Action Progress update – Latest Update</p>		
<p>A review of procurement and commissioning was completed in November 2015 and drew positive conclusions about corporate procurement arrangements. The review will inform the future shape of the Council's procurement service and its functions. Changes to the Council's Contract Procedure Rules are being presented to full Council in January 2016. The proposed changes will enable the Council to achieve better value for money for the citizens of Doncaster, through simplifying the procurement process and increasing competition within the supply chain. The level of Council spend to organisations which are locally based in Doncaster, has increased from 49% (end March 2014) to 60.56% (end September 2015). A training programme has been introduced to provide support and guidance to private and voluntary sector organisations on how to do business with the public sector.</p>		

7.24 Improvement Issue	Action Date	Responsible Manager
<p>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 plans 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</p>	<p>October 2015</p>	<p>Director of Finance & Corporate Services</p>

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		
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Improvement Action Progress update – Latest Update		
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The major activity regarding the data quality self-assessments has been completed. This is the first time an exercise on our statutory returns has been undertaken and the results from the self-assessment illustrate the majority of the return owner’s perception of low risks with regard to data quality for their returns. The results of this exercise will inform the new Data Quality Strategy that will be needed early in 2016.		
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The activity that is not on track is the development of the Data Quality strategy which needs to gather pace and will do as the Strategy & Performance unit begins to form and assign work. A provisional project plan for the Data Quality Strategy has being developed but there is more work to do in 2016 to produce and implement the strategy. .		
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7.25 Improvement Issue	Action Date	Responsible Manager
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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	Established 2016	Director of Finance & Corporate Services
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Improvement Action Progress update – Latest Update		
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Work has been delayed whilst a new Income Management officer has been recruited. The new post-holder started on Monday 30 November and will be working to a plan to address the major areas identified in the audit report and generate the £100k savings target. The objectives of the project will be to:		
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|---|--|--|
| <ol style="list-style-type: none"> 1. Fully maximise income opportunities; 2. Ensure all income due is identified and collected by the most cost efficient method in a timely manner; 3. Ensure all sums due are correctly accounted for in the financial systems; 4. Update all relevant procedures and documentation 5. Standardise reconciliation procedures; | | |
|---|--|--|

An action plan has been finalised and it concentrates on 4 areas: What to charge; how to charge; collection and recovery; and accounts and reconciliation.		
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7.26 Improvement Issue	Action Date	Responsible Manager
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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	October 2015	Director of Finance & Corporate Services
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plan for infrastructure assets. The Director of Finance & Corporate Services will provide an update on the Phase 2 project plan in October 2015		
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Improvement Action Progress update – Latest Update		
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Although Phase 2 of the Enterprise Resource Planning (ERP) programme has been deferred (with new deadlines to be agreed), the current fixed asset register has been enhanced and meets external audit requirements, therefore this issue is resolved.		
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The fixed asset register (held on an excel spreadsheet) is now able to produce the statement of account information by using pivot tables directly from the register. External audit have been pleased with the improvements, it has led to a more efficient capital audit, through improved audit trails and working papers. Meaning that the process of capital accounting and the associated audit have become more efficient, less time consuming and accuracy has been improved through uniform reconciliations and control checks. This will continue to be included in the phase 2 ERP project to review and improve the current arrangements.		
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7.27 Improvement Issue	Action Date	Responsible Manager
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<p>Business Continuity Plan</p> <p>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.</p> <p>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.</p>	Ongoing	Director of Regeneration & Environment
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Improvement Action Progress update – Latest Update		
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The Business Continuity Policy, Strategy and Action plan has supported and enabled a full and effective review of Directorate Business Continuity Plans. 196 priority activity business continuity plans have been developed and approved by the Corporate Business Continuity Steering Group. These plans will support the continued delivery of priority activities during disruptive challenges to Doncaster Council.		
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Where re-allocation of responsibilities and plans are required as a result of restructures this proving to be simple and effective.		
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A Business Continuity Plan detailing response and recovery arrangements for the loss of the Civic Building is currently being progressed.		
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7.28 Improvement Issue	Action Date	Responsible Manager
<p>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.</p>	ongoing	Director of Regeneration & Environment
<p>Improvement Action Progress update – Latest Update</p>		
<p>All managers within the service have now attended Health & Safety training and have implemented appropriate associated actions to identify and mitigate risk. Measures have now been put in place to ensure the land transfers between the council and contractors are 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. This activity is on track.</p>		

CERTAIN GOVERNANCE ISSUES RELATING TO DONCASTER CHILDREN'S SERVICES TRUST ARE INDICATED WITH AN ASTERISK (*) AND THE DONCASTER CHILDREN'S SERVICES TRUST HAS BEEN NOTIFIED. THESE ARE 7.31; 7.32; 7.33; AND 7.34 SET OUT BELOW

7.31 Improvement Issue	Action Date	Responsible Manager
<p>*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.</p>	November 2015	Director of Learning & Opportunities: Children & Young people
<p>Improvement Action Progress update – Latest Update</p>		
<p>All foster care payments are managed by the placements team. This ensures separation of function between the fostering support and payments function. A random sample of payments are audited by the finance team prior to approval. This activity is completed</p> <p>Finance and Liquid Logic information systems are to be reviewed to ensure differentiation between respite and foster care payments to ensure improved management oversight of respite care payments. This activity has been delayed as a result of the two recent inspections of the fostering service but will be placed on the forward plan as matter of urgency</p> <p>Foster carer eligibility for respite care is currently under review. A letter of clarification and best practice has been sent to all foster carers and a task and finish</p>		

group are reviewing eligibility for respite care. This will be subject to consultation with our foster carers in the New Year. This is an additional piece of work to further strengthen our response - not required in the initial review

7.32 Improvement Issue	Action Date	Responsible Manager														
<p>*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 on-going priority for the Director of Learning & Opportunities: Children & Young people.</p>	Ongoing	Director of Learning & Opportunities: Children & Young people														
<p>Improvement Action Progress update – Latest Update</p>																
<p>The major activity completed is the production of the Trust's Continuous Improvement Plan, summarised as the Delivery Plan for staff. Establishment of the Trust's Continuous Improvement Board, which owns the plan and ensures progress against each objective. Of the current 68 tasks and actions within the plan, the majority (87%) are on track or already completed, and progress is being made against each of the priority areas. Currently there are nine tasks that are showing some slight delay, in some cases due to the challenge of timely working with partner organisations, or delays in appointing resource to complete them. For each of the nine tasks, action is being taken to bring them back on track, and all will be delivered albeit past the original challenging deadlines. The Plan sets a clear focus on key priorities for the Trust, aligned to business plan. The next iteration of service plans will map to Continuous Plan.</p> <p>Further work is underway to include recommendations and associated actions from recent Inspections of services delivered by the Trust. There are currently five action plans covering each service area, with a monitoring framework. These will be refined so that they are part of the continuous improvement plan.</p> <p>A recent Ofsted inspection of services for children in need of help and protection, children looked after and care leavers resulted in the following judgment:</p> <table border="0" data-bbox="91 1082 1075 1319"> <thead> <tr> <th data-bbox="91 1082 761 1114">Judgement Area</th> <th data-bbox="761 1082 1075 1114">Latest Judgement</th> </tr> </thead> <tbody> <tr> <td data-bbox="91 1114 761 1145">Overall Effectiveness</td> <td data-bbox="761 1114 1075 1145">Inadequate</td> </tr> <tr> <td data-bbox="91 1145 761 1177">Leadership, Management and Governance</td> <td data-bbox="761 1145 1075 1177">Requires Improvement</td> </tr> <tr> <td data-bbox="91 1177 761 1209">Children who need help and protection</td> <td data-bbox="761 1177 1075 1209">Inadequate</td> </tr> <tr> <td data-bbox="91 1209 761 1241">Children Looked After</td> <td data-bbox="761 1209 1075 1241">Requires Improvement</td> </tr> <tr> <td data-bbox="91 1241 761 1273">Adoption Services</td> <td data-bbox="761 1241 1075 1273">Good</td> </tr> <tr> <td data-bbox="91 1273 761 1319">Care Leavers</td> <td data-bbox="761 1273 1075 1319">Requires Improvement</td> </tr> </tbody> </table>			Judgement Area	Latest Judgement	Overall Effectiveness	Inadequate	Leadership, Management and Governance	Requires Improvement	Children who need help and protection	Inadequate	Children Looked After	Requires Improvement	Adoption Services	Good	Care Leavers	Requires Improvement
Judgement Area	Latest Judgement															
Overall Effectiveness	Inadequate															
Leadership, Management and Governance	Requires Improvement															
Children who need help and protection	Inadequate															
Children Looked After	Requires Improvement															
Adoption Services	Good															
Care Leavers	Requires Improvement															

7.33 Improvement Issue	Action Date	Responsible Manager
<p>*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.</p>	Ongoing	Director of Learning & Opportunities: Children & Young people
<p>Improvement Action Progress update – Latest Update</p>		
<p>The major activity completed is that staff with auditing responsibilities have received training from external audit specialists in order to introduce a higher level of rigour and consistency to the process, and therefore set a new and more reliable baseline for case file quality. The recent Ofsted inspection identified that Trust staff's thresholds for audit matched those applied by Inspectors. Both the training and recent Inspection have provided external calibration and assurance of the Trust's audit standards. The Trust has deployed a new and more granular audit tool, which is now embedded into Liquid Logic, allowing for greater analysis of case file quality and identification of themes for improvement. Practice standards manuals and associated materials have been cascaded with staff, which should also improve file quality over time.</p> <p>As a result of the recent Ofsted Inspection, the Trust is about to embark on appointing a Practice Improvement Partner with the specific aim of developing and equipping frontline staff, and line managers, to achieve a consistent standard of good practice.</p>		

7.34 Improvement Issue	Action Date	Responsible Manager
<p>*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.</p>	July 2015	Director of Learning & Opportunities: Children & Young people
<p>Improvement Action Progress update – Latest Update</p>		
<p>The integration of all payments through the ContrOCC systems is scheduled for January 2016. In the meantime, no significant overpayments have been identified.</p> <p>The Council continues to take appropriate action to recover the overpayments made.</p>		

27 January 2016

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

INTERNAL AUDIT REPORT FOR THE PERIOD: SEPTEMBER 2015 to DECEMBER 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 September 2015 to 31 December 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 continues to confirm **the Council generally has appropriate controls in place and that the controls are operating effectively.**
5. During the period most of our work provided reasonable levels of assurance about the existence and operation of controls under review. We mostly provided 'partial' or 'substantial' assurance opinions. There were only two audits completed where we gave 'limited assurance'; these were in relation to (1) CCTV Monitoring, where the Council is not currently complying with the Data Protection Code of Practice for Surveillance Cameras and Personal Information, and (2) Short Break Respite Care, where records relating to service decisions and their implementation and review are poor. We also identified major weaknesses at 3 schools audited during the period. Action plans have been agreed with management to implement the improvements required to reduce the risks.
6. The report identifies some changes to the audit plan which we propose to make to reflect changing priorities and/or emerging risks.

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 is currently running at the level anticipated and budgeted for. However, a major responsive review is now underway and anticipated to continue well into the 2016/17 financial year and this will have an impact on the remainder of the 2015/16 audit plan. Examples of work done under this heading are included within the report.
9. **There are no major items to bring to the Committee's attention in relation to work completed during this period, although Members should note the reference to the major responsive exercise currently underway.**

Section 3: Progress on the implementation of audit recommendations

10. There are 6 overdue major recommendations across the Council. **This is the lowest number achieved for some time, and reflects the support the Executive and senior management are providing to the clearance of outstanding recommendations. Overall this is very encouraging and demonstrates a commitment to strong governance in this respect.**
11. The remaining outstanding recommendations continue to be closely monitored by Internal Audit with respective senior officers.
12. At the September Audit Committee meeting, it was reported that within the Adults, Health and Wellbeing Directorate there were 2 major actions outstanding as at 31st August 2015 and these had been outstanding for some time. These covered Personal Budgets/Direct Payments and formed part of 25 recommendations overdue within the directorate at that date. A separate report on progress in this directorate is included in the audit committee agenda.

Section 4: Performance Information

13. **The overall performance of the audit service continues to be good.**
14. Performance against the Internal Audit's key indicators is close to target. Results relating to major recommendations and customer satisfaction remain very positive, with 100% of critical or major recommendations agreed and 100% of Customer Satisfaction Surveys rated Satisfactory or above. Timeliness of reporting is good. We are slightly behind target at this point in relation to '*% completion of the audit plan*' and '*audits completed within budget*', but there are no significant issues that will prevent us from being able to issue an opinion on the Council's control environment at the end of the financial year.
15. The number of audit days is slightly below expected, but this is primarily due to the Team's relocation to the Civic Building and an upgrade to the electronic audit system.

RECOMMENDATIONS

16. **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
- d) To note the changes to the original audit plan.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

- 17. 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

- 18. 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

- 19. Not applicable - for information only

IMPACT ON THE COUNCIL'S KEY OUTCOMES

- 20. 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:

	Outcomes	Implications
	Council services are modern and value for money.	Internal Audit 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 by Internal Audit improves and strengthens governance arrangements within the Council and its partners.

RISKS AND ASSUMPTIONS

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

LEGAL IMPLICATIONS

22. 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

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

CONSULTATION

24. 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

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

REPORT AUTHOR & CONTRIBUTORS

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Colin Earl
Head of Internal Audit

Appendices Attached

Appendix 1 - Internal Audit Report: 1 September 2015 to 31 December 2015

**DONCASTER MBC
INTERNAL AUDIT REPORT: SEPTEMBER TO DECEMBER 2015**

Introduction

The internal audit report is in four sections:

Section 1: Planned audit work, including proposed changes to the original audit plan

Section 2: Unplanned responsive work carried out in period

Section 3: Progress on the implementation of audit recommendations

Section 5: 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	
Metro Clean Services Financial Administration Review		11	Partial Assurance
Data Quality Review - Care First System		3	Substantial Assurance
Data Protection Reviews - North Bridge		1	Partial Assurance
ICT Themes - CCTV Monitoring		23	Limited Assurance
Short Break Respite Care – Aiming High Team	4	6	Limited Assurance
Danum Drainage Board Follow up		4	
Tourist Information Centre - Cash Handling Review		10	Partial Assurance
Bus Services Fuel Grant		0	Unqualified Opinion
Transparency Code (grant)		0	Unqualified Opinion

The Bus Services and Transparency code audits emanated from grant claims submitted by the Council during the period. We gave unqualified opinions following these audits.

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 two 'limited assurance' opinion following our audits of ICT Themes - CCTV Monitoring and Short Break Respite Care – Aiming High Team.

Summary details in these areas are provided below:

ICT Themes - CCTV Monitoring

An assessment of the 12 principles of the Data Protection Code of Practice for Surveillance Cameras and Personal Information show that none of the principles are currently met, 4 are partially met, 1 mostly met and 7 do not conform.

The Alarm Response Centre is currently working with teams across the Council that use a CCTV system in order to ensure that staff are aware of the Code and systems comply with it.

However, due to the number of significant risk identified, we are only able to provide limited assurance that compliance with the Data Protection Code of Practice for Surveillance Cameras and Personal Information is likely to be achieved until a number of recommendations have been actioned.

Short Break Respite Care – Aiming High Team

A partial review undertaken in this area identified several weaknesses regarding the financial management and governance arrangements over the team, including:

- A lack of accurate and complete information regarding respite decisions and commitments made
- An inadequate audit trail to show the implementation of decisions reached
- A lack of clarity about the completion of reviews
- An absence of contractual agreements for some provision

The Service is implementing a case management system that should help to alleviate these issues and we will carry out a follow-up review during 2016/17, to ensure risks have been mitigated.

Schools Based Work

The following school audits were completed in the period:

- Morley Place Junior School
- Hexthorpe Primary School
- Denaby Main Primary School

There were major weaknesses found at each school, which are summarised below

Morley Place Junior School

The review highlighted several areas that required improvements and needed to be addressed by the school. There were several tasks not being undertaken regularly including reconciliations between the bank account and the school financial management system, and failing to raise orders routinely, to ensure the expenditure was committed against the budget and make budget monitoring accurate.

Limited progress has been made in implementing the actions raised during the audit, due to resourcing issues. A key member of finance staff had left the school since the audit, impacting on workload and the implementation of recommended actions. However, there is now an Office Manager in post and workloads will be reorganised to ensure that tasks can be completed in the required timescales. The school is now focusing on implementing the outstanding actions.

Regular follow-ups and contact with the school will continue to be carried out to ensure progress regarding the implementation of outstanding actions is maintained.

Hexthorpe Primary School

The review highlighted several areas that required improvements and needed to be addressed by the school. There were issues regarding staff knowledge and experience in completing important financial tasks which resulted in inaccurate budget information being presented to governors. The school did not ensure important financial management tasks were completed when staff were absent. Budget revisions were not undertaken regularly, and orders were not routinely raised resulting in expenditure not being committed against the budget and budget monitoring information not being accurate and complete.

Limited progress has been made in implementing the actions raised during the audit which is mainly due to resourcing issues. The school has lost members of staff in the office and still needs to make adequate provision for ensuring financial tasks are adequately resourced and completed. We will continue to work with the School to ensure progress is made regarding the implementation of outstanding actions.

Denaby Main Primary School

The review highlighted several control weaknesses that allowed policies and procedures to be contravened without appropriate challenge and intervention, including relating to performance reviews, pay decisions and conflicts of interest. New management are now making good progress in implementing the actions raised during the audit and the School has maintained contact with Internal Audit regarding the outstanding actions and advice on implementation.

Other Schools' Based Work

During the period Internal Audit has also:

- Completed a review regarding Voluntary Fund administration at a primary school. This led to a strengthening of the controls in place at this school which will be recommended to all other schools to implement.
- Provided all relevant material to support a management investigation regarding pay increments at a primary school. The person involved has now left the school.

- Junior School - Loss of Monies. Whilst the monies could not be recovered, an advisory note was issued to the school providing advice on how to prevent such occurrences in the future.
- Governor Forum – Delivery of workshops covering the School Financial Value Standard process and School Voluntary Fund administration.
- Provided ongoing support and advice throughout the Education and Standards Service as required.

Changes to the Audit Plan

Internal Audit is required to ensure its audit plan remains flexible and is able to adapt to new and emerging risks and changing priorities.

A number of new risks or urgent work have arisen during this year, which require Internal Audit to reschedule some of its original programmed work. A schedule of the changes is provided in **Appendix 1**.

By making the changes identified, Internal Audit can better respond to the Council's needs and priorities, and provide assurance where it is required and adds more value.

The proposed changes will augment the overall assurance and opinion Internal Audit is able to provide at the end of the audit year.

Section 2: Responsive work carried out in the period

The following responsive work has been completed in the period;

- **Food Standards Agency Payments** - Concerns were raised by a Senior Manager in Regeneration and Environment that monies received from the Food Standards Agency to perform specific food standards testing on their behalf were being mismanaged and were being paid to staff outside of the normal payroll process. No wrongdoing was uncovered but advice was given by both Internal Audit and Human Resources on how to deal with and pay future requests from the agency.
- **Deprivation Of Liberty Safeguards (DOLS)- Doctor's Invoices** - Members of the DOLS team became suspicious of a potential false invoice received from an external doctor commissioned to assess the mental health of individuals before an individual is detained under the Mental Health Act. Internal Audit was asked to examine whether the service had been received in this case, and to assess whether there were any other potential false invoices received. The audit work confirmed there was just the one false invoice claimed. The doctor is no longer being used to carry out assessments. Procedural changes have been introduced to provide greater assurance that assessment visits had actually taken place. No safeguarding issues were identified.
- **Doncaster 50+ Partnership - Letter to Mayor** a letter was received by the Mayor from a Doncaster citizen concerned that the Council was inappropriately supporting the Doncaster 50+ Partnership. Internal Audit found that no inappropriate support was considered to have been made and the concerned citizen was responded to as appropriate.

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. There are now substantial work and resources being put into managing this area from staff within Adults, Health and Communities and Finance and Corporate Services.</p> <p>A full time member of staff is now working on this and a significant amount of work has already been completed.</p> <p>Original Implementation date: 30/06/2014 Revised implementation date: 30/11/2014 31/03/2015 31/12/2015 31/03/2016</p>
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.*	<p>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.</p> <p>An extension of time is requested to allow for the completion of a recalibration exercise and thorough evaluation to assess the effectiveness of the new system</p> <p>Original Implementation date: 30/11/2014 Revised implementation date: 30/04/2015 30/11/2015 29/02/2016</p> <p>* A comprehensive review involving staff from Adults, Finance and internal audit has been carried out in the area of Personal Budgets / Direct Payments in order to address the long- running and ongoing concerns and this is being reported upon separately to this committee. It is clear that new arrangements put into place are better managing the service and that stronger financial and monitoring controls are being developed. This is important as there is a targeted increase in uptake in this form of service delivery over traditional domiciliary care.</p> <p>Internal Audit will continue to provide developmental support, adding value to the service, through more efficient, effective and economic arrangements.</p>

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
ICT Governance - Learning & Opportunities: Children & Young People (LOCYP)	
Exposure	Current Position
<u>System Asset Register</u> Unclear responsibilities and lack of awareness / accountability. Inadequate/Incomplete records of systems held.	LOCYP will ensure that their System Asset Register is accurate and up to date. The Children's Trust will produce their own System Asset Register. Original Implementation date: 31/05/15 Revised implementation date: 31/10/15 31/03/16
<u>Strategy</u> Children's Services staff lack of awareness of Corporate priorities. Children's Services long term vision not linked to the Corporate ICT Strategy and list of priorities.	An Information Strategy and an Information Governance Strategy showing a long term vision for the directorate which links into DMBC's ICT Strategy and list of priorities is to be led by Peter Featherstone, Business Manager, once the System Asset Register is in place. Original Implementation date: 31/05/15 Revised implementation date: 31/10/15 31/03/16
<u>Unclear responsibilities.</u> ICT Governance not acknowledged in the new staff structure. Poor ICT Governance.	The C&O: CYP Performance Head of Service job description will be revisited and ICT governance responsibilities included. Original Implementation date: 31/05/15 Revised implementation date: 31/10/15 31/03/16

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 December 2015 and actual achieved to date:

	Budget	Profile days 31/12/2015	Actual days 31/12/2015	Variance
Gross Days:	2,679	2,009	2,089	80
Less – annual and statutory leave	-476	-428	-428	0
Less – maternity leave	-0	-0	-0	0
Less – Special Granted Leave / Bereavement	-8	-8	-28	-20
Less – Unpaid Leave	-20	-15	-15	0
Less – Election Leave	-11	-5	-5	0
Available days	2,164	1,553	1,613	60
Less :-				
Sickness	-64	-48	-57	-9
Service Development	-24	-18	-32	-14
Professional Training and CPD	-108	-81	-74	7
Management and supervision	-167	-125	-198	-53
Administration and support	-26	-20	-74	-34
Total deductions	-389	-292	-435	-103
Audit days available for 2015/16	1,775	1,261	1,178	-43

Audit Time Charged:

Planned audit	1,531	1,083	1,016	-37
Responsive audit	244	178	162*	-6
Actual Audit Time Charged	1,775	1,261	1,178	-43

*Actual time spent

The number of available audit days is below expected levels due to several factors, the main one being additional time required for office relocation and associated archiving, and an upgrade to the Service's electronic audit system.

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 December 2015.

Performance Indicator	Target	1 April to 31 Dec 2015	Variance
Percentage of planned audit work completed	75%	70%	-5%
Draft reports issued within 15 days of field work being completed	90%	86%	-4%
Final reports issued within 5 days of customer response	90%	92%	2%
% of critical or major recommendations agreed	100%	100%	0
Cost per Chargeable Day	£303	£309	£6
Percentage of Customer Satisfaction Surveys rated Satisfactory or above	90%	100%	10%
Percentage of jobs completed within 10% of budget	90%	84%	-6%

Despite the reduction in available audit days, the team has managed to maintain progress in delivery of the audit plan to 70.2% of the plan delivered against target of 75% and we are confident in being able to deliver work to provide our annual assurance opinion.

The slight fall in levels of jobs completed within budget is more indicative of under-allowance of time for the complexity of work rather than poor performance.

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.

Appendix 1

Proposed Changes to approved Audit Plan

Due to an unforeseen use of contingency time and emerging risks, a number of plan changes have been made.

These involve the cancellation of the following jobs:

- **Bereavement Services - Pet Cemetery** – Cancelled due to delays in the service being set up.
- **Best Bar None** – Management has made a decision to no longer offer the scheme, therefore this audit is no longer needed.
- **School theme – Educational attainment and funding** – Cancelled due to time reallocated to work on School Voluntary Funds.
- **Trading Standards Data Protection Review** – deferred in favour of higher risk work (Safeguarding Adults Personal Assets Team (SAPAT))

The following jobs have been added to the plan:

- **Tourist Information Centre** – Cash testing identified an issue which showed poor financial controls.
- **Care Home Sale Audits (6)** – Requested on transfer to Runwood Homes
- **Overpayment Review of Direct Payments** - A high level of overpayments were identified in this area.
- **Danum Drainage Board Follow Up** – Follow up work was required to ensure that the Board had responded appropriately to previously reported governance weaknesses.
- **Bentley Training Centre Review** – Review was requested by the client and undertaken jointly with management.
- **Governance and Assurance Mapping** – Assistance sought by management to develop departmental arrangements.
- **Conisbrough Balby Street Primary School Follow-up Audit**– Significant concerns raised in the original audit necessitated a more comprehensive follow up.

The following jobs have been deferred and will be transferred to the 2016/17 audit plan:

- **Public Sector Equalities** – Delayed process by customer and job was delayed until Quarter 4 (not ready for Quarter 2). The SAPAT work is priority so the customer has agreed to reschedule to Q1 of 2016/17 plan.
- **Creditors** – This review will be undertaken later than originally anticipated in order to better assess the impact of ongoing management actions in this area from the previous audit, and to release additional resources into other audit work.
- **Deprivation Of Liberty Safeguards (DOLS)** – Service undergoing process redesign under the digital council programme. Audit review rescheduled following this work

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