

To all Members of the

AUDIT COMMITTEE

AGENDA

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

VENUE Council Chamber - Civic Office
DATE: Wednesday, 25th January, 2017
TIME: 10.00 am

Items for Discussion:

	PageNo.
1. Apologies for Absence.	
2. To consider the extent, if any, to which the Public and Press are to be excluded from the meeting.	
3. Declarations of Interest, if any.	
4. Minutes of the meeting held on 17th November, 2016.	1 - 12
A. Reports where the public and press may not be excluded.	
5. Audit Committee Actions Log	13 - 24
6. Strategic Budget Risk Management.	25 - 32
7. Corporate Risk Register - Quarter 2 Key Highlights Summary	33 - 36
8. Internal Audit report for period: August 2016 to December 2016	37 - 58

Jo Miller
Chief Executive

Issued on: Tuesday, 17 January 2017

Governance Officer
for this meeting:

Amber Torrington
(01302) 737462

9.	External Auditors (KPMG) Action Plan 2016/17	59 - 80
10.	Arrangements and Timetable for Preparation of Accounts 2016/17	81 - 88
11.	Doncaster Council Governance Plan 2017 and update on actions from previous years.	89 - 108
12.	Income Management progress report.	109 - 116

Members of the Audit Committee

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

Councillor Iris Beech, Susan Durant and John Healy.

Co-opted Member: Kathryn Smart.

Public Document Pack Agenda Item 4

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

THURSDAY, 17TH NOVEMBER, 2016

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER - CIVIC OFFICE on THURSDAY, 17TH NOVEMBER, 2016, at 10.00 am.

PRESENT:

Chair - Councillor Austen White

Vice-Chair - Councillor Richard A Jones

Councillor Susan Durant and Kathryn Smart, Co-opted Member.

ALSO IN ATTENDANCE:-

Denise Bann, Head of Procurement

Patrick Birch, Programme Manager, Commissioning and Contracts

Kim Curry, Director, Adults and Health and Well Being

Colin Earl, Head of Internal Audit

Scott Fawcus, Assistant Director of Legal and Democratic Services and Monitoring Officer

Pat Higgs, Assistant Director, Adult Social Care

Peter Jackson, Internal Audit Manager

Steve Mawson, Chief Financial Officer and Assistant Director of Finance

Howard Monk, Head of Service, Strategy and Performance, Strategy and Performance

Helen Potts, Principal Legal Officer

Alan Wiltshire, Head of Policy and Partnerships, Strategic and Performance

APOLOGIES:

An apology for absence was received from Councillor John Healy.

22 DECLARATIONS OF INTEREST, IF ANY

Kathryn Smart declared a non-pecuniary interest in respect of Waiver No.'s CPR 16/05/0003 and CPR 16/04/0005, of Appendix 2 of Agenda Item 9, by virtue of being and employee for RDASH (Rotherham Doncaster and South Humber NHS Foundation Trust).

23 MINUTES OF THE MEETING HELD ON 17TH AUGUST, 2016

RESOLVED that the minutes of the meeting held on 17th August, 2016, be approved as a correct record and signed by the Chair.

24 AUDIT COMMITTEE ACTIONS LOG

Colin Earl, Head of Internal Audit Services presented a report which updated Members on actions agreed at previous Audit Committee meetings, thereby allowing Members to monitor progress against these actions, ensuring satisfactory progress was being made.

Further to a request from a member of the Audit Committee, who had raised the issue of the difficulty in tracking actions agreed from previous Audit Committee meetings, this had resulted in the production of the Audit Committee Issues Log which was updated for each Audit Committee meeting, documenting all actions agreed during previous meetings that had not been fully completed. Items that had not been fully completed since the previous Audit Committee meeting were also documented in the report and then removed for the following meeting log.

Members' attention was drawn to the Appendix of the report, which detailed the follow-up actions from previous meetings; the majority of which were classified as "green", either having been fully addressed and for removal from the following log or because arrangements were in hand and the actions were not yet due.

It was reported that there were, however, two "red" actions relating to procurement breaches that were on-going and further information was available on these items on the Financial and Purchasing and Contract Procedure Rules report (agenda item number 9 of the agenda papers).

RESOLVED that the progress being made against the actions agreed at the previous committee meetings, be noted.

25 STRATEGIC RISK MANAGEMENT IN ADULTS, HEALTH AND WELLBEING -
(Minute No. 18 – 17th August, 2016)

Further to the above Minute, the Committee considered its first 'Deep Dive' review of the Adults Health and Wellbeing (AHWb) directorate, in order to provide a more in-depth picture of how it managed strategic risks, as requested by this Committee at its meeting on 17th August 2016. The report provided details of the grip the directorate had on its 2 specific strategic risks and the variety of ways in which the key components of the risks were focussed upon. The 2 strategic risks identified included:

- SR01 - The agreed standards and policies are not adequately understood and implemented by practitioners who work with vulnerable adults increasing the risk of vulnerable people experiencing harm or abuse (current score, impact 5 *critical*, likelihood 2 *unlikely*).
- SR02 - Health and social care services do not change fast enough, impacting on quality, accessibility and affordability of services for people who need them most (current score, impact 5 *critical*, likelihood 3 possible).

Kim Curry, Director Adults, Health and Wellbeing, was in attendance at the meeting to respond to Members questions and concerns.

In response to a query with regard to the areas that were outstanding following the independent quality assurance review undertaken in September 2016, as highlighted in Paragraph 16 of the report, Members were informed that the areas of progress made so far were on the work that had been undertaken with the Doncaster Safeguarding Adults Board, which was now chaired by an Independent Chair and a Performance Framework had since been put in place. Members noted that support to the Board was currently being reviewed. It was explained that the area for consideration was particularly in relation to the national agenda for 'Self neglect and vulnerable people', which related to homeless people and those people who were

often badged as 'difficult to engage' and was about how the local authority and its partners could help in such situations. Whilst this issue was not particularly specific to Doncaster, the Council was looking at how this could be built into the Safeguarding process and there were a number of ways that this was being achieved through the Safer, Stronger approach and the Stronger Families approach. The Council was also looking at a 'Community MARAC' (multi-agency risk assessment conference) approach, where individual organisations meet to talk about vulnerable people. A key issue was finding a way to communicate and engage with this cohort of people.

During discussion, Members noted that whilst the current risk scores were provided for in the report, the target risk scores had not been included. Therefore, it was requested that in future, an extract from the Risk Register be appended to the report for comparative purposes.

In response to a query in relation to re-scoring of risks and the frequency of the Quarterly Review of the Risks identified in the table at Appendix A to the report, assurances were provided that monthly performance Directorate Leadership Team meetings were held to review the risks, review the scores and review the progress being made, not only against the indicators but also against Corporate and departmental risks. The Director Adults, Health and Wellbeing acknowledged that it may be timely to consider whether the risks identified in the report were the right risks.

Further to a question in relation to the reporting of risks and whether the risks could be changed, Members were informed that the risks were reported and discussed at Departmental leadership meetings on a monthly basis and were then fed into the Improvement Board and were also picked up in the Corporate risk register report. The Improvement Board would not change those risks without having a Corporate discussion at Directors and Executive Board meetings, in order that Elected Members would be involved in those discussions, including the Portfolio Holder.

In relation to the target risk scores identified in the report, Members queried how the current risk scores had changed over the last 12-18 months, whether there was a positive trend that showed that the management of risks was working and whether the measures in place would enable the Council to be able to achieve the target risk levels. Members also queried whether the risk management process included checks on the effectiveness of the process by reducing the risk level. It was reported that risks relating to the Adults and Wellbeing Transformation Programme and safeguarding adults had significantly reduced over the last year. In terms of safeguarding, the Director Adults, Health and Wellbeing outlined the action undertaken following the Peer Review last year which included, the establishment of a safeguarding hub, changes to performance management, data collection and the performance framework, which had meant that significant improvements had been made in relation to the way that safeguarding and safeguarding risks were being assessed and managed.

With regard to the Transformation Programme, it was reported that £1.8m of financial savings had been achieved in terms of commissioning. The Transformation Programme and the leadership of it and the risks were realigned as a consequence of the Council now having a programme that was significantly delivering on its immediate business improvement requirements. In terms of the management of the risks to the Council, it was reported that the delivery of both of those elements of the Programme had substantially reduced the risk. Risks were considered on a monthly basis through

immediate business improvement, but also during the Transformation Improvement Board as well.

In response to a question from Members regarding whether processes were in place to manage and report risks and whether evidence could be provided to the Committee in this respect, it was reported that risks were discussed through the Transformation leadership work, and each of these 2 programmes of work had a risk register which was discussed at the Board on a monthly basis and was updated after each update. The Director Adults, Health and Wellbeing gave an undertaking to provide Members with this information.

Members asked whether there were opportunities to improve risk management in the Adults, Health and Wellbeing Directorate. Members were informed that the next challenge for the Council was to ensure that risk management was embedded in the Council's approach right the way through the Council by way of 1 to 1's and PDR's up into the programme, so a 'golden thread' could be seen throughout the discussions from front line staff, right the way up to strategic discussions.

RESOLVED that the report on the management of Adults Health and Wellbeing strategic risks, be noted.

26 ADULTS, HEALTH AND WELLBEING AUDIT RECOMMENDATIONS PROGRESS REPORT IN RELATION TO DIRECT PAYMENTS – (Minute No. 5 – 22nd June, 2016)

Further to the above Minute, the Committee considered a report which provided a further update on the completion of the recommendations and those that were still outstanding as at 31st October, 2016.

Members noted that progress had been made in reducing the number of outstanding recommendations since the last meeting in June 2016 and there were now 11 actions still outstanding, some from the initial audit, some from a later review. 13 individual actions had been marked as implemented (5 major risks and 8 significant risks). Of the 11 actions still outstanding (3 major risks and 8 significant risks) all were progressing and many nearing completion as described in Paragraphs 17 to 20 of the report and in more detail in Appendix 1 of the report.

Whilst the report was encouraging with regard to the progress made against the audit recommendations, the Chair requested that Internal Audit undertake a further audit next year of Direct Payments, as there was still a number of issues outstanding. Members were advised that Internal Audit was working closely with the service in respect of the improvements to be made and the strengthening of controls.

Pat Higgs was in attendance at the meeting and responded to a number of questions from Members.

It was acknowledged that the Council had to do more to increase the number of people using direct payments, working with colleagues in Commissioning, a new framework solution was being developed to widen the offer of direct payment with money management support services, which would remove the concerns that come with handling monies, as the Council would be working to develop tenders that would enable this work to be led by a third party.

In terms of a risk register for managing the uptake of Direct Payments, it was reported that an action plan had been developed and was being closely monitored by the IBI project board that was made up of representatives from Corporate Services, other directorates within the Council and external representatives, which linked into the overall Programme Board that oversees how improvements were being made. It was noted that whilst progress was being made implementing the action plan, there were a number of cultural and operational issues that had to be addressed as part of this work.

RESOLVED that

- (1) the update on the current Audit recommendations outstanding, be noted; and
- (2) Internal Audit undertake a further audit next year of Direct Payments.

27 ADULTS, HEALTH AND WELLBEING - LEARNING DISABILITY/SUPPORTING LIVING REVIEW – (Minute No. 20 – 17th August, 2016)

Further to the above Minute, the Committee considered an update and progress report on the Supported Living Review for people with Learning Disability.

Members noted that all 267 individuals had now had a financial assessment and were now contributing to their care where appropriate. To ensure that people in supported living were charged correctly in the future, the three operating systems, which operated independently of each other, were to be migrated into one data set. Work was on going in respect of this issue and it was anticipated that this was to be completed by October 2017.

Responses to the questions raised by Members of the Audit Committee in August, 2016, were detailed within Paragraphs 21 to 38 of the report.

Pat Higgs, Assistant Director of Adult Social Care provided further details in respect of the responses set out in the report and responded to further questions from Members; in particular, relating to the financial difficulty of clients in respect of affordability, the challenges of implementing Direct Payments and working with partners to deliver significant transformational plans.

Members whilst acknowledging that progress was being made in this area, due to the level of on-going work, requested that Internal Audit include this item in their schedule for the 2017/18 Work Programme.

RESOLVED that

- (1) the update and progress made on the Supported Living Review for people with a Learning Disability, be noted;
- (2) the Adults, Health and Wellbeing - Learning Disability/Supporting Living Review, be included in the Internal Audit's 2017/18 Work Programme.

28 BREACHES AND WAIVERS TO THE COUNCIL CONTRACT PROCEDURE RULES
(Minute No. 49 - 17th April, 2016)

Further to the above Minute, the Committee considered a report, providing Members with details of waivers and breaches to Finance and Contract Procedure Rules for the period 1st April, 2016 to the end of October, 2016.

Members noted that there had been an unprecedented number of breaches to Contract Procedure Rules for this period, with the majority of breaches within the Adults, Health and Wellbeing (AHWb) directorate. A series of improvement actions had been identified, details of which were outlined at paragraphs 17 and 18).

It was reported that there were 7 breaches and 23 waivers to Council Procedure Rules for this period, details of which were provided within Appendices 1 and 2 of the report. Members noted that investigations were on going in respect of breaches of financial procedure rules, the outcome of which would be presented to a future meeting.

Members were informed that there had been unprecedented levels of procurement activity and the focus at Officer Level had been supporting high value procurements and this had detracted from the normal scrutiny of the contracts register.

Arrangements were now in place to support this more effectively including, a commissioning lead to support Adults, Health and Wellbeing and closer monitoring at directorate level. Even though more work was required, these measures should reduce the number of breaches to Finance and Contract Procedure Rules. Members requested that future reports should provide more detail in respect of proposed actions to address the breaches.

Denise Bann, Head of Procurement and Steve Mawson, Chief Financial Officer and Assistant Director of Finance answered specific questions in relation to the breaches and the reasons why the breaches had occurred.

RESOLVED that

- (1) the information and actions contained in this report, regarding waivers and breaches of C.P.R's, be noted; and
- (2) future reports provide more detail in respect of the proposed actions to address the breaches.

29 COVERT SURVEILLANCE - REGULATION OF INVESTIGATORY POWERS ACT
2000 (RIPA) - UPDATE

Helen Potts, Principal Legal Officer presented a report which provided an update on the Regulation of Investigatory Powers Act (RIPA) surveillance applications, as attached at Appendix 1 to the report since the last report to Committee in April 2016 and the outcome of such matters.

The report also set out the Action Plan following an inspection carried out by the Surveillance Commissioner H.H. Norman Jones QC on 5th January, 2016.

Members noted that the following three recommendations and actions arising from the January 2016 inspection had now been completed:-

- to amend the central record to show the date the authorising officer approved the surveillance. The form previously only showed when the Magistrates had approved the surveillance.
- to arrange a training programme to improve RIPA knowledge. An external trainer with expertise in the field provided training on the 7th April 2016 for those within the Council whose work regularly involves RIPA. Internal training will be provided in April 2017. An online RIPA course has been developed but we are currently waiting for it to be changed to the new Adapt format so that it can be released to all council employees as an introduction to RIPA.
- to amend the RIPA procedure documentation.

Further to discussion at the Committee's pre-training session prior to this meeting, as to the benefits for the RIPA training to be made mandatory for relevant Line Managers due to Members concerns around un-regulated activity, and whether Audit Committee Members could undertake RIPA training on-line, Helen Potts gave an undertaking to speak to Human Resources with regard to these matters.

RESOLVED to note that:

- (1) the Action Plan following the inspection carried out by the Surveillance Commissioner HH Norman Jones QC on 5th January 2016 had been completed; and
- (2) the RIPA applications that have been authorised since the last report in April 2016, attached at Appendix 1. No RIPA applications have been refused by the Magistrates during the period to which this report relates.

30 DATA QUALITY AND INFORMATION MANAGEMENT UPDATE – (Minute No. 38 - 27th January, 2016)

Further to the above Minute, the Committee received a report which provided an update in respect of the Strategic Risk identified around Data Quality and an update on Information Management.

In response to a question from Kathryn Smart regarding resource support to implement the Data Quality Plan, the Committee was advised that the resource focus at this stage was on having Data Quality standards consistent across the Council's key systems to provide meaningful data capture and interpretation. This approach required sign up and commitment by all services contributing to the data sets. The Council was also looking to achieve Level 2 standard of the Information Governance Toolkit commissioned by the department of Health Policy. Once achieved, the Council would be able to share more data with NHS organisations to support integrated health and social care commissioning.

In respect of data storage, it was noted that physical storage had now been completed. In moving forward, a key challenge would be the recording of electronic data. The Vice-Chair, Councillor R. Allan Jones suggested that it would be helpful for all documents produced within the Council to be version controlled. The Chief Finance Officer and Assistant Director for Finance and Corporate Services advised that version controls existed for Strategy documents and Policies, however, due to resources this

did not exist for every document produced by the Council. Selected documents did have version control such as overpayment records, which had to be accurate and up to date. Colin Earl, the Head of Internal Audit stated that this could be an issue raised at the Governance Group.

During subsequent discussion, Steve Mawson, Chief Financial Officer and Assistant Director of Finance advised Members of the systems in place in Governance Services to ensure that the correct version of reports were presented to Committee and was happy for Members to see how this information was logged.

RESOLVED that the contents of the Update report on Data Quality and Information Management, be noted.

31 VARIATION TO THE ORDER OF BUSINESS.

In accordance with Council Procedure Rule 4, the Chair sought the consent of Members to vary the order of business by considering agenda item 16 (Changes to the arrangements for the Appointment of External Auditors), after item 12, before returning to the order of business as specified on the agenda, to allow for consideration of this item due to a Member of the Committee having to depart early from the meeting.

RESOLVED that in accordance with Council Procedure Rule 4, the order of business be varied by considering agenda item 16 (Changes to the arrangements for the Appointment of External Auditors) after item 12, before returning to the order of business as specified on the agenda, to allow for consideration of this item due to the early departure of an Elected Member.

32 Q1 2016/17 STRATEGIC RISK REGISTER UPDATE

The Committee was provided with an update on the progress made in relation to Strategic Risks for Quarter 1 2016/17.

Members noted that no risks had been identified for demotion. A new risk had been proposed to highlight the short, medium and long term implications and impacts of the referendum:-

As a result of the decision for the UK to leave the European Union there was increased uncertainty across a number of policy and funding areas that could lead to disruptions in funding and/or projects locally in Doncaster.

As a consequence of the decision to leave the EU, the Quarter 1 challenge revised the wording for the risk around austerity to read as follows:-

The potential personal financial position facing individual citizens across Doncaster Borough may result in an increase of poverty and deprivation

In presenting the report, Steve Mawson, Chief Financial Officer and Assistant Director of Finance informed Members that since the writing of the report, the Q2 finance and performance report, which included information with regard to the Strategic Risk Register was to be issued shortly.

In response to Members questions regarding the timeliness of presenting quarterly reports to the Committee in order to allow Members to make meaningful and timely contributions, the Chief Financial Officer and Assistant Director of Finance stated that he would review current reporting arrangements to address this time lag and the way that information was presented to the Committee. This would include, highlighting the identification of any major changes to the risks, available comparative data relating to previous periods in time and the direction of travel. This was welcomed by the Committee. The Chief Financial Officer and Assistant Director of Finance also undertook to provide Members with a copy of the Quarter 2 finance and performance report when available.

During consideration of this item, the Chief Financial Officer and Assistant Director of Finance responded to Members questions and concerns on specific performance indicators in particular, relating to the Pensions Deficit and the two risks relating to the Children's Trust.

RESOLVED that

- (1) the report and the Strategic Risk profiles attached at Appendix A to the report; be noted; and
- (2) the revisions to the Strategic Risk Register (paragraphs 4 and 5 of the report), be noted.

33 CHANGES TO THE ARRANGEMENTS FOR THE APPOINTMENT OF EXTERNAL AUDITORS

The Committee considered a report which summarised the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audit, and makes recommendations for the future appointment of external auditors by the Council. The regulations relating to external audit appointments required that any decision to opt-in to a sector-led procurement option had to be made by the full Council.

The Council's current external auditor was KMPG and the arrangements come to an end on 31st March 2018 and the Council would move to local appointment of its external auditor.

The Council had until December 2017 to appoint its external auditors.

The Head of Internal Audit outlined the following options open to the Council by which the appointments could be made, which were provided for in more detail at paragraphs 12 to 15 of the report:-

- To make a stand-alone appointment
- Set up a joint Auditor Panel/local joint procurement
- Opt-in to a sector led body

The Committee considered the 3 options and endorsed the recommended option to opt-in to a sector led body.

RESOLVED that

- (1) the options for appointing External Auditors from April 2018 resulting from the Local Audit and Accountability Act 2014, and the advantages and disadvantages of each option, be noted; and
- (2) a recommendation to the full Council in January 2017 to appoint the Public Sector Audit Appointments Ltd to negotiate and appoint the External Auditor for Doncaster Council, be supported.

34 INTERNAL AUDIT TEAM - FRAUD RISK REGISTER AND COUNTER FRAUD INITIATIVES REPORT - (Minute No. 19 – 17th August, 2016)

Further to the above Minute, the Committee considered a report which built on the Counter Fraud report presented to the Committee in August and was intended to give the Audit Committee:-

- an understanding of the fraud risks that the Council was currently exposed to;
- an assessment of the Council's current compliance with the CIPFA Code of Practice for Managing Fraud and Corruption;
- an understanding of the innovative work being undertaken in the field of data matching and data analytics to prevent and detect fraud for the Council.

The Council had identified, 30 high level types of fraud (fraud risks) to which it is exposed. Inherent risk ratings had been assessed for all of these risks and work was underway to agree final residual risk ratings for all risks. New fraud risks continued to emerge all the time, particularly in the field of cyber-crime/cyber-fraud. Maintaining resilience to these risks was key to protecting the public purse and the interests of the Council and the citizens that it serves.

The Council had assessed itself as compliant with the Code of Practice on Managing Fraud and Corruption. Members noted that 2 actions remained on going but were not considered to fundamentally affect compliance with the Code. These actions included finishing the assessment of residual fraud risk and to launch the previously delivered face to face fraud training undertaken in February/March 2016 in electronic format to the rest of the Council. These actions were considered to be progressed to a sufficient stage to meet the requirements of the code or are covered (in the case of the electronic training) by other training provisions delivered in the last 12 months.

It was reported that good progress was being made within the Council with regard to producing a Risk Register and showed that against the CIPFA Code, the Authority was compliant in managing fraud and corruption.

In response to a question from Members, Colin Earl, Head of Internal Audit reported that the risk register had been developed following extensive engagement with Service Managers. He stated that a report would be submitted to the next meeting on how identified risks were managed. In addition, Members were informed that the next pre-meeting training session of the Committee was to focus on anti-fraud in more detail.

Kathryn Smart enquired whether the Council had the right skills in place to prevent cyber fraud and Malware attacks. Members were informed that the Information Risk Officer and the Information Governance Group were continually looking at the threats that were emerging and ensuring the Council had got the appropriate safeguards in place to prevent such risks. The Council was aware of other authorities who had suffered from attacks and had been held to substantial ransoms. It was acknowledged this was a real risk, particularly in terms of a financial risk as well as control and loss of the Council's security.

Awareness raising of these risks was considered critical and a range of measures were being put in place to address this including, the development of an electronic training package and it was anticipated that this was to be rolled out to management in January 2017.

RESOLVED

- the draft fraud risk register for the Council, be endorsed;
- to support further developments in the field of data matching and data analytics and;
- to note the Council's assessment of its compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

35 EXTERNAL AUDITOR'S (KPMG) ANNUAL AUDIT LETTER 2015/16 – (Minute No. 16 – 17th August, 2016)

Further to the above Minute, the Committee received a report, which referred to KPMG's Annual Audit Letter for 2015/16, which signified the formal sign off of the audit to the Audit Committee. The report detailed that in signing off the Audit, the external auditor had:-

- issued an unqualified opinion on the Council's core financial statements and associated disclosure notes included in the Council's 2015/16 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 Audit Practice and the Audit Commission Act 1998 have been discharged for the year.

Members noted that there were no high priority recommendations resulting from the 2015/16 audit work and only one medium priority recommendation in relation to the valuation of the Waste Management PFI Contract. This would be re-valued and recognised at its up to date value in 2016/17 financial statements.

Members welcomed the report and were pleased to note that the Council had received an unqualified opinion.

In response to a query with regard to paragraph 2 of page 155 of the Annual Audit Letter, where reference was made to KMPG's network of independent member firms being affiliated with KMPG International Cooperative (KMPG International) being a 'Swiss entity', the Chief Financial Officer and Assistant Director of Finance undertook to look into this matter.

RESOLVED that

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

36 INTERNAL AUDIT PLAN 2016/17 - PROPOSED REVISIONS - (Minute No. 54 – 7th April, 2016 and Minute No. 17 – 17th August, 2016)

Further to the above Minute's Colin Earl, Head of Internal Audit presented a report which proposed revisions to the 2016/17 Internal Audit Plan.

Members noted that the Head of Internal Audit had considered the changes and was satisfied that the changes to the plan and the current level of resource was sufficient to provide an opinion at the end of the year to the Audit Committee and the Chief Financial Officer and Assistant Director of Finance on the adequacy of the Council's control environment.

Paragraph 4.2 of the report set out the proposed revisions to the Audit Plan for November, 2016. In addition, new reviews proposed to be added to the Audit Plan and those audits that had been removed from the original plan as agreed at the Committee's meeting in April, on the basis of an assessed lower risk rating, which were to be reassessed as part of the planning process for the 2017/18 Audit Plan, were outlined in Paragraphs 4.3 to 4.4 of the report.

RESOLVED to note:

- (1) the proposed revisions to the 2016/17 Internal Audit Plan; and
- (2) that the Head of Internal Audit had considered these changes and was satisfied that the proposed changes to the plan and the current level of resource was still sufficient to provide an opinion at the end of the year to the Audit Committee and the Chief Financial Officer and Assistant Director - Finance on the adequacy of the Council's control environment.

CHAIR: _____

DATE: _____

25 January, 2017

To the Chair and Members of the AUDIT COMMITTEE

AUDIT COMMITTEE ACTIONS LOG

EXECUTIVE SUMMARY

1. The Committee is asked to consider the Audit Committee Actions Log which updates Members on actions agreed during Audit Committee meetings. It allows Members to monitor progress against these actions, ensuring satisfactory progress is being made.

EXEMPT REPORT

2. The report does not contain exempt information.

RECOMMENDATIONS

3. **The Committee is asked to;**
 - **Note the progress being made against the actions agreed at the previous committee meetings and**
 - **Advise if any further information / updates are required.**

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. Regular review of the actions agreed from the Audit Committee meetings enables the Committee to ensure it delivers against its terms of reference and is responding to important issues for citizens and the borough. The action plan update helps support openness, transparency and accountability as it summarises agreed actions from reports and issues considered by the Audit Committee.

BACKGROUND

5. A member of the Audit Committee raised the issue of the difficulty in tracking actions agreed from previous Audit Committee meetings and this resulted in the production of the Audit Committee Issues Log which is a document updated for each Audit Committee meeting, documenting all actions agreed during previous meetings that have not been fully completed. Items that have been fully completed since the previous Audit Committee meeting are documented as such on the report and then removed for the following meeting log.
6. Of the actions identified in the report, the majority are classified as “green”, either having been fully addressed and for removal from the following log or because arrangements are in hand and the actions is not yet due.

One “red”, outstanding, action has been cleared since the last meeting. This is in relation to a contract procedure rule breach for payments relating to Older Peoples Alarm Systems, which are now regarded as grant payments, formerly under Supporting People Grant.

One outstanding item is rated ‘Amber’. This is in relation to the Solar Centre Contract Breach – Progress is being made in determining options for this service and in the meantime its use is being reduced as care packages are reviewed.

OPTIONS CONSIDERED AND RECOMMENDED OPTION

7. There are no specific options to consider within this report as it provides an opportunity for the Committee to review and consider progress made against ongoing actions raised during previous Audit Committee meetings.

IMPACT ON THE COUNCIL’S KEY OUTCOMES

8.

	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> 	

	All families thrive. • <i>Mayoral Priority: Protecting Doncaster's vital services</i>	
	Council services are modern and value for money.	Effective oversight through the Audit Committee adds value to the Council operations in managing its risks and achieving its key priorities of improving services provided to the citizens of the borough
	Working with our partners we will provide strong leadership and governance.	The work undertaken by the Audit Committee improves and strengthens governance arrangements within the Council and its partners.

RISKS AND ASSUMPTIONS

9. The Audit Committee contributes to the effective management of risks in relation to audit activity, accounts / financial management risk management and other governance / regulatory matters.

LEGAL IMPLICATIONS

10. There are no specific legal implications associated with this report

FINANCIAL IMPLICATIONS

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

HUMAN RESOURCES IMPLICATIONS

12. There are no specific human resources issues associated with this report.

TECHNOLOGY IMPLICATIONS

13. There are no specific technological implications resources issues associated with this report.

EQUALITY IMPLICATIONS

14. We are aware of the Council's obligations under the Public Sector Equalities Duties and there are no identified equal opportunity issues within this report..

CONSULTATION

15. The Audit Committee Action Log has been produced following consultation with members of the Audit Committee to address the risk of agreed actions not being implemented.

BACKGROUND PAPERS

16. None

REPORT AUTHOR & CONTRIBUTORS

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Steve Mawson
Chief Financial Officer &
Assistant Director of Finance

AUDIT COMMITTEE ACTION LOG – January 2017

Follow-up actions from previous meetings:-

Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Meeting November 2017				
Strategic Risk Management In Adults, Health And Wellbeing				
26	Future reports to show the relevant risk register extract and direction of travel of the risk	Scheduled for January 2017 Audit Committee	Steve Mawson	Completed – incorporated into Report provided to January audit committee
Adults, Health And Wellbeing Audit Recommendations Progress Report In Relation To Direct Payments				
27	Internal Audit to consider this area for a further review in 2017/18 as part of its audit planning process	Captured within the Internal Audit planning process to be carried out during Q4 16/17	Colin Earl	Scheduled - Not yet due
Adults, Health and Wellbeing - Learning Disability/Supporting Living Review				
28	Internal Audit to consider this area for a further review in 2017/18 as part of its audit planning process	Captured within the Internal Audit planning process to be carried out during Q4 16/17	Colin Earl	Scheduled - Not yet due
Breaches And Waivers To The Council Financial And Contract Procedure Rules				
29	Future reports to provide more detail in respect of the proposed actions to address the breaches.	To be incorporated into next report to Audit Committee	Denise Bann	Scheduled - Not yet due

Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Covert Surveillance - Regulation Of Investigatory Powers Act 2000 (RIPA) - Update				
30 a	Assess with HR whether RIPA training could be made mandatory for relevant Line Managers.	HR have confirmed this can be classified as mandatory training for relevant officers. Details of all officers who need to complete the training has been provided to HR who will ensure the training is completed. A completion date for the training has been set as 30 th April 2017.	Helen Potts	In progress and not yet due
30 b	Assess with HR if Audit Committee Members could undertake RIPA training on-line.	HR have confirmed that members can complete the RIPA training on-line as long as they are set up on the system. Instructions have been provided to members on how to do this. A completion date for the training has been set as 30 th April 2017.	Helen Potts	In progress and not yet due

Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Data Quality And Information Management Update				
31	Issue of version control over key documents to be raised at Governance Group.	Item raised at January 2017 Governance Group	Colin Earl	Yes – Issue raised at January 2017 Governance Group
Quarter 1 2016/17 Strategic Risk Register Update				
32 a	Review current reporting arrangements to address time lag of updates and the way that information was presented to the Committee. This would include, highlighting the identification of any major changes to the risks, available comparative data relating to previous periods in time and the direction of travel.	Headlines report produced for the January Audit Committee to supplement the circulation of the strategic risk register	Steve Mawson	Yes - Headlines report produced for the January Audit Committee to supplement the circulation of the strategic risk register
32 b	Provide Members with a copy of the Quarter 2 risk register when available.	Provided to Members on 19/12/16	Steve Mawson	Yes - Provided to Members on 19/12/16
Internal Audit Team - Fraud Risk Register And Counter Fraud Initiatives Report				
33	The Head of Audit stated that a report would be submitted to the next meeting on how identified risks were managed. In addition, Members were informed that the next pre-meeting training session of the Committee was to focus on anti-fraud in more detail including data matching and the forthcoming NFI exercise	Briefing provided to January pre-meeting training session	Colin Earl	Yes - briefing provided to January pre-meeting training session

Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Meeting August 2016				
Annual Governance Statement				
15 a	Provide mid-year update on key improvement areas in the Annual Governance Statement at the Committee's meeting in January 2017.	Scheduled for January 2017 Audit Committee	Steve Mawson	Yes - Report provided to January audit committee
15 c	Income Management – update report to be brought to a future Audit Committee – date to be confirmed	Scheduled for January 2017 Audit Committee	Steve Mawson	Yes - Report provided to January audit committee
Annual Fraud Report 2015/16				
17	A briefing on Fraud prevention activity be presented to a future pre-meeting training session, including how the transfer of the service had impacted on the Revenues and Benefits team	Scheduled for January 2017 pre-meeting training session	Geraldine Morton	Yes - briefing provided to January pre-meeting training session

Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Meeting August 2016				
Strategic Risk Report Mapping				
18	Provide a report for the committee to carry out 'deep dive' reviews on and attain a more in-depth picture of how the following nominated strategic risks were managed reviewed and reported:-			
18 b	SR03, SR08 (Finance and Corporate Services Directorate) - and SR013 (Learning and Opportunities, Children and Young Peoples Service Directorate); – to be considered at the meeting scheduled on 25th January, 2017.	Scheduled for January 2017 Audit Committee	Steve Mawson	Yes - Report provided to January audit committee
18 c	SR09, SR10 and SR14 – (Learning and Opportunities, Children and Young Peoples Service Directorate) - to be considered at the meeting scheduled on 6th April, 2017.	Scheduled for April 2017 Audit Committee	Damian Allen	Scheduled – not yet due
Safeguarding Adults Personal Assets Team - Responsive Review				
21	Provide a report to Committee upon finalisation of Internal Audit's work	Audit Review still ongoing	Colin Earl	Scheduled – not yet due

Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Meeting April 2016				
Financial and Purchasing and Contract Procedure Rules				
49 a	Older Peoples Alarm System – the report would be processed through Directors and Leadership Team and a further update be provided in the next audit committee report.	Discussions with procurement have concluded that the arrangements in effect represent grant funding under the previous national Supporting People guidance.	Jon Tomlinson	Yes – Breach issue now resolved
49 b	Solar Centre – Individual reviews taking place. Update to be provided in the next audit committee report.	A community based service approach is being developed. Solar centre is part of that work. Senior managers from DMBC, Care Commissioning Group and RDaSH have met to confirm direction of travel for services provided to clients. Use of the Solar Centre has diminished and continues to do so, as reviews are completed and care plans revised although use of the Solar Centre is not anticipate to cease being used until 31 st March 2018	Jon Tomlinson	Ongoing

Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Covert Surveillance – Regulation of Investigatory Powers Act 2000 (RIPA) Update				
51	Refresher training to be provided in 12 months' time.	To be arranged for April 2017.	Helen Potts	Scheduled – not yet due
51	Members to be informed of future inspections prior to arrival.	Will ensure this occurs.	Helen Potts	Yes

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

STRATEGIC BUDGET RISK MANAGEMENT

EXECUTIVE SUMMARY

1. This report provides an in-depth picture of how the budget risks are managed, reviewed and reported, following consideration of the Strategic Risk Report Mapping Report to the Audit Committee on 17th August, 2016.

EXEMPT REPORT

2. Not applicable.

RECOMMENDATIONS

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

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. 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.

BACKGROUND

5. At the Audit Committee meeting on 17th August, 2016 Members requested a 'deep dive' review on the strategic risks in relation to the budget.
6. The strategic budget risks are regularly reviewed and recorded on the Covalent Performance Management System including progress against all mitigating actions. They are then reported to Finance & Corporate Services (and L&O CYPS for the Trust), Directors, Executive Board, Cabinet and Overview and Scrutiny as part of the quarterly Finance & Performance Improvement report. The strategic budget risks are also reported quarterly to the Audit Committee. The strategic budget risks reported in the Finance and Performance Improvement Report for Q2 are detailed at Appendix A and include:
 - a. As a result of the decision for the UK to leave the European Union there is increased uncertainty across a number of policy and

funding areas that could lead to disruptions in funding and/or projects locally in Doncaster. This is being managed as part of the budget setting and monitoring processes (reported in the Finance and Performance Improvement report).

- b. Failure by the Council and the Trust to agree and set a realistic annual budget target. This risk is managed as part of the annual contract review and overall budget setting process, which is detailed below. The annual review report has been submitted to the Secretary of State for Education and further work will be undertaken to agree future contract variations per the contract. The Children's Trust budget will be considered at an Overview and Scrutiny Management Committee meeting in February 2017.
- c. Failure to achieve the budget targets for 2016/17 and 17/18. This risk will be monitored and reported through the budget setting process, detailed below.
- d. Failure to set robust assumptions on pensions deficit recovery and future contribution rate for the 2016 valuation. This risk will be monitored and reported through the budget setting process, detailed below.

These risks will be updated and reported in the Finance & Performance Improvement report for quarter 3 in accordance with the monitoring timetable (Cabinet 28th February, 2017).

7. As part of the budget setting process the key risks to the budget are identified and actions to be undertaken to mitigate the risks considered. These risks are included in the budget report approved by Council under the risks and assumptions section of the main report and specific appendices including the review of reserves and risk matrix. The risk matrix for the 2016/17 budget is provided at Appendix B, this will be reviewed and updated for the 2017/18 budget. The key risks identified and reported in the Mayors budget proposals for 2017/18 include:

- a. Increasing expenditure in Adult Social Care; including managing higher numbers in long-term residential care; supporting people to live at home independently combined with further shift in costs to social care as service users are no longer assessed as having continuing health care needs. Demographics and impact on increasing pressures on services remains a risk. This risk will be monitored and reported through the budget monitoring process (Finance & Performance Improvement report) and specific monitoring arrangements for the Adults Transformation e.g. Adults Improvement Meeting.
- b. Possible non-delivery or delayed delivery of key projects/savings. This risk will be monitored and reported through the budget monitoring process (Finance & Performance Improvement report) and individual monitoring arrangements for specific projects e.g. DN17 challenge meetings, Assets Steering Group etc.
- c. Although the Council is on the multi-year settlement for 2017/18 to 2019/20 there are at least three major local government funding streams which are outside the offer and are vulnerable in 2019/20 - Public Health Grant, Improved Better Care Fund and New Homes Bonus. This risk will be monitored through the budget setting process.
- d. There is uncertainty regarding the potential impact from the April 2017 Business Rates Revaluation and potential impact of future Business Rate appeals. This risk will be monitored and reported through the budget setting process, and actions have been identified to mitigate the risk e.g. £0.9m pressure included for potential increased costs/reduced income, earmarked reserve set-aside and regular updates on the legislation.
- e. The Local Government Finance reforms which took effect from 1st April 2013 namely Business Rate Retention and the Localisation of Council Tax Support have meant that local government finances are much more vulnerable when a recession occurs. Whilst a safety net is in place for a significant reduction in Business Rates (7.5% below a baseline figure set each year by central Government), there could be a decrease in Business Rates income below the safety net. And there is no similar protection in place for Council Tax income, therefore the income the Council receives could reduce due to the economy. This risk is monitored and reported through the budget monitoring process (Finance and Performance Improvement Report).

OPTIONS CONSIDERED

8. No other options have been considered.

REASONS FOR RECOMMENDED OPTION

9. Given the potential implications it is important that all budget risks are appropriately managed.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

10. These are detailed in the table below: -

	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>This report covers the risks associated with the Council budget therefore it impacts on all the outcomes.</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>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

11. The council's strategic risk register is reviewed and updated on a quarterly basis and each service has formally documented its key risks and the actions taken to mitigate those risks in service plans

LEGAL IMPLICATIONS

12. There are no specific legal implications from the recommendations in this report. All legal implications are considered as part of the budget setting and monitoring processes.

FINANCIAL IMPLICATIONS

13. There are no specific financial implications related to the contents of this report. All Financial implications are considered during the budget setting and monitoring processes.

HUMAN RESOURCES IMPLICATIONS

14. There are no specific Human Resources implications related to the contents of this report. Any HR implications are considered as part of the budget setting process and highlighted in the relevant reports.

TECHNOLOGY IMPLICATIONS

15. There are no specific Technology implications related to the contents of this report. Any technology implications are considered as part of the budget setting process and highlighted in the relevant reports.

EQUALITY IMPLICATIONS

16. This report has no specific equality implications. The Council considers and has due regard to the Public Sector Equality Duty (PSED) when developing and implementing the council's Medium Term Financial Forecast (MTFF).

CONSULTATION

17. Consultation on the budget risks has taken place with Service Managers, Directors and Members as part of the budget setting process or Finance & Performance Improvement Report.

BACKGROUND PAPERS

18. Strategic Risk Report Mapping – Audit Committee 17th August, 2016
Budget reports – Council 1st March, 2016
Quarterly Finance & Performance Reports – Cabinet 29th November, 2016

REPORT AUTHOR & CONTRIBUTORS

Faye Tyas, Head of Financial Management

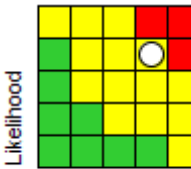
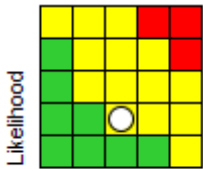
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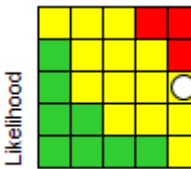
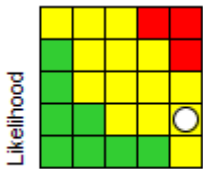
Budget Strategic Risks in Quarterly Performance Monitoring Reports

As a result of the decision for the UK to leave the European Union there is increased uncertainty across a number of policy and funding areas that could lead to disruptions in funding and/or projects locally in Doncaster.

Current Risk	CURRENT POSITION	Target Risk
<p>16</p>  <p>Likelihood</p> <p>Impact</p>	<p>There still remains a certain degree of uncertainty regarding the impact of the UK exiting the European Union. Article 50 of the Lisbon treaty is to be triggered before the end of March 2017 leading to a two year negotiating period prior to a formal exit from the union. The Chancellor Philip Hammond has pledged that local areas with existing EU funding agreements signed off by the time we exit the EU would receive replacement funding and it is likely that a 'repeal' act that would enshrine EU law into UK law may be part of the next parliamentary session. It is estimated that around half of the regulations applicable to local government originate from the EU.</p> <p>There remain some significant issues relating to the value of sterling and the uncertainty of EU national workers and their status after the two year negotiating period, particularly for businesses with high proportion of their staff from EU countries.</p> <p>MITIGATING ACTIONS</p> <p>The potential disruption of exiting the EU may impact on a number of areas of council business. We continue to discuss this with colleagues across our partnerships both locally and nationally working with the LGA who have 5 priority areas; Local government's position post-Brexit EU funding Developing a new legal base for local government Community cohesion Place-based impact</p> <p>We will need to be agile enough to respond as new information is provided and as opportunities become available, lobby government on the things that matter most to us.</p> <p>TARGET RISK SCORE: Impact 3 X Likelihood 2 = 6</p>	<p>6</p>  <p>Likelihood</p> <p>Impact</p>

Failure by the Council and the Trust to agree and set a realistic annual budget target

Damian Allen

Current Risk	CURRENT POSITION:	Target Risk
<p>15</p>  <p>Likelihood</p> <p>Impact</p>	<p>The Trust have reported a quarter 2 variance of £3.4m overspend which is mainly on placements and have requested a £2.7m contract variation for changing in activity. Further actions are required to understand the sustainable operating model for 2017/18 onwards and any options to reduce the potential forecast overspend for 2016/17.</p> <p>MITIGATING ACTIONS</p> <p>Discussions will progress as part of the annual review process to understand the pressures and options for savings to mitigate. The Trust is continuing to identify options to release pressure on the forecast outturn for 2016/17 and 2017/18 onwards.</p> <p>TARGET RISK SCORE: Impact 5 X Likelihood 2 = 10</p>	<p>10</p>  <p>Likelihood</p> <p>Impact</p>

Failure to achieve the budget targets for 2016/17 and 17/18.

9

Simon Wiles

Failure to set robust assumptions on pensions deficit recovery and future contribution rate for the 2016 valuation

6

Simon Wiles

Appendix B

Risk Matrix			ORIGINAL RISK			CURRENT RISK			
Id No.	Risk Heading	Implication	Probability (pick from list)	Impact (pick from list)	Overall risk level	Mitigating Actions	Current probability	Current Impact	Current Overall Risk
BS 1.01	Cost Reductions	The financial plan assumes that all cost reduction proposals can be implemented in the identified financial year. If cost reductions are not achieved, the risk of an in year overspend is increased and this will put pressure on revenue reserves. The delivery of savings becomes more difficult each year and flexibility needs to be built into the proposals to allow for some slippage in delivery.	Likely	Critical	20	Cost reduction proposals have been worked up in detail by responsible managers and H.R. advisers and quantified by financial advisers. Proposals will be closely monitored in year as part of the financial management process. Contingency funding has been included in the proposals to provide some funding for potential slippage in the projects. Prudent figures have been included for the savings.	Possible	Critical	15
BS 1.02	Grant Settlement 2017/18	Grant settlement for 2017/18 may be worse than currently anticipated; including Public Health Grant which is undergoing year on year reductions for the period 2016/17 – 2019/20).	Likely	Critical	20	Retention of a flexible budget process which is capable of dealing with a worse than forecast settlement. Keeping abreast of changes from central government. Regularly report changes in an updated financial plan.	Possible	Critical	15
BS 1.03	Budget Pressures	The financial plan assumes that existing budget anomalies, either where base budget is inadequate or income targets proven unrealistic are addressed as part of the budget proposals. If they are not addressed, the risk of in year overspending is increased. Financial risks associated with the implementation of the Care Act 2014 and Continuing Health Care Funding. There is a risk that the transfer to the Children's Trust will result in additional costs for the Council.	Possible	Major	12	Identification of budget anomalies as part of the financial management process. Where necessary, funding made available as part of setting in year budget. Keeping up to date on best practice and robust monitoring of costs as part of performance management framework Adequate monitoring arrangements for Children's Trust in place	Unlikely	Major	8
BS 1.04	Level of General Reserves	The financial plan assumes that general reserves and contingency funding identified are sufficient.	Possible	Major	12	Risk assessment of General Reserves undertaken annually. General reserves are increased where possible. Close monitoring of reserves, contingency funding and potential liabilities. Review of provisions undertaken. One-off funding identified.	Possible	Significant	9
Page 31 BS 1.05	Business Rates Retention	Risk that retained business rates collection will be below budget and appeals will be greater than expected causing the collection fund to run into a deficit, impacting on the funding available to the Council. There is a significant risk that the 2017 Business Rates Revaluation will be implemented and adversely impact on the Council. This risk will increase assuming the Government's plans to increase Business Rate Retention to 100% by 2020 are implemented.	Possible	Critical	15	Close monitoring of the appeals and collection rates and central Government announcements	Possible	Major	12
BS 1.06	Council Tax Collection	There is a risk that council tax collection will be less than budget and the collection fund will run into a deficit – impact on the funding available to the Council.	Possible	Major	12	Prudent view on the Council Tax base calculation. Close monitoring of the actual collection rates – reported quarterly in the finance and performance report	Unlikely	Significant	6

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

Q2 2016/17 STRATEGIC RISK UPDATE

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

EXECUTIVE SUMMARY

- The purpose of this report is to provide an overview of the Strategic Risks profiles in Quarter 2 2016/17.
- In response to an action from the last Audit Committee to provide more timely updates on Strategic Risks Audit Committee has already received the Strategic Risk Register for Quarter 2, via email. This report provides an overview of activity during quarter 2, which has been circulated separately to members of the committee. A copy of the Q2 report will be made available at the meeting.
- There are 18 Strategic Risks and all have been updated as part of the Quarter 2 reporting process. The Heat Map shows a summary of the scores.
- A new risk has been proposed to highlight the increasing impact of cyber threats; the wording for this risk is being developed and will be profiled at Quarter 3.
- No risks have been identified for demotion.
- 14 risk profiles have remained the same during the quarter.
- Effective mitigating actions have reduced 3 profiles:
 - Failure to set robust assumptions on pensions deficit recovery and future contribution rate for the 2016 valuation;
 - The potential personal financial position facing individual citizens across Doncaster Borough may result in an increase of poverty and deprivation;
 - Failure to achieve the budget targets for 2016/17 and 17/18;
- 1 profile has increased: *Without effective influence and engagement with the Sheffield City Region, there is a threat that Doncaster does not achieve economic potential benefit from the devolution deal.* Given national political uncertainties around devolution deals the risk has increased to reflect the question mark of the Northern Powerhouse and Metro Mayors. Mitigating actions have been identified and their effectiveness will be reviewed during the quarter 3 challenge.



RECOMMENDATIONS

- 9. The Audit Committee members are asked to:
 - a) Note and comment on the report
 - b) Note the proposed addition of a Strategic Risk around cyber threats (paragraph 5)

EXEMPT REPORT

- 10. Not Applicable

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

- 11. 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

- 11. Not Applicable

REASONS FOR RECOMMENDED OPTION

- 12. Not Applicable

IMPACT ON THE COUNCIL’S KEY PRIORITIES

- 12.

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

RISKS AND ASSUMPTIONS

- 13. 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

14. 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

15. 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

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

TECHNOLOGY IMPLICATIONS

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

EQUALITY IMPLICATIONS

18. 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

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

BACKGROUND PAPERS

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

REPORT AUTHOR & CONTRIBUTORS

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Simon Wiles
Director of Finance and Corporate Services

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To the Chair and Members of the

AUDIT COMMITTEE

INTERNAL AUDIT REPORT FOR THE PERIOD: AUGUST 2016 TO DECEMBER 2016

EXECUTIVE SUMMARY

1. The report attached at **Appendix 1** updates the Audit Committee on the work done by Internal Audit for the period August 2016 to early December 2016, 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 internal audit recommendations.
2. The attached report is in four sections:
 - Section 1. The Audit Plan / Revisions to the Plan
 - Section 2. Audit Work Undertaken During the Period
 - Section 3. Implementation of Audit Recommendations
 - Section 4. Internal Audit Performance
3. A summary of the main points from each of the sections is provided in the following paragraphs:

Section 1: The Audit Plan / Revisions to the Plan

4. Four new jobs have been added to the plan and one is being deferred to 2017/18. The changes are in response to emerging risks and do not substantially impact on the overall audit programme.

Section 2: Audit Work Undertaken During the Period

Planned Audit Work Completed

5. Our planned audit work continues to confirm the Council generally has appropriate controls in place and that the controls are operating effectively.
6. During the period, most of our work provided reasonable levels of assurance about the existence and operation of controls under review. We provided 'partial' assurance opinions (the second highest level of assurance) on all areas reviewed during the period, with one exception. This was in relation to controls in place to manage risks relating to the work of the Aiming High service, where we found inadequate checks on direct payments made to parents of children receiving support and the subsequent use of the payments, and an inadequate overall budgetary control over spending. More details are provided in paragraph 2.3 and Appendix A of the attached report.

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. Time spent on responsive / investigative work is currently running at slightly above the level anticipated and budgeted for in the audit plan (ie 15% of the audit available days v 13% budgeted). The main areas using responsive time so far this year are Adult Services and Doncaster East Drainage Board.
8. One significant issue arose during this period following a request for a grant payment of £8,000 by a local community organisation which the audit found was based on false information. Payment was prevented, safeguarding the Council's funding.

Section 3: Progress on the implementation of audit recommendations

9. There are 5 overdue major recommendations across the Council. There is a sound process in place for ensuring the implementation of major audit recommendations, which keeps the number of outstanding recommendations to a minimum number.
10. Internal Audit is now also proactively tracking the number of other (non-major) recommendations outstanding. We have begun working closely with management in all directorates to reduce the number of overdue actions they have, and to ensure these are routinely tracked by service management. We will provide further reports to the Audit Committee at appropriate intervals in the future.

Section 4: Performance Information

11. The overall performance of the audit service continues to be good.
12. Internal Audit is ahead of or at target performance on 5 out of 6 indicators, and slightly behind on the other. 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.
13. Professional auditing standards require internal auditors to carry out an ongoing programme of quality assurance work, and to report the results of the work to the Audit Committee. Headlines so far from the quality assurance programme for 2016/17 include:
 - A full self-assessment of conformance with auditing standards, a review of the audit planning file and reviews of selected audit jobs, all done by the Head of Internal Audit, have confirmed conformance with the standards and some minor opportunities for improvement.
 - A client survey completed by 37 senior managers shows generally high levels of satisfaction with Internal Audit
 - Development work planned includes reviewing the strategic direction for the service, to take into account the 2016 auditing standards and the impact of major direction within the Council (ie the emerging corporate plan), refreshing the team development plan and reviewing the timeliness of work done and communication with clients.

14. Also this year there will be a full 5-yearly peer review to be carried out by Kirklees MBC Internal Audit. This will be done in February / March 2017 and outcomes included in the Head of Audit Annual Report to the Audit Committee in April.

RECOMMENDATIONS

15. The Audit Committee is asked:
- To note the minor changes to the original audit plan
 - To note the internal audit work completed in the period
 - To note progress made by officers in implementing previous audit recommendations
 - To note information relating to Internal Audit's performance in the period.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

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

BACKGROUND

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

OPTIONS CONSIDERED AND RECOMMENDED OPTION

18. Not applicable - for information only

IMPACT ON THE COUNCIL'S KEY OUTCOMES

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

	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</i> 	

	cost of living	
	<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> 	
	Council services are modern and value for money.	The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council.
	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

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

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

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

HUMAN RESOURCE IMPLICATIONS

23. There are no specific human resource implications associated with this report.

TECHNOLOGY IMPLICATIONS

24. There are no specific technology implications associated with this report.

EQUALITY IMPLICATIONS

25. We are aware of the Council's obligations under the Public Sector Equalities Duties and whilst there are no identified equal opportunity issues within this report, all of the reports covered by the document will have taken into account any relevant equality implications.

CONSULTATION

26. 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.

BACKGROUND PAPERS

27. 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 Progress Report to 2 December 2016

Doncaster Council

Internal Audit Progress Report

To 2 December 2016

Section 1: Revisions to the Audit Plan

1.1. The 2016/17 Audit Plan was approved by the Audit Committee on 7th April 2016. As the audit year progresses, the plan is reviewed to take into account new and emerging risks and any responsive work arising. We reported some changes at the August Audit Committee and further changes at the November Audit Committee. Further amendments to the plan are set out below.

The following jobs have been added to the plan:

- Highways – Assisting the service analyse options for complying with the Working Time Regulations 2016, including new limits on additional hours and overtime (the service currently doesn't comply). There are also considerations as to whether options such as shift or weekend working could assist in reducing costs when compared with current arrangements. Audit assistance has been requested to analyse current practice and to assist in evaluating alternatives.
- ICT Equipment Inventories and Monitoring - A consultancy piece of work has been requested by management to evaluate the new arrangements being put in place by ICT to manage inventories and in determining whether there is benefit in procuring a solution to monitor equipment issued (cost benefit assistance requested).
- Advice - Schools Catering Credit Adjustments - We were asked for advice relating to the processing of small value credit notes from suppliers.
- Primary School - Cash Administration Review - Following cash discrepancies at a school, a review of cash management arrangements has been commissioned in order to ensure that arrangements are robust and cash is safeguarded.

The planned Stock & Stores audit may slip to the next financial year due to there being insufficient data to review from the ERP system.

Section 2: Audit Work Undertaken During the Period

Internal Audit Opinion

2.1 Internal Audit provides an opinion on the control environment for all systems, services or functions which are subject to planned audit review. The opinions given are taken into account when forming our overall annual opinion on the Council's control environment at the end of the year. A '*limited*' opinion is given in any area under examination where one or more concerns of a 'fundamental' nature are identified. A '*no assurance*' opinion is given where the area under review is considered to be fundamentally exposed to critical risks, although '*no assurance*' opinions are rare.

Summary of Findings from Audit Reviews

2.2 Summary conclusions on all significant audit work to 2nd December 2016 are set out in **Appendix A**.

Audits providing 'limited' assurance opinions

- 2.3 Our work concluded that the control environment was inadequate in 1 area, leading to the issuing of a limited assurance opinion in this area, as detailed below:

Directorate / Audit Area	Report to Management	Summary of Significant Issues
Learning & Opportunities: CYP Aiming High Processes and Systems Audit	03/10/16	<p>A <i>Limited</i> Opinion was given due to major issues being raised in relation to:</p> <p>Direct Payment Arrangements, where Issues of concern included; a lack of checking that actual direct payments made to parents of supported children reconcile with authorised values, a lack of checking of the validity of actual payments then made by parents from the direct payments to them, to supporting information, a lack of checking of clients' direct payment account balances because of incomplete information provided by clients to reconcile account balances, and the unsecure retention of payment information on spreadsheets.</p> <p>Budgetary control, due to the Aiming High Section's budget being overspent over a number of years.</p>

Responsive Audit Work and Investigations

- 2.4 In addition to our assurance work, we also investigate allegations of fraud, corruption or other irregularity and respond to requests for assistance from the various services and functions in the Council. A summary of the significant pieces of work that have been completed in the period is provided at **Appendices B and C**.
- 2.5 One significant issue arose following a request for a grant payment of £8,000 by a local community organisation which was based on false information. Payment was prevented, safeguarding the Council's funding.

Section 3: Implementation of Audit Recommendations

- 3.1 Following the completion of audit work, improvement plans are produced in consultation with service management containing details of agreed actions and dates for their implementation. Final reports, incorporating agreed improvement plans, are then formally issued to the appropriate Director, Assistant Director and Head of Service.

- 3.2 Internal Audit subsequently seeks assurance that agreed actions arising from audit work have actually been implemented. This involves contacting the officer allocated to complete the action to obtain evidence that agreed actions have been implemented or, where they have not, that appropriate progress is being made. Where fundamental weaknesses in internal control arrangements have been identified, more detailed follow up work is undertaken.
- 3.3 Any major recommendations that are not implemented in line with agreed timescales are reported as part of the Council’s quarterly finance and performance challenge process and consequently monitored through that process. Major recommendations outstanding are also reported routinely by Internal Audit to the Audit Committee.
- 3.4 A summary of all outstanding major recommendations is provided in **Appendix D**.
- 3.5 We have reviewed the status of outstanding recommendations across the Council and analysed these over the relevant directorates. Key issues to note are:
 - a) The number of major recommendations that are overdue for completion has reduced from 9 to 5 since the previous audit progress report in August 2016
 - b) The 5 overdue as at 2nd December 2016, are distributed as follows:

Directorate	Overdue major recommendations at 2nd December 16
Adults & Communities	2
Regeneration & Environment	1
Finance & Corporate Services	0
Learning & Opportunities (Children & Young People)	2
TOTAL	5

(note: schools are excluded from this analysis)

- c) Internal Audit is working closely with management in all directorates to reduce the number of overdue actions they have. Whilst we will obviously ensure that major risk actions are given priority, we will also ensure that lower rated actions are also being managed in a timely manner.
 - d) Separate Directorate specific data is shared with Directors to assist in the management and action of all outstanding Internal Audit recommendations.
- 3.6 Internal Audit is now also proactively tracking and reporting on the number of other (non-major) recommendations outstanding. This is highlighting a significant number that will need attention to complete them, although this is in the context of:
 - These being mostly lower level audit recommendations that help manage lower level risks and improve and strengthen processes, rather than being required to mitigate major risks
 - Having secured significant improvement in the responsiveness to major audit recommendations, Internal Audit has (only) recently extended detailed

reporting of these less crucial recommendations to directorate senior management teams for appropriate action to take place.

Section 4: Internal Audit Performance

Performance Indicators

- 4.1 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 2016 to 2 December 2016.

Performance Indicator	Target	1 April to 2 December 2016	Variance (positive is good)
Percentage of planned audit work completed	60%	60%	0%
Draft reports issued within 15 days of field work being completed	90%	95%	5%
Final reports issued within 5 days of customer response	90%	94%	4%
% of critical or major recommendations agreed	100%	100%	0%
Percentage of Customer Satisfaction Surveys rated Satisfactory or above	90%	100%	10%
Percentage of jobs completed within 110% of budget	90%	82%	-8%

- 4.2 The percentage of jobs completed within 110% of budget is currently 82%, a negative variance of 8% against a target of 90%. Eight jobs have exceeded the budget for various reasons including some additional work within jobs, staff transitions (where one member of staff has picked up work from another member of staff, mainly after a member of staff had left the team), and some additional time resulting from management requirements.
- 4.3 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.
- 4.4 The percentage of planned audit work completed is on target.

Quality Assurance Improvement Programme

- 4.5 Professional auditing standards require Internal Auditors to carry out an ongoing programme of quality assurance work, and to report the results of the work to the Audit Committee. The quality assurance programme for 2016/17 includes:

- full self-assessment of conformance with the Standards A
- client survey on the quality of internal audit work A
- review and sign-off by the Head of Internal Audit of the audit planning file R

- ample reviews by the Head of Internal Audit of audit jobs completed during the year S
- full 5-yearly peer review to be carried out by Kirklees MBC Internal Audit. A

4.6 The work done so far confirms conformance with the auditing standards. Other points arising to date are:

- The client survey was issued to 76 staff in the Council, including Directors, Heads of Service and Managers across all Directorates. 37 responses were received which converts to a 48.7% response rate. In most cases average scores were around or slightly above 5, where 5 is good and 6 is excellent. T
- The conclusion from the review of the audit planning file is that the planning process completed is robust and comprehensive, with minor recommendations for improvement made relating to (1) showing how each job on the audit plan contributes to an evaluation of “***the effectiveness of risk management, control and governance processes***” and (2) providing a clearer audit trail from the prime audit planning documents to the schedule of potential audit work. T
- Reviews of a sample of jobs confirmed compliance with standards, while identifying a small number of procedural steps that needed to be completed and/or evidenced. R

4.7 Main current service development actions include:

- Setting out the strategic direction for the service, to take into account the 2016 auditing standards and the impact of major direction within the Council (ie the emerging corporate plan, currently referred to as DN21).
- Refreshing the team development plan.
- Reviewing the audit process, focusing on the timeliness of work and communication with clients before, during and at the completion of audit work.

4.8 The Peer Review is scheduled to take place between February and March 2017. A final report on the conclusions of the QA programme, including the Peer Review, will be included in the Head of Internal Audit annual report.

Summary of Planned Audit Work Completed

Audit Area	Assurance Objective	Final Report to Mgmt.	Overall Audit Opinion	Summary of Significant Issues
FINANCE AND CORPORATE SERVICES				
Core Financial processes – Procure to Pay (P2P)	To confirm the Procure to Pay system is functioning within normal arrangements and that financial controls can be relied on.	13/10/2016	<i>Partial Assurance</i>	<p>The audit found improvements had been made within the P2P process which have helped to manage the exposure to major risks that had been identified in previous years’ audit reviews.</p> <p>Improvements include:</p> <ul style="list-style-type: none"> • Extensive work to minimise the use of confirmation orders (see separate audit below). This has helped to ensure that users are no longer by-passing the P2P system and results in invoices being processed more efficiently. • Performance information is produced and reported within the Highlight Reports to Senior Management.
Use of P2P Confirmation Orders	To assess whether confirmation orders raised were appropriate and legitimate and whether P2P controls were being by-passed.	04/10/16	<i>Partial Assurance</i>	Confirmation orders are raised where an invoice is received for payment <u>following</u> the receipt of goods/services but for which an official order has not been originally raised. Confirmation orders, therefore, bypass the normal P2P process.

				<p>Significant improvements have been made including:</p> <ul style="list-style-type: none"> • All confirmation orders are now required to be authorised by Budget Holders in an attempt to make them aware that orders are being raised outside the Procure to Pay process. • The introduction of the 'No Purchase Order – No Pay' policy in April 2016 contributes towards a reduction in confirmation orders being raised.
Voluntary and Community Sector Funding	To confirm that that the Voluntary and community Sector funds have been appropriately applied so as to achieve the objectives of the scheme		<i>Partial Assurance</i>	<p>This audit has identified some aspects of the scheme that were not fully completed in accordance with the agreed procedures, particularly during the early stages of the scheme, and some opportunities for better recording processes and decisions.</p> <p>The lessons learned can be used to inform processes for any future / similar schemes established by the Council, and include sharpening the record keeping, developing summary reporting on progress and utilisation of the schemes and enhancing the support available to organisations applying for the grants.</p>

REGENERATION AND ENVIRONMENT				
Local Sustainable Transport Fund	Sign of the grant statement as true and fair as stipulated by the grant.	11/08/2016	n/a	Grant signed, no issues raised.
Highways Maintenance Funding Grant	Sign of the grant statement as true and fair as stipulated by the grant.	04/08/2016	n/a	Grant signed, no issues raised.
Integrated Transport and Highway Maintenance Grant	Sign of the grant statement as true and fair as stipulated by the grant.	11/08/2016	n/a	Grant signed, no issues raised.
Sustainable Transport Exemplar Programme (STEP) Grant	Sign of the grant statement as true and fair as stipulated by the grant.	11/08/2016	n/a	Grant signed, no issues raised.
ADULTS, HEALTH AND WELL-BEING				
Doncaster Leisure Trust – Performance Venue Partnership Governance Review	To assess how the Council is managing its partnership with Doncaster Leisure Trust and Doncaster Performance Venue (DPV) and to clarify roles and responsibilities from the Council’s perspectives ensuring there	12/09/16	<i>Partial Assurance</i>	We found a notable improvement in the governance arrangements over the DPV. Additionally, the DPV Board is committed to implementing new senior structures and governance arrangements, and the Council is further developing contract and performance monitoring arrangements. Both will help to

	are no conflicts of interest.			further mitigate risks.
LEARNING AND OPPORTUNITIES: CHILDREN AND YOUNG PEOPLE				
Aiming High Processes and Systems Audit	The audit was undertaken at the request of the previous Head of Service in order to gain assurance that the necessary improvements have been made following a previous audit undertaken in 2015 which highlighted incorrect payments being made in relation to direct payments.	03/10/16	<i>Limited Assurance</i>	<p>Our audit identified concern over:</p> <p>Direct Payment Arrangements which identified</p> <ul style="list-style-type: none"> • The majority of Direct Payment account balances are unknown due to incomplete information provided by service users • Unsecure retention of payment information on spreadsheets • A lack of checking the accuracy of actual payments against expected values • A lack of checking of the validity of actual payments then made by parents from the direct payments to them, to supporting information. <p>The Direct Payments Payroll and Auditing functions are being transferred from the Aiming High Team to the Professional Business Support Team in Finance and Corporate Services, which should strengthen controls.</p> <p>Budgetary Control and Care Package efficiencies</p> <ul style="list-style-type: none"> • The Aiming High Section's budget has been overspent for a number of years, including by over £300k in 2015/16. <p>A working group has been established to identify and assess possible ways of reducing the budget pressure e.g. Review the whole Shortbreaks pathway including eligibility criteria</p>

				and package length and working with the market to reduce costs and improve quality.
CORPORATE / COUNCIL WIDE				
Public Sector Equality Duty	To confirm compliance with the control process that regulates the risks threatening the fulfilment of the Public Sector Equality Duty.	07/10/16	<i>Partial Assurance</i>	<p>The audit found that the Council has met the statutory duties to publish equality information and to prepare and publish its local objectives to meet the aims of the general Public Sector Equality Duty. The objectives have been published in the Council's Equality and Inclusion Plan 2014-2017.</p> <p>Furthermore, the Council has put in place arrangements to support the delivery of the Equality and Inclusion Plan 2014-2017.</p> <p>The Council is currently working with the Local Government Association to continue developing its arrangements and in producing the Council's Equality and Inclusion Plan 2017 -21.</p> <p>The Council recognises some actions needed to be progressed, including the production of a community engagement plan, better understanding of our community profiles and ensuring communities have a voice.</p> <p>In line with the Council's current work, the audit resulted in agreement by management to review the roles, responsibilities and constitution of the Steering Group, and to encourage representation and participation in forward actions.</p>

Responsive Audit Work - Advisory / Consultancy / Ad Hoc Work

APPENDIX B

Audit Area	Date Finished	Value of Work
Schools Catering Credit Notes	16/11/2016	Historic processes for dealing with credit notes from food suppliers were time consuming and as a result were not being completed. Advice was given to streamline reporting and monitoring to reduce the cost of administering the process.
Adult Education Board (AEB) Grant	10/11/2016	Advice was provided on contracting arrangements for Adult Education Board Grants following, an investigation into one of the previous grants. The contract procurement process and associated agreement were found to be not strong enough to prevent or detect the issues arising and advice was provided to strengthen the arrangements for future. See also Appendix C.

Responsive Audit Work - Investigations Completed

Audit Area	Date Complete	Work Completed / Results
<p>Adult Education Board (AEB) Grant Investigation of Anonymous claims</p>	<p>14/09/2016</p>	<p>A manager raised a concern over a contract let to a local community based provider of training and social skills.</p> <p>Our audit showed that a claim made by the organisation was supported by false information about training provided, which suggested training had been provided when audit work showed it had not. On this basis, the Council has refused payment, although this is currently disputed by the organisation.</p> <p>Internal Audit is working with service management to strengthen future arrangements in order to protect the use of public funds. The release of this year's grant / procurement exercise has been delayed to ensure that the process is more robust before it is released to prevent a re-occurrence of this issue.</p>

APPENDIX D

Outstanding Major Recommendations

Audit Area	Finding	Risk Exposure	Recommendation	Estimated Impl'n Date	Revised Impl'n Date	Current Status
Regeneration and Environment						
Markets	<p>No documented allocation policy or procedure.</p> <p>Allocation decisions and complaints are not documented.</p>	Inappropriate stall allocations, reputational damage and legal challenge.	Policies and procedures in respect of all market stalls (indoor, outdoor permanent and outdoor casual) including complaints and decisions made will be clearly documented.	30/06/2015	23/12/2016	<p>Overdue</p> <p>Work is being undertaken to review and document existing policies and procedures.</p>
Adults and Communities						
Direct Payments / Personal Budgets	<p>If problems are identified e.g. Mis-spending or lack of client contribution, these are not routinely fed back to the original social care worker.</p> <p>There appears to be a lack of a feedback loop</p>	Ineffective care plans, overpayments made and increase in debtor accounts raised for direct payments.	A feedback loop process will be built into the personal budgets and direct payments process, to ensure more efficient and effective care plans are put in place, and better management of	30/06/2016	31/12/2016	<p>Overdue</p> <p>Initial work has been undertaken to understand the requirements of the feedback loop.</p>

	to ensure lessons are learnt by all workers within this area.		personal budgets by service users.			
Adults and Communities						
Direct Payments / Personal Budgets	<p>Money management companies are used as a payment method for a direct payment.</p> <p>There is no overall contract for a company that is managing multiple service users' personal budgets.</p>	<p>Companies become financially reliant upon DMBC money.</p> <p>Reputational risk of mis-management.</p>	<p>Contracts should be considered and put into place for all companies that are managing service Users personal budgets on their behalf.</p>	31/10/2016	31/12/2016	<p>Overdue</p> <p>There is a waiver in place to the end of March 2017 and a further waiver will be required as the tender process will not be complete before the 1st April.</p>
Learning and Opportunities: CYP						
Aiming High	<p>Operationally, there is an informal 13 week timeline guide for the service which runs from the receipt of a valid referral to the start of service provision.</p> <p>These targets have not been formally adopted and as such, there is</p>	<p>Inefficiencies within service delivery may not be identified.</p>	<p>SMART operational performance targets or standards covering all key processes should be formally adopted.</p>	09/11/2016	31/01/2017	<p>Overdue</p> <p>A 13 week timeline has been developed but this needs to be applied consistently.</p>

	no monitoring of performance against them.					
Learning and Opportunities: CYP						
Aiming High	<p>The Aiming High budget has been overspent for a number of years.</p> <p>It is for Aiming High to prioritise where they incur expenditure and identify efficiency savings to offset expected overspends.</p>	Budget overspending may continue.	A working group should be formed to identify and assess possible ways of reducing the budget pressure e.g. review of all care packages above £X, cost / benefit analysis of services provided etc.	30/11/2016	31/12/16	<p>Overdue</p> <p>A working group has been established and has begun to identify improvements. These will need to be implemented.</p>

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

EXTERNAL AUDITOR (KPMG) AUDIT PLAN 2016/17

EXECUTIVE SUMMARY

1. The external auditor – 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 2016/17 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 2016/17 Statement of Accounts.

EXEMPT REPORT

3. Not applicable.

RECOMMENDATIONS

4. The Audit Committee is asked to note the content of KPMG's Audit Plan 2016/17.

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 Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

8. The Code of Audit Practice covers two main responsibilities requiring KPMG to review and report on the Council's: -
 - a. Financial statements (including the Annual Governance Statement) providing an opinion on the Council's accounts; and
 - b. 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 2016/17. Based on initial planning work, KPMG have identified two significant risks for the audit: -
 - a. Significant changes in the pension liability due to LGPS Triennial Valuation; and
 - b. The valuation of Property, Plant and Equipment.
10. Further details on these and the impact on audit are provided on page 5 of the Audit Plan.
11. KPMG have identified one significant VfM risk: -
 - a. Children's Services Trust Overspend.
12. Further details on this and the impact on audit are provided on page 11 of the Audit Plan.
13. The main year end audit is currently planned to commence on 4th July 2017. An interim visit is scheduled to commence on 27th February 2017 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

14. KPMG's 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.

REASONS FOR RECOMMENDED OPTION

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

IMPACT ON THE COUNCIL'S KEY OUTCOMES

16. These are detailed in the table below: -

	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 audited Statement of Accounts provides information on all Council priorities incorporating income and expenditure for</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> 	all Council services.
	<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> 	An unqualified audit opinion from KPMG on the financial statements and supporting disclosure notes, together with an unqualified VfM conclusion assists with the positive reputation of the Council and ensures that strong governance is in place.
	<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

17. 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.
18. Materiality for planning purposes has been set at £11.5 million which equates to 1.55% of gross expenditure

LEGAL IMPLICATIONS

19. 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

20. The proposed fee for this work for the 2016/17 audit is £164,844, compared to £164,844 for 2015/16.
21. 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.

HUMAN RESOURCES IMPLICATIONS

22. There are no specific Human Resources implications related to the contents of this report.

TECHNOLOGY IMPLICATIONS

23. There are no specific Technology implications related to the contents of this report.

EQUALITY IMPLICATIONS

24. This report has no specific equality implications.

CONSULTATION

25. 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

26. None.

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Steve Mawson
Chief Financial Officer & Assistant Director - Finance



External Audit Plan 2016/2017

Doncaster Metropolitan Borough Council

January 2017

The Local Government Landscape



Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17, 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 **£11.5 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 **£575k**.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Significant changes in the pension liability due to LGPS Triennial Valuation; and
- The valuation of Property, Plant and Equipment.

See pages 3 to 6 for more details.

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Value for Money Arrangements work



Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risks:

- Performance of Children's Services Trust and management of any overspend.

See pages 7 to 11 for more details.

Logistics



Our team is:

- Clare Partridge – Partner
- Matt Ackroyd – Manager
- Louise Booth – Assistant manager

More details are on **page 14**.

Our work will be completed in four phases from December to August and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 13**.

Our fee for the audit is £164,844 (£164,844 2015/2016) see **page 12**.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in [month] 2016, 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 7 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17 [and the findings of our VFM risk assessment].





Financial Statements Audit Planning

Our planning work takes place during December 2016 to January 2017. This involves the following key aspects:

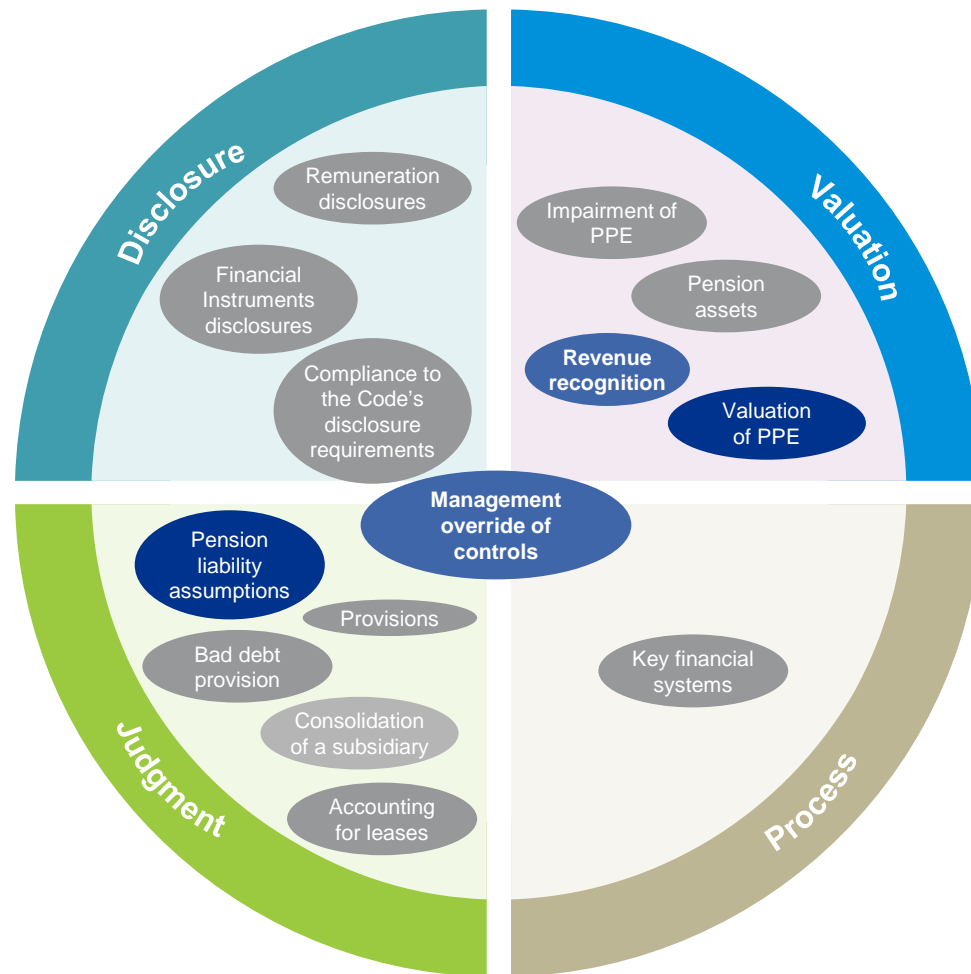
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

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



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk: Significant changes in the pension liability due to LGPS Triennial Valuation

During the year, the Local Government Pension Scheme for South Yorkshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.

The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by South Yorkshire Pensions Authority who administer the Pension Fund.

Approach: As part of our audit, we will agree any data provided by the Authority to the actuary, back to the relevant systems and reports from which it was derived, in addition to checking the accuracy of this data.

We will also liaise with the Pension Fund Audit Team, who are the auditors of the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf to check the completeness and accuracy such data.

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk: Valuation of Property, Plant & Equipment

At 31 March 2016 the Authority was reporting Property, Plant and Equipment with a value of £1,383m, representing the large majority of assets held on the Balance Sheet. In the prior period additions of over £119m were made in the year (excluding PFI assets). It is the Authority's policy to revalue assets at a minimum every 5 years, ensuring that the balance assets are held on the balance sheet is not materially different for the current value at year end.

There is an element of judgement exercised by the authority in determining whether assets require a valuation in year and also with regards to the assumptions made by the valuer in determining a value for the assets.

Given the materiality in value and the judgement involved in determining the carrying amount we have determined a significant risk with regards to this account.

Approach:

- We shall assess the qualifications and approach of the valuer/s used by the Authority;
- Test the accuracy and completeness of the Authority's asset register through review of the Authority's asset verification exercise and the physical inspection of any significant new additions;
- Review the instructions provided to the valuer;
- Consider the appropriateness of the valuation basis adopted e.g. should fair value have been used;
- Understand the basis of any impairments that might occur and whether they comply with the Code; and
- Review the capitalisation of major expenditure in the year.



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 £11.5 million for the Authority's accounts which equates to 1.55 percent of prior period gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

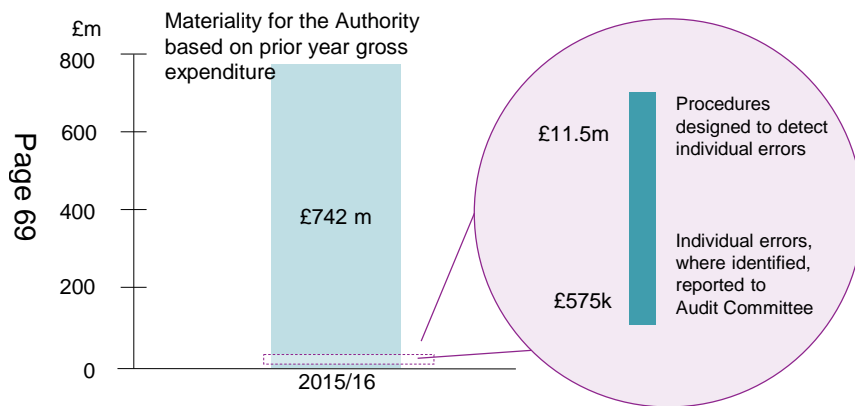
Reporting to the Audit Committee

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 £575k.

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.



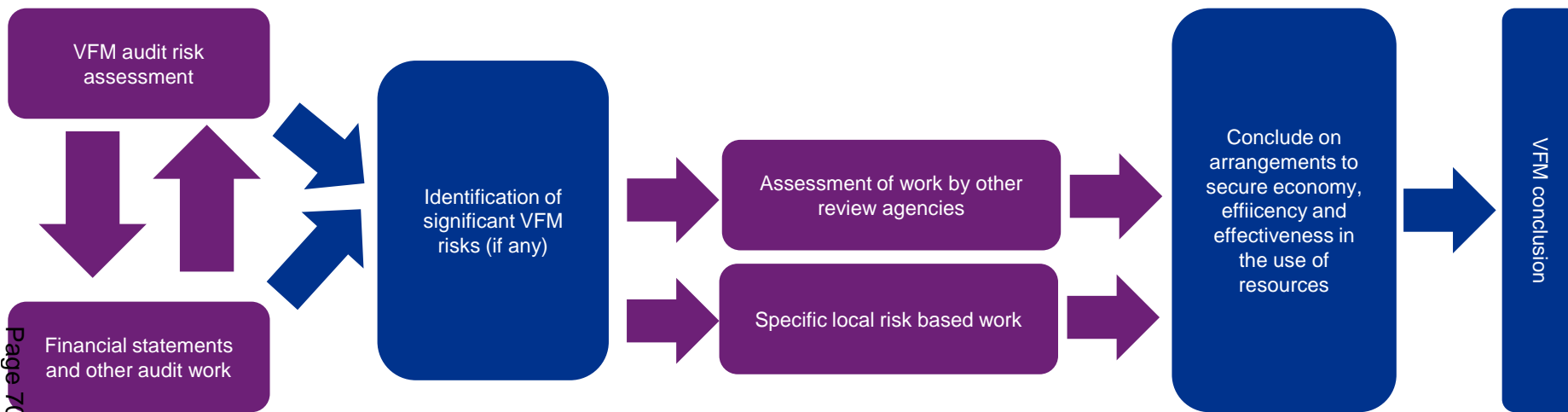


Background to approach to VFM work

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 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.



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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.

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money arrangements work (cont.)



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 Page 72	<p>The Code identifies a matter as significant '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.'</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.

Value for money arrangements work (cont.)



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 style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 73</p>	<p>On the following page, we report the results of our initial risk assessment. We will update our assessment throughout the year should any further issues present themselves and report against these in our ISA260.</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>



Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Children's Services Trust Overspend

■ Risk

We noted that the Finance & Performance Improvement Report for Q2 showed an overspend of circa £4m, of which £3.2m related to the Children's Services Trust. There is a risk that there is insufficient governance of the contract with the independent provider (Children's Services Trust) to verify that the payments deliver value for money.

■ Approach

We shall review the financial performance and contract management in relation to the Children's Services Trust. In particular we shall assess the Council's processes for reviewing the performance of the Trust and whether there are appropriate methods for managing and monitoring performance, including the relevant reporting of this to management and members.

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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 2016/17 have not yet been confirmed.

Electors 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 maintaining continuity in your core audit team. 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.

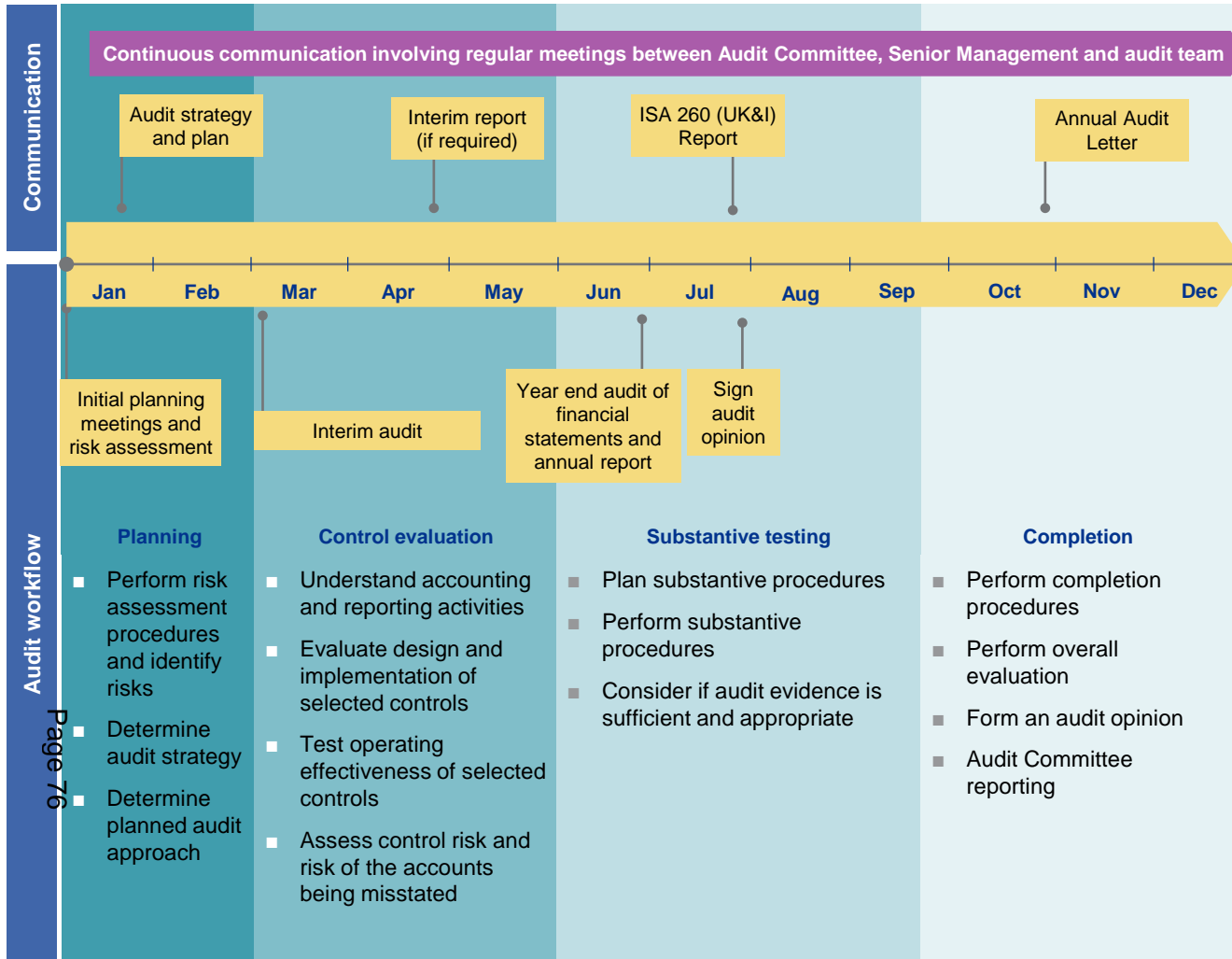
Audit fee

Our Audit Fee Letter 2016/2017 presented to you in 2016 first set out our fees for the 2016/2017 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 2016/17 is £164,844. This is the same fee as the prior 2015/16 period.

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

Appendix 1: Key elements of our financial statements audit approach



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 payroll 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.

Appendix 2: Audit team



Your audit team has been drawn from our specialist public sector assurance department. Clare and Louise were both part of the Doncaster MBC audit last year. Matt has come on board this year as the Audit Manager.



Name	Clare Partridge
Position	Partner
	'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Audit Committee and Jo Miller.'

Clare Partridge

Partner

Tel: 07990 551735

Email: clare.partridge@kpmg.co.uk



Name	Matt Ackroyd
Position	Manager
	'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with Clare to ensure we add value. I will liaise with Simon Wiles and other Executive Directors.'

Matt Ackroyd

Manager

Tel: 07342 086 610

Email: matthew.ackroyd@kpmg.co.uk



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

Louise Booth

Assistant Manager

Tel: 07584 115 430

Email: louise.booth@kpmg.co.uk



Appendix 3: Independence and objectivity requirements

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 Standards require 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 10th January 2017 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 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.

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

**ARRANGEMENTS AND TIMETABLE FOR THE PREPARATION OF THE
ACCOUNTS – 2016/17**

EXECUTIVE SUMMARY

1. This report provides details of the audit plan and timetable for producing the 2016/17 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 year to meet these future timescales. The intention is for the draft accounts for 2016/17 to be certified and published by 31st May with the audited accounts to be finalised and published by 27th July. The Council will be fully compliant with the deadlines and the revised inspection process for the production of both the 2016/17 and 2017/18 accounts.

EXEMPT REPORT

4. Not applicable.

RECOMMENDATIONS

5. The Audit Committee is asked to note the arrangements being put in place to close down future years' accounts and note the draft timetable to meet the revised deadlines for 2016/17.

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 (KPMG).
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 KPMG. 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 2016/17 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 2016/17 accounts has therefore been set as Wednesday, 31st May 2017 with the audited 2016/17 accounts expected to be presented to this Committee on Thursday, 27th July 2017. It is expected that future years' accounts will be produced in line with these dates.
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 continued development of the ERP financial system will assist in making these future deadlines achievable.
12. The Council is moving to the 31st July deadline, see paragraph 2 above, from 2016/17 which is a year earlier than required. 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 KPMG highlighted officers' hard work and the high quality of working papers as major contributory factors. KPMG 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 17th August 2016.
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) with KPMG 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 applicable.

REASONS FOR RECOMMENDED OPTION

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

IMPACT ON THE COUNCIL'S KEY OUTCOMES

18. These are detailed in the table below: -

	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>The audited Statement of Accounts provides information on all Council priorities incorporating income and expenditure for all Council services.</p> <p>An unqualified audit opinion from KPMG on the financial statements and supporting disclosure notes, together with an unqualified VfM conclusion assists with the positive reputation of the Council and ensures that strong governance is in place.</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>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

19. Failure to meet the statutory deadlines for signing, producing and/or publishing the accounts would attract adverse comments from KPMG, who

could issue a public interest report.

20. KPMG 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

21. The Council must comply with the CIPFA's Code of Practice on Local Authority Accounting (the 'Code') when preparing the accounts.
22. 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

23. There are no specific financial implications related to the contents of this report.

HUMAN RESOURCES IMPLICATIONS

24. There are no specific HR implications related to the contents of this report however the tightening of the timescales does have implications for the provision of payroll data which forms part of the final accounts. Liaison with the HR Shared Service Centre will be needed at the earliest opportunity to ensure the deadlines can be met.

TECHNOLOGY IMPLICATIONS

25. There are no specific Technology implications related to the contents of this report.

EQUALITY IMPLICATIONS

26. This report has no specific equality implications.

CONSULTATION

27. Not applicable.

BACKGROUND PAPERS

28. None.

REPORT AUTHOR & CONTRIBUTORS

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☎ 01302 737983

✉ robert.isaac@doncaster.gov.uk

Steve Mawson
Chief Financial Officer & Assistant Director - Finance

Final Accounts Summary Timetable 2016/17

Date	Item	Responsibility
03/04/2017	Final valuation report signed, certificate and supporting schedules	DMBC
11/04/2017	Capital funding agreed for all capital programmes including all capital financing	DMBC
24/04/2017	HRA outturn	SLHD
25/04/2017	Deadline for finalising Revenue Outturn Position and Balance Sheet	DMBC
19/05/2017	Completion of Core Statements	DMBC
22/05/2017	Draft Statement of Accounts (excluding Cash Flow Statement) sent to RFO	DMBC
25/05/2017	Completion of Cash Flow Statement and supporting notes	DMBC
26/05/2017	Draft Statement of Accounts (including Cash Flow Statement) sent to RFO	DMBC
31/05/2017	Draft Statement of Accounts signed by RFO	DMBC
31/05/2017	Draft Statement of Accounts distributed to Audit Committee members	DMBC
31/05/2017	Inspection of accounts advert	DMBC
05/06/2017	Public inspection of accounts starts for statutory six week period	DMBC
05/06/2017	Audit of Statement of Accounts starts	KPMG
07/06/2017	Informal Audit Committee (Workshop to consider draft accounts)	DMBC / Audit Committee
08/06/2017	Audit Committee report & draft accounts deadline	DMBC
22/06/2017	Audit Committee – draft Statement of Accounts for endorsement	DMBC / Audit Committee
22/06/2017	Draft Statement of Accounts published on Council website	DMBC
30/06/2017	Unaudited Whole of Government Accounts (WGA) deadline	DMBC
14/07/2017	Public inspection of accounts finishes	DMBC
14/07/2017	Finalise WGA with audit adjustments	DMBC
14/07/2017	Audit of Statement of Accounts finishes - IAS260 issued	KPMG
17/07/2017	Date of representation to external audit	KPMG
19/07/2017	Audit Committee report & ISA260 deadline	DMBC
tbc	Audited WGA return submitted to CLG by KPMG	KPMG
27/07/2017	Audit Committee – to approve and certify final audited Statement of Accounts, Letter of Representation	DMBC / Audit Committee
27/07/2017	Final audited Statement of Accounts published on Council website (subject to audit opinion being received)	DMBC

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25th January 2017

To the Chair and Members of the AUDIT COMMITTEE

DONCASTER COUNCIL GOVERNANCE PLAN 2017 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.
2. The Annual Audit Letter 2015/16 identifies one priority two rated risk recommendation in relation to the Waste Management PFI Contract. KPMG recommends that this asset is re-valued at the earliest opportunity and recognised at its up to date value in the 2016/17 financial statements in line with the requirements of the code and this activity is included in the Governance Plan 2017 as Recommendation 6 (R6).
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 – 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.
 - R5 - 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

Governance Plan 2017

5. The Governance Plan for 2017 includes:
 - a) Issues raised by the Governance Group that contribute to the effective delivery of the Council's Corporate Plan priorities shown at Appendix A 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-R5;
- c) One recommendation arising from the Annual Audit Letter 2015/16 shown at Appendix 1 as R6;
- d) Updates on progress made against the improvement issues identified in the Annual Governance Statement shown at Appendix B as R7; and
- e) 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 A with relevant updates.
7. Both the 2014/15 and 2015/16 Annual Audit Letters confirmed 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 and 2015/16 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.
8. Furthermore KPMG our external auditors reported in their Annual Audit Letter 2015/16 that: *'Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements, to consider its material consistency with the audited accounts. This year, we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding, and did not identify any issues'*. Again, in its External Audit Report 2015/16 KPMG reported: *'Your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE, in June 2007.'*
9. 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.
10. Paragraph 19 below provides an update on the activities that are causing particular concern. **Appendix A** 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

11. 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 2017, in particular that the following activities have now been completed and will now be removed from the Governance Plan:
 - R4 – 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.
 - R5 - 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

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

12. 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

13. 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 2016-17 was agreed at Full Council on 14th July 2016.

The Governance Group

14. 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)

15. 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.
16. 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

17. 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

18. 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

19. 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 addressed 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 PRIORITIES

20. The delivery of activities contained within the Governance Plan 2017 will help to ensure local people get value for money from council services – Corporate Plan Outcome 5 'Council services are modern and value for money' and contribute to achieving the Council's internal transformation outcome contained within Corporate Plan outcome 6 'Working with our partners we will provide strong leadership and governance'.

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

RISKS AND ASSUMPTIONS

21. The most significant risk is that the current improvement is not sustained and the performance of the Council deteriorates as a result, causing reputational 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

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

FINANCIAL IMPLICATIONS

23. 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

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

TECHNOLOGY IMPLICATIONS

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

EQUALITY IMPLICATIONS

26. 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

27. 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 2016-17. The Governance Plan 2017 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 2016-17
Annual Audit Letters 2013/14; 2014/15 and 2015/16
Annual Governance Statement 2014-15 and 2015/16

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Steve Mawson
Chief Financial Officer &
Assistant Director of Finance

Doncaster Council Governance Plan 2017

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		Allan Wiltshire
R1.1	Improve partnership risk arrangements	31/03/13 (revised to March 2018)	ongoing
	<p>Update January 2017</p> <p>The Partnerships Governance training sessions have been completed for 2016/17, with 70% of identified attendees having received training. The list of Officers and Members who sit on Outside Bodies and the Team Doncaster family of partnerships is maintained. Work is ongoing to identify the most appropriate reporting mechanisms for partnerships.</p>		

Risks

Update January 2017:

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Risk 1:

Risk Title: DMBC policies and procedures are not robust enough to protect individuals from exposing the Council to risk at a partnership meeting.

Risk Profile: 3x3 = 9

Mitigating Action: Officers and elected members have provided excellent feedback regarding the quality and depth of the partnership

governance training being delivered. The training schedule for 16/17 has now run its course and the remaining few who have yet to attend will be targeted before the end of the financial year. Work is currently underway to map existing reporting arrangements for partnerships and outside bodies, with appropriate recommendations to follow. The Partnership Governance Framework is in place but may require revision in 17/18.

Risk 2:

Risk Title: The Council fails to maintain an accurate and reflective list of both Officers and Members who sit on Partnerships/Boards.

Risk Profile: 3 x 1 = 3

Mitigating Action: The Strategy and Performance Unit continues to maintain a record of members and officers currently in situ on Partnerships and Boards. This is routinely monitored and communicated via the annual announcement of the appointments to outside bodies and by working closely with the Team Doncaster family of partnerships.

Risk 3:

Risk Title: Partnership Team loses partnership governance expertise as part of the PPR2 process:

Risk Profile: 1 x 1 = 1

Mitigating Action: The Partnerships Team was subsumed into the Strategy and Performance Unit, which was formed in January 2016. Work plans are in place to support the Team Doncaster partnership and associated theme boards. Links between the SPU, Internal Audit and Democratic Services are established to enable a well-rounded view of partnership governance.

R2 Internal Audit Issues Addressed		Colin Earl	
R2.1	Performance manage critical audit actions		
	% of agreed critical, major and significant audit recommendations implemented on time	On-going	
Page 94	<p>Update January 2017 Of the 7 major recommendations with agreed actions due for completion by the end of Q3, only 1 has been achieved. The position at December 2016 is as follows:</p> <ul style="list-style-type: none"> Finance and Corporate Services have implemented 1 out of 2 recommendations due. The implemented action is ensuring compliance with ERDF funding criteria. The outstanding action relates to ensuring full compliance across the Council with Payment Card Industry Data Security Standard (PCIDSS) requirements relating to card income taken over the phone. Adults, Health and Wellbeing Services, implemented 0 out of 2 recommendations. The 		

	<p>outstanding actions relate to the management of direct payment processes including ensuring there are appropriate contracts in place with money management companies supporting vulnerable clients, and adopting better practices arising from learning from recent financial management and system weaknesses.</p> <ul style="list-style-type: none"> • Learning and Opportunities: Children & Young people (LOCYP) Directorate, implemented 0 out of 2 recommendations due. The outstanding actions relate to the development of operational performance targets and scrutinising the cost and efficiency of care packages within the Aiming High Service. • Regeneration and Environment Directorate has implemented 0 out of 1 recommendation due. The outstanding action relates to the documenting of stall allocation procedures and decisions within the Markets Service. <p>Internal Audit is working with management to expedite final completion of the actions and progress is being made. While implementation in the period could have been better, there are no critical risk exposures involved in the remaining actions.</p>		
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Risks

Update January 2017

Risk Title: 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. Progress in implementing critical and major audit recommendations is challenged as part of the quarterly challenge process. Any unsatisfactory progress is reported to the Audit Committee and relevant senior managers are asked to attend to provide assurance that the recommendations are being implemented. Internal Audit works with management to ensure effective arrangements are implemented as quickly as possible.

R3	Data Protection Incidents Minimised		Simon Wiles
3.1	Improved data protection arrangements	Ongoing	

	<p>Update January 2017</p> <p>There have been no data breaches report-able to the Information Commissioner's Office in quarter 3. There have been 11 incidents recorded in the Council - L & O 1; AHWB 2; R&E 3; F&C 5. There have been 17 incidents reported by the Children's Trust. New e-learning modules have been launched for all staff to complete and the Data Protection Officer continues to complete investigations and complete mitigating actions with high risk areas and where incidents occur.</p>		
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Risks			
<p>Update January 2017</p> <p>Incidents in Data Protection Again, there have been no data protection breaches reported.</p> <p>Risk Profile 4 x 3 = 12</p> <p>Mitigating Action: Mitigating actions such as training, awareness, targeting where related incidents occur. Due to the nature of this requirement, the target risk will always remain major and possible with mitigating actions required continuously. (Latest Update from Covalent)</p>			

KEY ACTIONS BEING TAKEN FORWARD FROM THE ANNUAL AUDIT LETTER 2013/14 (R4-R5)

R4	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
	<p>Update January 2017</p> <p>The action was completed on 1st March 2016 when Council approved a balanced budget for 2016/17. This included proposals to deliver the remaining £31m savings needed to achieve the full £109m budget gap.</p>	COMPLETE	

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R5	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
	Update January 2017	COMPLETE	

	The council's involvement with DRL is now complete. The council received a final distribution of cash in relation to DRL in September 2016.		
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KEY ACTIONS BEING TAKEN FORWARD FROM THE ANNUAL AUDIT LETTER 2015/16 (R6)

R6	NEW - Waste Management PFI Contract. Re-value this asset at the earliest opportunity and recognise at its up to date value in the 2016/17 financial statements in line with the requirements of the code.	On-going	Steve Mawson
	Update January 2017: The council is awaiting a re-valuation of this asset from Rotherham Council who manages the scheme. Once this information is received, the council will recognise the asset at its up to date value in the 2016/17 financial statements in line with the requirements of the code.		
Risks			
Update January 2017			
To be provided once the asset has been re-valued			

KEY ACTIONS BEING TAKEN FORWARD FROM THE ANNUAL GOVERNANCE STATEMENT (R7)

R7	Annual Governance Statement Process (see Appendix B)		
R7.1	Key improvement areas identified during 2014-15 that remain an issue in 2015-16 7.11 External Funding 7.12 Doncaster Children's Trust 7.13 Fraud Code of Practice Assessment 7.14 Direct Payments 7.15 Data Quality Arrangements 7.16 Income Management 7.17 Asset Register	See Appendix B	See Appendix B
R7.2	Significant Governance Issues Identified in 2015-16 7.21 Safeguarding Adults Personal Assets Team (SAPAT)	See Appendix B	See Appendix B

	7.22 Learning Disability/Supported Living Reviews		
	Update January 2017 An update is presented at Appendix B.	See Appendix B	See Appendix B

R7 Annual Governance Statement - Progress Update

Appendix B

7.1 An update on Key Improvement Areas identified during 2014-15 that remain an issue in 2015-16

7.11 Improvement Action	Action Date	Responsible Manager
<p>External Funding</p> <p>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). We were expecting a response in December 2015, but to date, no response has been received</p>	complete	Director of Regeneration & Environment
<p>Improvement Action Progress update</p> <p>On the 12th September 2016 Doncaster Council in consultation with its external legal representatives have provided the Department for Communities and Local Government (DCLG) a robust response, strongly refuting the recommendations made by the European Commission Audit (ECA) which presented the Council with clawback recommendations of up to 100% of grant received.</p> <p>Our detailed response is currently being determined by the European Commission Audit who has not indicated a time frame for when they intend to respond, this practice is not unusual, however given deliberations by the UK Government on Brexit, we anticipate the European Commission Audit will seek to resolve this issue before Article 50 is instigated.</p> <p>Notification was received on the 16th January 2017 that the ECA are dropping this case and will not be pursuing any clawback.</p>		

7.12 Improvement Action	Action Date	Responsible Manager
<p>Doncaster Children's Trust</p> <p>Doncaster Children's Trusts Annual Contract Review report was submitted to the Department of Education (DfE) on 31/01/16 and included a number of recommendations in relation to the effective contract management of the Doncaster Children's Services Trust. All recommendations are considered formally on a monthly basis at senior level with a formal Quarterly Contract Performance meeting for sign-off at chief executive level. This report is also shared at Overview and Scrutiny on a quarterly basis. The process is mutually respectful and is sophisticated in its approach to ensure that consideration is given to the whole system and not just particular performance indicators. In regard to the overall contract, the annual sum is agreed between the Council and the Trust at the Annual Review. As part of the agreement/contract, the</p>	On-going	Director of Learning & Opportunities: Children & Young People

Trust is expected to deliver specified improvement cost savings. The Council, as commissioner of children's social care services, plays a critical role in ensuring value for money. A risk sharing agreement is detailed within the Service Delivery Contract which outlines risks and rewards over the period dating from September 2014 to March 2018. The Risk Sharing Agreement forms part of the overall contract with DCST and is available on request. The Secretary of State issued a Statutory Direction on 17th June 2016 stipulating that the Children with Disabilities (CWD) service be transferred from the Council to Doncaster Children's Services Trust (DCST). The CWD social work team based at the Civic office transferred on 19th June, whilst the Oakland's Short break Unit is scheduled for transfer in September 2016.

Improvement Action Progress update

The Annual contract review process for 2016/17 is well underway. The principal document has been signed off by the high level steering group on 10th November and the report is currently subject to exchange of documents between the Trust and the Council so as to arrive at a final agreed report with submission scheduled for despatch to the Secretary of State on or before 3rd January, 2017. The report contains further proposals to enhance the contractual arrangements including some changes to the performance indicators and the transfer of family support services which will be subject to statutory direction by the Secretary of State.

All monitoring actions have taken place on an on-going basis and have been enhanced by the adoption of more proportionate and appropriate reporting and some 'whole systems' monitoring which includes a new and more appropriate reporting mechanism to the Children's Scrutiny Panel; commencement of meetings of the Performance Accountability Board and cross reference to the new Doncaster Safeguarding Children's Board (DSCB) performance report. All challenge meetings are properly recorded with a discernible audit trail and evidence of the challenge process which is shared via the scrutiny panel to the public domain.

Improvements to the Doncaster Children's Services Trust (DCST) performance report have been adopted and continue to be made and developed further. As identified in the 2015/16 Annual review, improvements to the reporting to the high level Quarterly performance meeting have taken place, so that each meeting receives a quality assurance report. All changes to the basket of indicators were implemented save for two specified measures within the contract which have been assessed and are proposed for amendment / or removal in the Annual contract review 2016/17 and the specified finance measures which are proposed for re-evaluation.

The Trust Ofsted Improvement plan is subject to separate, but interlinked monitoring and challenge at regular separate specific joint meetings and a joint approach to monitoring visits is embedded. The transfer and co-location of the Early help hub took place in February 2016. Evaluation by the Department of Education (DfE) appointed agency 'Achieving for Children' confirmed that the Hub works effectively.

In October 2016 the second of the Ofsted monitoring visits took place with a focus on quality of practice in particular the quality and effectiveness of plans for children in need of help and protection, reviews and work to reduce risk to this cohort; the quality of work on pre – proceedings, the application of the voice of children and the effective use of performance and Quality assurance work. Overall, and acknowledging that there is further work to be undertaken, the report found that the Council and the Trust had made 'significant progress' in improving the quality of work since the inspection in 2015. Inspectors praised the continued pace of improvement and noted that, as in the previous monitoring visit, no children were seen to be in situations of unassessed, unmanaged or unacceptable risk.

The transfer of Children with Disabilities (CWD) services took place on 19th June, 2016 and the transfer of Oakland's short breaks unit took place on 1st September, 2016.

Joint working arrangements: -

- Complex care packages for CYP with complex needs – the Joint resource panel is meeting frequently at which joint commissioning decisions are considered agreed and recorded – this will provide valuable intelligence as to the commissioning of packages of care for the most complex needs which will inform future systems transformation.
- Management of Corporate Parenting arrangements – new Terms of Reference for the Corporate Parenting Board. (CPB) and improved performance of the Board in challenging performance and acting as ‘corporate parents’
- Establishment of two new sub groups of the CPB – Multi agency Looked after Partnership – dedicated to improving outcomes for LAC in accordance with the LAC sufficiency plan; Governing body of the Virtual school – provides Multi agency support in relation to standards and resources
- Virtual school – systemic improvements in place or in train – including incorporation of PEPs onto electronic MA database; programme of audits; training for social care staff; improved engagement with schools.

A peer challenge took place for the Virtual School on 29th and 30th November 2016. Notification of findings are awaited.

Financial Position

The Trust’s performance is also highlighted in the Council’s Quarterly Finance and Performance report. For Quarter 2 the report included a £3.4m projected overspend and this reflects the £2.7m contract variation request for increasing levels of activity plus £0.5m which is the Council’s 75% share of the remaining £0.7m overspend from the £3.2m total reported overspend. Further actions are being undertaken to agree the contract variation figure and understand the options being progressed to release pressure on the forecast outturn, specifically around the care ladder and achieve a balanced budget moving forward.

7.13 Improvement Action	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 has been undertaken and Fraud Code of Practice Assessment Workshops has been held with managers. Fraud risk registers are being collated and will be reported to Audit Committee.</p>	<p>August 2016</p>	<p>Director of Finance & Corporate Services</p>
<p>Improvement Action Progress update</p>		
<p>Fraud risk registers were reported to Audit Committee on 17th November, 2016 along with a full analysis of the Council’s compliance with the fraud code of practice. Now that the drafted risk registers are approved, these fraud risks will be amalgamated into the Council’s normal risk management arrangements. There are no further outstanding recommendations from the assessment of the fraud code of practice. This action has been completed and a formal request to remove it will be made during the 2016-17 Annual Governance Statement process.</p>		

7.14 Improvement Action	Action Date	Responsible Manager
<p>Direct Payments Work continues to improve the recovery of direct payments and personalised budgets. There are a number of actions and processes that still need to be put in place or be embedded. However outstanding actions have been progressed with the majority now identified as fully completed, with others partly implemented and having a revised target date of June 2016. Substantial work and resources have been put into managing this area from within Adults, Health and Wellbeing and Finance and Corporate Services. In February 2016, a further review of Direct Payments was undertaken by colleagues in Internal Audit with the outcome being a “limited assurance” that systems and processes are operating efficiently and effectively. A detailed improvement plan has been prepared with timelines during 2016/17, for delivery that will work to provide a greater degree of assurance that systems and processes are effective and robust.</p>	May 2017	Director of Adults, Health & Wellbeing

Improvement Action Progress update

Activity:
 Since the last Audit Committee Meeting in June 2016, 13 individual actions have been marked as implemented. Out Of the 11 actions still outstanding all are progressing and many are nearing completion. The implementation of the audit actions will reduce the risks to procedures not being followed and the financial risk to non-recovery of overpayments. In addition, the uptake in Direct Payments is also a significant action for Adults Health and Well-Being, with a separate action plan focussing on that in place, aligned to an immediate business improvement project.

Improvements in motion :

- The management of the overall project has been taken up by the Interim Head of Assessment and Care Management, with key leads from across the council, representing services to support the take up, and improvements of Direct Payments. This project group have clear oversight of this piece of work across all areas, particularly care management to ensure the offer and support to establish a Direct Payments are provided in a positive and empowering manner, to give greater choice and control to the person.
- Payments and business process have already been refined and improved, to avoid delays in financial transactions, but the Care First non-residential project will provide further improvements.
- Revised processes have established much tighter control over the financial arrangements of services users associated with Direct Payments. In addition, with a new Direct Payment agreement is being introduced this will make responsibilities for a Direct Payments clearer for all parties.
- We have set targets for all teams in the performance for delivery of direct payments. We have revised the policy and guidance for direct payments and are now seeking final approval and sign off for the end of December 2016.
- There is a focus on overall improvement of all aspects of service delivery in this area given it is fundamental to our work on transforming people’s lives ,and empowering them to make choices, about their service.
- The project group meet regularly to maintain momentum and make the required tactical changes that are needed to significantly improve performance and quality in the delivery of Direct Payments. This group will also oversee the delivery and completion of the outstanding audit actions reported
- This group will report and be held accountable through the immediate business improvement project governance arrangements.

7.15 Improvement Action	Action	Responsible
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	Date	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 Activity from the Data Quality Strategy 2013-2015 including self-assessments on central government returns has been completed. A project plan to refresh the Data Quality Strategy has been developed with the target date for completion of September 2016. This activity which commenced in April 2016, will draw upon the completed self-assessments, incorporate latest research and draw upon good examples across the sector. Key parts of the Council including internal audit, ICT and Strategy & Performance teams will co-produce this strategy. Also within each service plan a mandatory action on Data Quality has been included for 2016-17 planning cycles which will help to embed data quality across the organisation</p>	November 2016	Director of Finance & Corporate Services
<p>Improvement Action Progress update</p>		
<p>Following the formal agreement of the Data Quality Strategy 2016/17 – 2020/21, a working group has now been established to drive forward the activity for the remainder of the 2016/17 plan, which includes:</p> <ul style="list-style-type: none"> • Action plans to be completed for all key measures/ returns that have been assessed via the self-assessment toolkit as at risk • Promote and implement the LLPG as the default look up for address data as part of the data quality standards • Implementation of the single customer record as the “Golden Record” across key council systems • Complete and show compliance to Level 2 of the IG Toolkit • Using systems approach to quality assurance identify current systems and prioritise for analysis, cleansing, establishing validation and monitoring via the model <p>Progress against the planned activity will be governed by the Business Intelligence Board. It is acknowledged that there remains much to do to fully embed the data quality principles across the organisation and that good data quality can only be achieved by continual assessment and monitoring and therefore reflects the need to refresh the action plan on an annual basis throughout the four year strategy.</p>		

7.16 Improvement Action	Action Date	Responsible Manager
<p>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 is now working through opportunities to maximise income opportunities, ensuring income due to the Council is identified, charged for and collected in a cost efficient and timely manner</p>	September 2016	Director of Finance & Corporate Services
Improvement Action Progress update		
<p>Income Management reviews have been completed within Waste Management, Markets and Licencing. The project to date has identified over £190k of previously unbilled income and been instrumental in the collection of £66k of potential bad debts.</p> <p>Detailed below are some of the key achievements and progress that has been made from the reviews.</p> <ul style="list-style-type: none"> a) Recovered £66k through proactive collection of invoices which had been outstanding for over 3 years; b) Identified £190k of previously unbilled income which has now been invoiced; c) Revised income budgets to align with actual income within individual sections; d) Implemented Management Information reporting on collections which improve collection rates e) Identified internal training needs to be done within sections for ERP Systems to enable section to work more efficiently; f) Data Cleanse within key sections so that live data can be reconciled to the general ledger; <p>The Income Management project plan continues to be worked through with further opportunities to maximise income, charge for it and collect it in a cost efficient and timely manner.</p>		

.17 Improvement Action	Action Date	Responsible Manager
<p>Asset Register The Council is reviewing its arrangements for maintaining its asset register to enhance arrangements and better facilitate accounting for assets. Although Phase 2 of the Enterprise Resource Planning (ERP) programme has been deferred (with new deadlines to be agreed), work is progressing with design workshops due to take place over the summer, following which a plan for the fixed assets module will be clearer. The fixed asset register (held on an excel spreadsheet) produces the statement of account information. External audit have been pleased with the improvements which have led to a more efficient capital audit, through improved audit trails and working papers.</p>	Phase 2 project plan which will be implemented in June 2017.	Director of Finance & Corporate Services
Improvement Action Progress update		
<p>Design workshops have taken place, which have identified the need for some modifications to meet accounting requirements. Some of the modifications have been completed and we are continuing to work with the consultants to deliver those remaining. Due to the required modifications the project timescales have slipped and we are working on a new project plan. However, the delay should not be detrimental. We expect the asset register will be launched early in the new financial year and the accounting functionalities will be used during the year.</p>		

7.2 Significant Governance Issues Identified in 2015-16

Whilst we are satisfied with the effectiveness of corporate governance arrangements and systems of internal control, as part of our continued efforts to improve governance the following new issues have been identified for improvement as part of the 2015-16 Annual Governance Statement process:

7.21 Improvement Action	Action Date	Responsible Manager
<p>Safeguarding Adults Personal Assets Team (SAPAT) There are a number of governance risks associated with the Safeguarding Adults Personal Assets service that are currently being addressed. These include lack of robust policies and procedures, lack of appropriate recording systems and poor data quality, multiple paper based systems, inadequate storage and retrieval of documents and property and a lack of clear performance and monitoring data. These are now all being addressed with support from corporate services.</p>	December 2017	Director of Adults, Health & Wellbeing
Improvement Action Progress update		
<p>The major activities completed are - The Safeguarding Adults Personal Assets Team (SAPAT) has undergone major transformation in every aspect of service delivery since February 2016, with the support of corporate services. Key actions include:</p> <ol style="list-style-type: none"> 1. Development of processes and procedures – Work continues on developing processes and procedures in tandem with upgrades to SAPAT’s core ICT platform Caspar, and wider corporate policy decisions 2. Cleansing, digitisation and destruction of historic paper files 3. Development of a performance information suite 4. Implementation of the corporate banking solution 5. Full Internal Audit and Financial Assessment case review for all Safeguarding Adults Personal Assets Team clients 6. Reduction in Safeguarding Adults Personal Assets Team clients base, through relinquishment of clients and the closure of historic deceased cases 7. Development of robust processes and procedures 8. Repatriation of historic property items back to the client / clients estate 9. Formation of complex cases group to consider the most complex cases and to inform policy and procedural improvements <p>The processes and procedures developed ensure that Safeguarding Adults Personal Assets Team now delivers a consistent service for the clients they serve. The introduction of performance reporting systems has allowed an analytical approach to resolving historic cases. This approach running in tandem with clear processes and procedures has reduced Safeguarding Adults Personal Assets Teams recorded client base by over 25% between April 2016 and November 2016.</p> <p>Staff training needs have been identified and a rolling programme of training will commence in February 2017. The Safeguarding Adults Personal Assets Team’s reliance on paper based systems and external digital recording mechanisms has significantly reduced, with data now being stored within more appropriate systems such as Caspar, EDM or CareFirst.</p> <p>Remaining activity is on track for delivery within the agreed timescales : Further work in 2017 will focus around (1) completing and embedding the processes substantially progressed during 2016, (2) updating assessments involving</p>		

clients' transport requirements to reflect changes either to need or provision, (3) finalising financial reconciliations, (4) the referrals process, ensuring only relevant clients are referred to SAPAT, and (5) authenticating banking documentation to enable access to court funds.

7.22 Improvement Action	Action Date	Responsible Manager
<p>Learning Disability/Supported Living Reviews An improvement area was identified relating to annual reviews within the learning disability team. There is a risk that some of these reviews may be individuals who have not had a financial assessment, are not contributing towards their care and support and have not been considered for CHC funding. As the robust review project works through the cases we will have a better understanding of the accommodation and support needs of each individual</p>	On-going	Director of Adults, Health & Wellbeing
Improvement Action Progress update		
<p>Major activity completed: All of the 267 people identified in supported living have had a review of their care and support needs by May 2016. All 267 people have had a financial assessment, and where appropriate and required, are now being supported to contribute their disposable income towards their care. Annual reviews are now scheduled in and allocated in a timely manner to ensure reviews do not become overdue. Financial assessments are now fully embedded within the assessment process. Continuing healthcare (CHC) is now fully embed and considered during the assessment process and where someone then screens in as eligible for an NHS assessment this is progressed by referral to the CCG.</p> <p>Through the robust review process, not aligned specifically to supported living reviews or overdue reviews, there were a number of high cost packages (166). A dedicated resource selected cases for review, based on dates of last review and cost of packages of care. 43 of these cases have had a robust in depth strengths based review through this additional resource. These have delivered better outcomes and efficiencies. Other cases will continue to have a robust review through the scheduled review process. Finance and performance will monitor the realisation of benefits on these 43 cases.</p> <p>The issue(s) resolved: There are no longer people in supported living who have long overdue reviews of care and support needs and financial assessments. There are still opportunities within this setting to take forward the personalisation agenda by decommissioning block contracts and commissioning care which more closely meets people personal needs and ambitions. This is a key part of the transformation programme and will be delivered through a joint commissioning strategy, and action plan to ensure individuals in supported living have access to a personal budget.</p> <p>Changes made to activity –</p> <ol style="list-style-type: none"> 1. Reassess all users: all 267 people living in supported living have had a review by May 2016. The following annual review has been scheduled and is to be allocated to a worker in a timely manner to ensure that further annual reviews do not become overdue. 2. Align packages to assessed needs/outcomes: some packages of care were complex, with some individuals accessing day services, personal care and hiring transport. Many people lacked capacity to make decisions about aspects of their lives. A full reassessment was conducted, involving the individuals, their family/carers and advocates. Individuals now have a person centred care and support plan that clearly outlines assessed need and 		

outcomes for individuals.

3. All service users information onto carefirst; carefirst has been updated with relevant information and classifications in terms of whether someone is in settled accommodation and in employment, which are key indicators collated by local government.
4. Financially assess: all 267 people have had an updated financial assessment. Any individual who has to pay for or contribute to the cost of their care and support has been identified and has been supported to contribute accordingly.

The aspect of the activity that is not on track:

Continuing healthcare - Robust data around the continuing healthcare status of each individual was not captured on the offline spreadsheet which was used to track activity. It has only been possible to identify continuing healthcare funding for 69 people from the information available. The quality of recording this continuing healthcare classification on carefirst is not at a standard we would expect (this is the subject of a separate project). The action that is being taken: at each scheduled review CHC eligibility is reviewed and where an individual is screened as eligible a referral is made for an NHS assessment. The continuing healthcare classification on carefirst is updated accordingly.

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

INCOME MANAGEMENT PROGRESS REPORT

Relevant Cabinet Member(s)	Wards Affected	Key Decision
		Yes/No

EXECUTIVE SUMMARY

1. At the August 2016 Audit Committee meeting, members requested that the committee receive an update on the Income Management Project. This report provides an update on progress made to date, current on-going projects and future plans.
2. Income Management reviews have been undertaken in key risk areas. These reviews commenced in December 2015 and since that date have resulted in:
 - the identification and billing of £190k of additional income;
 - £66k of outstanding doubtful debt having being recovered through pro - active debt collection.
 - Systems and processes have been improved to ensure that billing takes place for all goods and services provided details of which are included in Appendix B.
3. Further reviews are planned, details of which are included in **Appendix C**

RECOMMENDATIONS

4. Audit Committee is asked to note the progress and future plans of the Income Management Project.

BACKGROUND

5. It was previously identified following the 2015 Value for Money Review, that there were potential savings within the Council in the area of Income Management and that income was not being maximised within some sections of the Council. To maximise income potential throughout the Council, it was decided that an Income Management project be established with the target of achieving £100k in additional income.
6. In order to achieve this target, an Income Management project plan was developed to review all major areas of the Council with the aim of identifying unbilled income. This has been resourced through the utilisation of vacancies to recruit a temporary Senior Income Management Officer within the Business Support function for Finance & Corporate Service.

OBJECTIVES

7. Below is a summary of the objectives of the Income Management Project. **See Appendix A** for a more detail:
- Fully maximise income opportunities;
 - Ensure all income due is identified and collected by the most cost efficient method in a timely manner;
 - Ensure all sums due are correctly accounted for in the financial systems;
 - Update all relevant procedures and documentation;
 - Standardise reconciliation procedures;
 - Achieve £100k savings target 2016/17.
8. The initial focus for the Income Management project is to review the £47.9m income from fees and charges, which mainly relate to invoices being raised after services have been provided and does not include government grants, council tax and business rates.

INCOME MANAGEMENT PROJECT PROGRESS AND ACHIEVEMENTS

9. Having identified the major income areas, reviews commenced focussing on areas where there may be weaknesses in income management arrangements. Income Management reviews have been completed within Parking Permits and Licencing. Reviews have commenced in Metroclean, Markets, Registrars and Waste Management. The project to date has identified over £190k of previously unbilled income and been instrumental in the collection of £66k of potential bad debts.
10. Actual additional income identified to date are:

ADDITIONAL INCOME IDENTIFIED AND BILLS RAISED	
Waste Management unbilled Income	£36,000
Licencing unbilled Income	£44,300
Markets Lettings unbilled Income	£20,383
Markets Utilities unbilled Income	£89,544
Sub total	£190,227
DOUBTFUL BAD DEBT	
Potential Bad Debt Recovered	£66,000
TOTAL	£256,227

11. Further non-cashable savings / improvements have been made and will continue to benefit the Council in future years, the detail of which can be seen at Appendix B, these include:
- Identified training needs and delivered within some teams on how to effectively utilise the councils financial systems (ERP);
 - Data Cleanse within key sections so that live data can be reconciled to make sure all income is being generated e.g. Waste Management and Markets;
 - Ensuring efficient and timely reconciliations are carried out in Waste Management, Licensing and Markets to ensure that all goods and services provided have been billed for;
 - More accurate financial reporting enabling better decision making e.g. debt recovery and debt collection reports;

12. Post Income Management reviews, and, continual assessment are required for all elements of work that are undertaken by the Income Management project to ensure that what has been implemented is efficient, has been adopted by staff, and, achieving the benefits that were envisaged. A six monthly review will be carried out after implementation which will identify any issues and problems, details of which are included in Appendix B.

OPTIONS CONSIDERED

13. Not applicable – for information only

RISKS AND ASSUMPTIONS

14. At present there is a risk that all income is not being generated. With reviews taking place in individual sections, missing income is being identified and reconciliation processes are put in place. It is assumed that reconciliations will continue to be made on a regular and timely basis.

LEGAL IMPLICATIONS

15. There are no legal implications associated with this report.

FINANCIAL IMPLICATIONS

16. The financial implications are included in the main body of this report.

HUMAN RESOURCES IMPLICATIONS

17. There are no specific human resource implications associated with this report.

TECHNOLOGY IMPLICATIONS

18. There are no specific technology implications associated with this report.

EQUALITY IMPLICATIONS

19. There are no specific equality implications associated with this report.

CONSULTATION

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

BACKGROUND PAPERS

21. Not applicable

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INCOME MANAGEMENT PROJECT

APPENDIX A

SUMMARY OF OBJECTIVES

- a) To maximise all income opportunities available to the Council;
- b) To ensure that all income due is identified and collected, and, that standardised robust reconciliation procedures exist to guarantee that supplies of goods and services cannot be provided without payment of the prescribed charge;
- c) To make sure income is collected by the most cost efficient method in a timely manner. Where appropriate, payment at the time of order (prepayment) will be the most desirable to reduce the costs of collection, and, eliminate future recovery action. The use of digital channels will also be considered for example internet payments in order to reduce staff time associated with the service delivery;
- d) Ensuring all sums due are correctly accounted for in the financial systems, utilising where possible automatic feeds to reduce errors and support the integrity of the data;
- e) Updating all relevant procedures and documentation including Financial Procedure rules, the Intranet, the Finance Manual, along with identifying areas requiring training;
- f) Achieve £100k savings target for Financial Year 2016/17;

The Income Management project complements the Councils Digital strategy by ensuring the whole organisation offers its services on-line first, thus reducing the need for cash, and, cheques, deriving the following benefits:

- a) Greater security – Collecting income electronically will reduce the risks associated with the use of cash and cheque, and, the burdensome requirements associated with these methods of payments;
- b) Reduced Administration – by implementing integrated electronic payment methods, this will reduce the time taken by staff to count cash, along with the associated banking and completion of various systems to update the financial ledger. The removal of manual intervention will result in a reduction of costs relating to the collection of income;

Increased Income and Budget – A review of all income the Council receives will allow the identification of potential new income sources, as well as providing assurance that all monies due are collected, and, that a budget provision exists.

Completed and Ongoing Income Management Reviews

APPENDIX B

Work Stream	Outcome	Expected Completion
<p>Parking Permits Reviewed and found to be very tight with controls in monitoring income to actual invoices raised. Permits are account based payable in advance and scratch cards payment is made up front either by Debit Card or Cash.</p>	<p>Implemented a new field on the Car Parking Database to incorporate Accounts Receivable customer numbers to enable quicker reconciliations.</p> <p>This has led to improved income performance</p>	<p>Complete</p> <p>Post Implementation Review – 31/05/2017</p>
<p>Liquor Licence/Premises Reviewed and reconciled data to ensure:</p> <ul style="list-style-type: none"> • all income was being captured; • appropriate processes were in place to ensure that there were no delays in the collection of income. 	<p>Reconciliation has taken place between Licensing database and general ledger which identified unbilled income of £44k which has now been billed for.</p> <p>All missing invoices have now been input into the financial system so that all future income is captured.</p> <p>Accounts Receivable produce a monthly report on outstanding debtors and send to Licensing to aid debt recovery.</p>	<p>Complete</p> <p>Post Implementation Review - 30/06/2017</p>
<p>Metro Clean Reviewed and reconciled data to ensure:</p> <ul style="list-style-type: none"> • all income was being captured; • appropriate processes were in place to ensure that there were no delays in the collection of income. 	<p>Review identified that reconciliation processes were already in place and all income is being collected;</p> <p>Further work to be conducted to increase electronic payments i.e. via direct debit. This will increase the speed of collection and reduce the amount of outstanding debt.</p>	<p>31/01/2017</p>
<p>Doncaster Markets Reviewed and reconciled data to ensure:</p> <ul style="list-style-type: none"> • all income was being captured; • appropriate processes were in place to ensure that there were no delays in the collection of income. 	<p>Full Data Cleanse on customer information is now complete.</p> <p>Processes have improved and now invoices are being produced within 5 working days having previously taken 90 working days.</p> <p>Unbilled Letting income of £20k was identified and invoices have now been raised.</p> <p>Unbilled Utility income of £90k was identified and invoices have now been raised.</p> <p>Processes have been improved and all new customers will be set up to pay by direct debit in advance. This will increase the speed of collection and reduce the amount of outstanding debt.</p> <p>New computer system is being implemented by Digital Council, should be operational by</p>	<p>28/02/2017</p> <p>Page 111</p>

	the start of the new financial year. Once the new system is in place it will reduce manual intervention further making the markets operation more efficient.	
Registrars Cash handing process reviewed Reconciliation to be made between Registrars records and finance records to ensure: <ul style="list-style-type: none"> • all income was being captured; • appropriate processes are in place to ensure that there were no delays in the collection of income 	Cash handling process to continue until re-housed with Civic Building 2017 Online appointment booking system to be implemented and all payments to be taken either online or at Kiosk. This will eradicate all cash handling and increase efficiency in registrars being able to take more appointments instead of carrying out administration tasks. Digital Council are leading on this improvement.	31/03/2017
Waste Management Internal Audit in Dec 2014 identified poor data quality and that there were no controls within the waste section to monitor income Reviewed and reconciled data to ensure: <ul style="list-style-type: none"> • all income was being captured; • appropriate processes were in place to ensure that there were no delays in the collection of income. 	Waste data is in the process of being cleansed which, when completed, may result in further income being generated. Unbilled income of £36k has so far been identified which has now been billed for	01/04/2017
Bad Debt Provisions Reviewed bad debt provisions for 2016/17.	Quarterly monitoring of bad debt provision making sure maximising collection of outstanding debt. £66k of potential bad debt has been collected in the first 3 quarters of 2016/17	07/04/2017

Appendix C – Scheduled Income Management Reviews / Workstreams

Local Land Charges	28/02/2017
Asset and Property	28/02/2017
Town Centre	28/02/2017
Bereavement	28/02/2017
Highways	31/03/2017
Schools Catering	30/04/2017
Car Parking/Fines	31/05/2017
Tourist Information	30/06/2017
Museums	31/07/2017
Client Contributions	31/08/2017
Planning/Building Control	30/09/2017

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