



**Doncaster  
Council**

## Agenda

---

To all Members of the

# AUDIT COMMITTEE

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

**Venue:** Council Chamber, Civic Office, Waterdale, Doncaster, DN1 3BU

**Date:** Thursday, 26th July, 2018

**Time:** 10.00 am

---

### Items for Discussion:

### Page No.

- |    |  |        |
|----|--|--------|
| 1. | Apologies for Absence  |        |
| 2. | To consider the extent, if any, to which the Public and Press are to be excluded from the meeting. |        |
| 3. | Declarations of Interest, if any   |        |
| 4. | Minutes of the meeting held on 21st June 2018.   | 1 - 8  |
| 5. | Audit Committee Action Log   | 9 - 18 |

**Jo Miller**  
**Chief Executive**

---

Issued on: Wednesday, 18 July 2018

**Governance Services Officer for this meeting:** Amber Torrington  
Tel 01302 737462

**Doncaster Metropolitan Borough Council**  
**[www.doncaster.gov.uk](http://www.doncaster.gov.uk)**

6.	Update Report on Contracts and Commissioning in Adults, Health and Wellbeing.	19 - 24
7.	Money Laundering Arrangements	25 - 50
8.	Internal Audit Report for the period: April to June 2018	51 - 78
9.	Street Lighting Project - Audit Report	79 - 108
10.	Audited Statement of Accounts 2017/18 and KPMG Report to Those Charged With Governance (ISA 260 Report) 2017/18	109 - 146
11.	2017/18 Annual Governance Statement	147 - 162

### **Members of the Audit Committee**

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

Councillors Iris Beech, Mark Houlbrook and David Nevett

**Co-opted Member:** Kathryn Smart

## DONCASTER METROPOLITAN BOROUGH COUNCIL

### AUDIT COMMITTEE

THURSDAY, 21ST JUNE, 2018

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER - CIVIC OFFICE on THURSDAY, 21ST JUNE, 2018, at 10.00 am.

PRESENT:

Chair - Councillor Austen White

Vice-Chair - Councillor Richard A Jones

Councillors Iris Beech, Mark Houlbrook, David Nevett and Co-Opted Member, Kathryn Smart,

ALSO IN ATTENDANCE:

Debbie Hogg – Director of Corporate Services

Scott Fawcus – Monitoring Officer & Assistant Director of Legal & Democratic Services

Peter Jackson – Head of Internal Audit

Helen Potts – Principal Legal Officer

Faye Tyas – Head of Financial Management

Alison Ormston – KPMG, External Auditors

1 Declarations of Interest, if any

Councillor Mark Houlbrook declared an interest in Agenda Item 6, by virtue of being a Member of Thorne and Moorends Town Council.

Kathryn Smart informed the Committee that she had completed a new Declaration of Interest Form following changes in her job roles and gave a brief outline to the Committee of what these changes were in terms of her interests.

2 Minutes of the meeting held on 5th April, 2018

RESOLVED that the minutes of the meeting held on Thursday 5th April, 2018, be agreed as a true record and signed by the Chair.

3 Audit Committee Action Log.

The Committee considered the Audit Committee Action Log that updated Members on actions agreed at each Committee meeting in order to ensure that all actions were monitored and that satisfactory progress was being made.

Members noted that this continued to be an ever improving picture, and demonstrated that good progress was being made. The report detailed that since the last Committee, 3 actions had been completed and would be removed from the next action

log, 5 remained in progress and were on track for completion within their prescribed timescales, and 1 action continued to progress but was behind its original timelines.

The outstanding action that remained of concern was that in relation to the Business Waste Reconciliation and whilst it was in progress, it remained behind its original timelines. However, in relation to Members' concerns regarding this issue, Officers assured the Committee that this was now reaching the end with the reconciliation now being 95% complete. This had been downgraded from Red to Amber, and once officially completed, Internal Audit would review the actions taken and ensure future reconciliations were being carried out.

RESOLVED that

- 1) The progress being made against the actions agreed at previous Committee meetings be noted; and
- 2) Any further updates be provided to Members at the next Audit Committee.

4 Monitoring Officer Annual Whistleblowing and Standards Report 2017/18

The Committee were presented with a report by the Monitoring Officer that provided information on ethical governance and details of any complaints received in relation to allegations of Member misconduct, disclosures or whistleblowing over the last 12 months.

Members noted that Appendix 1 of the Report, contained a summary detailing the formal complaints that have been dealt with in the 12 months since the last report received by the Committee. The Monitoring Officer explained this covered 42 Town and Parish Councils across Doncaster, which encompassed 304 Councillors. Measured against those numbers, Members could see that the number of formal complaints received was in fact very small.

In terms of Whistleblowing, Members noted that two incidents had been raised with the Monitoring Officer over the 2017/18 period. Members queried if this was an accurate reflection or if in fact it was the case that people weren't reporting issues. The Monitoring Officer commented that he could look at the statistics of the other South Yorkshire Authorities and share the figures with the Committee in order to get a flavour of how these compared. However, it was also pointed out that prior to a formal whistleblowing case, there were other avenues that people may choose to go down, including voicing concerns with Directors or Senior Officers and this could result in a more appropriate process being followed.

With regard to code of conduct complaints received, Members discussed these, and acknowledged that there had been a number related to one particular Town Council over the period, but it was hoped that these problems had now been resolved. However, it was pointed out to Members that the sanctions available remained inadequate and it was felt that were there stricter sanctions available, such problems may have been resolved much sooner. It was reported that Monitoring Officers and other interested commentators continued to push for the reintroduction of suspensions and exclusion in the most serious cases, as the sanctions now available were not fit for purpose and were inadequate in addressing matters of significant bad behaviour. Members acknowledged that the work of Philip Beavers, the Independent Person on

the Standards Committee was very useful and he had proven to be a valuable asset, but Members also felt that Parish Councils should look to utilise bodies such as the YLCA (Yorkshire Local Councils Association) in their provision of advice and support.

RESOLVED that:-

- 1) The Monitoring Officer's annual report on complaint handling activity for the period 1 April 2017 to 31 March 2018, be noted;
- 2) The Whistleblowing Return for 2017/18 be noted;
- 3) The nil money laundering report for 2017/18 be noted; and
- 4) The report on the existence and effectiveness of the Council's ethical arrangements be noted.

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

Members considered a report that provided an annual update on Covert Surveillance, Regulation of Investigatory Powers Act 2000 (RIPA). It was noted that the Council occasionally had a need to conduct covert surveillance in the investigation of matters for which it had a responsibility to prosecute, or for other authorised intelligence gathering, and in such matters, RIPA regulates how this is undertaken.

Officers informed Members that the RIPA procedure had been amended as part of the Annual Update a year ago, and no further changes had been made since then, as it was deemed to be fit for purpose. One point to note however, that was brought to Members attention was in relation to social media. It was felt that it was now timely for the Monitoring Officer to contact the Leadership Team to highlight the need for consideration of the covert surveillance requirements where social media was repeatedly used for monitoring an individual as authorisation was needed for this prior to it being undertaken.

Members noted that training on RIPA was provided on a yearly basis to Trading Standards, who often had the need for this in their area and whilst it was reported that the Police used it on a wider scale than officers from the Council, it often proved to be a very useful tool in investigations.

RESOLVED that:-

- 1) The Audit Committee note that 3 RIPA applications have been authorised since the last report in January 2018, the details of which were attached at Appendix 1, and none of these had been refused by the Magistrates;
- 2) The Council's RIPA procedure, as attached at Appendix 2, be approved, with no amendments since the last approval in June 2017;
- 3) The proposal for the Monitoring Officer to email Directors, Assistant Directors and Heads of Service concerning RIPA and particularly when

using social media for intelligence may become covert surveillance, be noted.

## 6 Unaudited Statement of Accounts 2017/18.

The Audit Committee were presented with the Council's Unaudited Statement of Accounts for the 2017/18 financial year, which highlighted the overall financial position for the year, providing a summary of the accounts closure timetable and information on the performance of the Council.

Members noted that the 2017/18 unaudited accounts had been made available on the Council's website and would be available for public scrutiny until 12 July, 2018. It was expected that following finalisation of the audit opinion by 16 July, the Council would complete its audited accounts by 26 July, when a report would be presented to the Audit Committee by KPMG which would formally set out their findings of their audit of the Council's financial statements.

Alison Ormston, KPMG, reported that they would be holding their closure meeting the following week for the accounts, and all areas were currently progressing with no major issues emerging which was positive to note.

Following consideration of the report, Members were afforded the opportunity to make any comments or raise any points that they requested clarity on, and officers endeavoured to provide them with the information they required. Members raised queries on the following points:-

- Componentisation – in relation to a query on this issue, Members were provided with information on the value of componentisation and its effect on the Council's accounts.
- Members raised a query regarding the PFI and asked officers whether it would be more beneficial to pay off or buy out the schools funded by a PFI, Members were informed that the penalties for withdrawing would be extremely costly, and it was more about managing the contracts effectively to ensure it was financially beneficial.
- With regard to a query concerning the £2.5M overspend, Members were informed this was significant, but would be monitored regularly to ensure it was managed effectively.
- Adult Services was an issue that was referred to in depth through the course of discussions, with Members raising several points of concern. Members were reassured that at the present time, the budgets were being monitored and over the longer term, improvements were expected to be seen.
- Concerns were also raised regarding the use of Consultants across the Council, but the Committee was assured that these were only used if the skills were not available in house and other avenues needed to be explored.
- Finally, Members queried if the External Auditors were happy with the Council's arrangements to produce the financial statements, which they were assured

they were, adding that the accounts team were very responsive to questions which were answered in a timely manner.

RESOLVED that the 2017/18 Statement of Accounts be noted.

## 7 Draft Annual Governance Statement 2017/18.

Members received the draft Annual Governance Statement for 2017/18 which detailed the annual review of the Councils Governance arrangements. This was a statutory requirement to undertake and demonstrated governance compliance over the period.

It was reported that the draft Annual Governance Statement may be updated prior to its final sign off in July, but it endeavoured to be as open and transparent in its demonstration that there was good governance in place in Doncaster, and that services were provided well and that public money was safeguarded and properly accounted for.

Members noted that the Annual Governance Statement undertook to do the following:-

- Highlight key areas of improvement that had been completed and effectively managed to the extent they were no longer significant;
- Identified significant issues arising from the 2017/18 review of the effectiveness of corporate governance arrangements
- Provide an update on the key areas identified during previous years.

The report stated that there had been 6 significant weaknesses identified in 2017/18, which were outlined in detail on pages 4-6 of the document, and were as highlighted below:-

- Alarm Receiving Centre (ARC)
- General Significant Financial Challenges
- Doncaster Integrated Peoples System (DIPS)
- General Data Protection Regulation (GDPR)
- Devolved Budgeting in Adults
- Management and Stock Control Relating to the Smart Lights Project

Members were invited to pose any questions to officers in relation to the report, with the following points raised:-

Concerns were voiced in terms of the Smartlight project and whether the timescale outlined was achievable. Members were informed that an update report on this issue would be presented to the July meeting of the Audit Committee.

With regard to Income management and Direct Payments, Members looked for assurance that this was being adequately dealt with and that monies were being collected. Officers reported that this was an extremely complex issue, but training had been implemented, and the issues had been identified. Each recovery case was dealt with on an individual basis, but payment could not be recovered from a Council administered account if an individual was not in credit and therefore was not a simple process to achieve.

Members of the Committee raised concerns in terms of the Corporate Risk Register and whether this was an accurate reflection of issues arising throughout the Council. However, it was reported that it was important to acknowledge that more items would be included on this in the future, as it was aiming to become more pro-active in its approach. It was intended that it wasn't to be seen as a weakness if an issue was included on this, and more that it was actively challenging areas. The organisation needed to become more pro-active as a whole, and encompassing risk within its revised Resource Management arrangements would ensure that it was moving at greater speed and improving and progressing at a more positive rate.

RESOLVED that

- 1) The draft Annual Governance Statement be approved; and
- 2) Following the agreement of the draft Annual Governance Statement it be noted that the Mayor and Chief Executive be asked to sign this prior to its publication along with the Statement of Accounts.

8 Audit Committee Prospectus, Terms of Reference and Work Programme 2018/19.

The Audit Committee were presented with a report that detailed its Prospectus, Terms of Reference and Work Programme for the 2018/19 Municipal Year.

The Terms of Reference of the Committee had been approved by Full Council at its Annual Meeting on 18 May, 2018. There had been minimal changes made to these, and had been reviewed purely to simplify the wording. A more comprehensive review would take place this year following new guidance from CIPFA.

The report also encompassed the Audit Committee Prospectus, which provided an oversight of the role of the Audit Committee and set out the scope of the Committee and how it would manage risks across the Council.

Finally, also attached was the Audit Committee Work Programme for the coming year, which highlighted what areas were planned to be covered at each Committee meeting. This included issues prescribed within the Terms of Reference, including:-

- Internal Audit
- External Audit
- Accounts / Financial reporting
- Risk Management
- Ethical Governance
- Other Matters.

In addition to this, it was also proposed to maintain the regular reporting of the following items on a six monthly basis:-

- Compliance with Contract Procedure Rules and Procurement Breaches; and
- Regulation of Investigatory Powers Act 2000 (RIPA) Surveillance.



RESOLVED that:-

- 1) The Terms of Reference for the Audit Committee for the 2018/19 Municipal Year be noted; and
- 2) The Prospectus setting out the Audit Committee's scope, standards and work programme for 2018/19 be approved.

CHAIR: \_\_\_\_\_

DATE: \_\_\_\_\_

This page is intentionally left blank



## Doncaster Council

### Report

26<sup>th</sup> July 2018

To the Chair and Members of the AUDIT COMMITTEE

#### AUDIT COMMITTEE ACTIONS LOG

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

#### EXECUTIVE SUMMARY

1. The Committee is asked to consider the attached 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.
2. All actions are progressing well (see paragraph 7 below).

#### EXEMPT REPORT

3. The report does not contain exempt information.

#### RECOMMENDATIONS

4. 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?

5. 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

6. The Audit Committee Actions Log, which is updated for each Audit Committee meeting, records all actions agreed during previous meetings. Items that have been fully completed since the previous Audit Committee meeting are recorded once as complete on the report and then removed for the following meeting log. Outstanding actions remain on the log until completed.
7. The action log shows details relating to 11 actions requested in previous meetings. Of these:
  - 7 have been completed and will be removed from the next action log
  - 4 have yet to reach the agreed action date and are on track (they are either in progress and in time, or are scheduled for completion within the excepted time)
  - Further detail is provided on two of the longer running issues that have been previous causes of concern for the Committee

**Business Waste Income Reconciliation** - The first Business Waste reconciliation of income due to income charged has now been completed with all accounts checked and accounts raised as appropriate. Internal Audit will continue to monitor this area and report any problems as required to future committees

**Deprivation of Liberty Safeguards (DoLS)** – An update is set out in the table below which identifies strong progress in dealing with the backlog. A follow up review following the DOLS audit is scheduled for October 2018 Audit Committee which will provide a further update on the backlog position

	No. as at 6 <sup>th</sup> July 2017	No. as at 22 <sup>nd</sup> January 2018	No. as at 06 <sup>th</sup> March 2018	No. as at 29 <sup>th</sup> June 2018	Comments
Cases not yet allocated for assessment (includes new referrals received in the email inbox)	415	261	107	122	The team have experienced an increase of referrals as the process has improved (more people are aware of expiry of authorisations etc.)
Cases in progress (assessment in progress or awaiting input to CareFirst after completing the assessment)	Not available	299*	225*	133	
DoLS granted cases awaiting sign off	326	53	55	225	This has increased as the team currently only have the same level of signatory support however they are now assessing more people in a timely manner

DoLS not granted cases awaiting sign off	511	608	908 <sup>^</sup>	267	This represents the work the team has done around this backlog in recent months
<b>Other information</b>					
Cases where a notification needs to be sent out	Not available	558	913	666	The team have worked to reduce this backlog and are awaiting additional support to assist with this
Forms returned to the Council that have not yet been input to CareFirst (NB these are individual assessments and not cases – some cases will have both an MHA and BIA form to input)	Not available	163	30	30	
Notifications of moving / death not yet actioned	Not available	13	0	23	

\* This is the number of cases where both the BIA and MHA assessments are outstanding.

<sup>^</sup> These are not all true 'not granted' cases where the person is deemed to have mental capacity, the majority of these are where the person has died or moved locations which still need signing off. This number has increased due to significant work carried out to clear cases where the person has died or moved location. Work is due to start shortly to sign these cases off.

## OPTIONS CONSIDERED AND RECOMMENDED OPTION

- 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

9.

	Outcomes	Implications
	<b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future; <ul style="list-style-type: none"> <li>Better access to good fulfilling work</li> <li>Doncaster businesses are supported to flourish</li> <li>Inward Investment</li> </ul>	
	<b>Doncaster Living:</b> Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time; <ul style="list-style-type: none"> <li>The town centres are the beating</li> </ul>	

	<p>heart of Doncaster</p> <ul style="list-style-type: none"> <li>• More people can live in a good quality, affordable home</li> <li>• Healthy and Vibrant Communities through Physical Activity and Sport</li> <li>• Everyone takes responsibility for keeping Doncaster Clean</li> <li>• Building on our cultural, artistic and sporting heritage</li> </ul>	
	<p><b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> <li>• Every child has life-changing learning experiences within and beyond school</li> <li>• Many more great teachers work in Doncaster Schools that are good or better</li> <li>• Learning in Doncaster prepares young people for the world of work</li> </ul>	
	<p><b>Doncaster Caring:</b> Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> <li>• Children have the best start in life</li> <li>• Vulnerable families and individuals have support from someone they trust</li> <li>• Older people can live well and independently in their own homes.</li> </ul>	
	<p><b>Connected Council:</b></p> <ul style="list-style-type: none"> <li>• A modern, efficient and flexible workforce</li> <li>• Modern, accessible customer interactions</li> <li>• Operating within our resources and delivering value for money</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of residents</li> <li>• Building community resilience and self-reliance by connecting community assets and strengths</li> <li>• Working with our partners and residents to provide effective leadership and governance</li> </ul>	<p>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</p> <p>The work undertaken by the Audit Committee improves and strengthens governance arrangements within the Council and its partners.</p>

## RISKS AND ASSUMPTIONS

10. 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 (SRF 16/07/18)**

11. There are no specific legal implications associated with this report. The individual matters listed in Appendix have all been subject to appropriate legal advice at the time of consideration by the Audit Committee.

#### **FINANCIAL IMPLICATIONS [VJB 06/07/18]**

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

#### **HUMAN RESOURCES IMPLICATIONS [MLV 06/07/18]**

13. There are no specific human resources issues associated with the contents of this report.

#### **TECHNOLOGY IMPLICATIONS [PW 10/07/18]**

14. There are no specific technological implications associated with this report.

#### **EQUALITY IMPLICATIONS [PJ 25/05/18]**

15. 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.

#### **HEALTH IMPLICATIONS [RS 10/07/18]**

16. Good governance is important for healthy organisations and for healthy populations. Specific health implications should be addressed through individual audits and action plans.

#### **CONSULTATION**

17. 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**

18. None

#### **REPORT AUTHOR & CONTRIBUTORS**

Peter Jackson, Head of Internal Audit

Tel 01302 862938, Email: [peter.jackson@doncaster.gov.uk](mailto:peter.jackson@doncaster.gov.uk)

**Steve Mawson**  
**Chief Financial Officer &**  
**Assistant Director of Finance**

## APPENDIX 1

### AUDIT COMMITTEE ACTION LOG – JUNE 2018

Follow-up actions from previous meetings:-

Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
<b>Meeting June 2018</b>				
	<b>GDPR Training</b> Member requested to be set up to complete the GDPR training completed by other committee members	Member set up with access and subsequently completed the 5 modules	Peter Jackson	<b>Yes – Completed</b>
<b>Monitoring Officer Report</b>				
	<b>Reporting on Employee Conduct</b> Committee requested summary information around employee conduct consistent with that provided on members	Employee matters are comprehensively reported through the Resource Management processes involving Service Managers, Head of Services, and Directors, assisting in discharging the duties of the Head of Paid Service. The information provided on Members by the Monitoring Officer is that required by the Council's Constitution / legislation which does not apply to Officers. Committee's assurance is that such measures are in place	Debbie Hogg	<b>Yes – Completed</b>
	<b>Consultation on Standards</b> Member requested a response be provided to the Yorkshire Local Council's Association on their consultation over sanctions	Responses have been provided to two recent government consultations on standards, which YLCA and its members will have also responded to.	Scott Fawcus	<b>Yes – Completed</b>
	<b>Whistleblowing Information</b> Committee requested comparator information from other local authorities	Comparator information sought from surrounding local authorities in South and West Yorkshire	Scott Fawcus	<b>In progress – awaiting responses for update at October 2018 Audit Committee</b>
<b>Breaches and Waivers to the Councils Financial and Contract Procedure Rules</b>				



Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
	<b>Strategic Procurement</b> - committee to receive an overview of the work of the Strategic Procurement Team at a future briefing training session	Scheduled for October 2018 briefing session as that Committee receives the next Breaches and Waivers report	Holly Wilson	<b>Scheduled but not yet due</b>
<b>Meeting April 2018</b>				
<b>Deprivation of Liberty Safeguards (DoLS) Process Review</b>				
	Committee to receive a further update on the assessments backlog position	Good progress has been report as set out in detail at paragraph 7 of this report	Griff Jones	<b>Yes – Update provided to July Audit Committee.</b>
<b>Breaches and Waivers to the Councils Financial and Contract Procedure Rules</b>				
	<b>Strategic Procurement</b> - committee to receive an overview of the work of the Strategic Procurement Team at a future briefing training session	Scheduled for October 2018 briefing session as that Committee receives the next Breaches and Waivers report	Holly Wilson	<b>Scheduled but not yet due</b>
<b>Meeting February 2018</b>				
<b>Adult Health and Wellbeing Contract and Commissioning Update Report</b>				
	Committee to receive a further update report in 6 months time	Report to be provided to July 2018 Audit Committee.	Patrick Birch	<b>Yes – Update report provided to July Audit Committee.</b>
	<b>Adults Health and Wellbeing Transformation Programme</b> Committee to receive an update report in 6 months' time	Report to be provided to July 2018 Audit Committee.	Patrick Birch	<b>Yes – Update report provided to July Audit Committee.</b>
<b>Meeting October 2017</b>				
<b>Income Management Progress Report</b>				
	Committee to receive a further update report on the Income Management Improvements by September 2018.	Report to be provided to October 2018 Audit Committee.	Steve Mawson	<b>Scheduled but not yet due</b>
<b>Meeting July 2017</b>				
<b>Internal Audit Progress Report July 2017</b>				

Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
6a	Business Waste and Recycling follow up. It was suggested that an update be brought back to the October meeting detailing any progress made and the Assistant Director be asked to attend to explain any inconsistencies, if that is deemed necessary at the time.	<p>The first reconciliation of income due to income charged was undertaken April 18.</p> <p>A significant number of anomalies were identified and investigated by mid June (£39,635 unbilled income going back to 2013/14 and £3,481 overpayments requiring credit notes were identified).</p> <p>Current year accounts have been corrected so that correct bills are produced going forward.</p>	Gill Gillies	<p><b>Yes – Completed</b></p> <p><b>All backdated accounts now raised and quarter 1 18/19 reconciliation process is being finalised.</b></p> <p><b>Internal Audit will continue to monitor this area and report any problems as required to future committees</b></p>



This page is intentionally left blank



## Doncaster Council

### Report

---

Date: 26 July 2018

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

#### **UPDATE REPORT ON CONTRACTS AND COMMISSIONING IN ADULTS, HEALTH AND WELLBEING**

Relevant Cabinet Member(s)	Wards Affected	Key Decision
Cllr Blake		No

#### **EXECUTIVE SUMMARY**

1. This report provides Members with an update on progress within the Adult Commissioning and Contract function to:
  - maximise effectiveness;
  - reduce and manage contract breaches and waivers;
  - support and deliver the Directorate's short term improvement priorities; and provide the basis for longer term transformation

#### **EXEMPT REPORT**

2. There are no exemptions in this report.

#### **RECOMMENDATIONS**

3. To note the information contained in this report, and the actions and progress made by the Commissioning and Contracts function in Adults Health and Wellbeing (AH&W).

#### **WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?**

4. Effective commissioning and contract management is essential, to ensure the delivery of value for money, quality, effective and efficient services to the citizens of Doncaster. The Commissioning Plan supports the Adult Transformation Programme as well as the Doncaster Place Plan and Doncaster Growing Together.

## **BACKGROUND**

5. A report was presented to Audit Committee on 1<sup>st</sup> February 2018 regarding the adult social care Commissioning and Procurement Plan, setting out the framework for all future commissioning and contracting activities over a 4 year period, together with an update of commissioning activity since October 2017.
6. In March 2018, Cabinet Committee approved proposals regarding the re-commissioning of 30 contracts due to expire this financial year.

## **Capacity Issues**

7. Over recent months, two permanent Heads of Service have commenced in post. A Commissioning and Contracts Officer has been recruited (to fill existing vacant posts). It is anticipated that these posts together with the recruitment of a Commissioning Manager (currently vacant) will provide the additional capacity required to support the delivery of service transformation, the proposed move towards integrated commissioning and the delivery of the Commissioning and Procurement Plan.

## **Activity**

8. The Commissioning and Contracts team has continued to make progress across the following areas:-
  - Continued to reduce off contract spend (i.e. spend where no contract has been put in place or the contract has expired). Since April 2017 off contract spend has reduced by £3.236m (from £5.4m) to £2.164m. The AH&W's current spend is circa £90m with external Providers, of which, 97.6% is underpinned by a contract. This compares favourably with the Council average of 90%.
  - Concluded the re-procurement of three Supported Living Service contracts across Doncaster. The remaining contract is currently in the process of being re-let. These are the highest value contracts currently commissioned at circa £14m per year.
  - Joint working with the Clinical Commissioning Group (CCG) in line with the Place Plan to deliver integrated working across the commissioning and contracts functions.
  - Evaluated the operation of the current Care and Support at Home Contract and implemented an agreed an action plan to further enhance the service currently being delivered to service users;
  - Commenced working with the four strategic lead providers of Care and Support at Home services to develop and implement a trusted assessor scheme to support service user reviews.
  - Continue to support the RDASH residential and Solar Centre project;
  - Tendered a new money management service to support individuals who choose a direct payment / individual budget to purchase their own care packages. As the tender exercise failed to secure a provider of this service, a retender is being undertaken;
  - Reshaped a mental ill-health housing related support service to transform the way that services are currently provided to service users

through the delivery of floating support in accommodation dispersed throughout the borough.

- Implemented a commissioning plan to provide clarity and strategic direction for a range of housing support services, to deliver services for vulnerable people, supported accommodation hostels and floating tenancy support services, which will generate savings of circa £300,000 in 2018/19;
- Undertaken a review of externally provided day services which are currently provided in three locations which will feed into the day service review of internal day service provision to generate service efficiency whilst ensuring continuity of provision;
- Awarded a Home Support Immediate Response Service contract to primarily support hospital discharge
- Continued to support the delayed transfer of care initiative working with home care providers to ensure individuals can safely be discharged from hospital without delay;
- Providing ongoing support and expert advice to the Directorates transformation programme and top priority improvement projects.

### **Waivers and Breaches to CPR's**

9. Since 1<sup>st</sup> February 2018, there has been 4 waivers to CPR's this compares to the 5 waivers reported to audit committee in February 2018. There have been no further breaches to CPR's.

### **Solar Centre Update**

10. The project is well underway aligned to local transformation priorities. The project aim is for improved outcomes for people through services that are more aspirational and provide greater choice and control for service users. To date service users have been visited to look at possible options for future day services. The Council and Doncaster CCG have advised service users that:-
  - Whilst a number of key principles have been agreed, they are not in a position of making clear recommendations about the future of the Solar Centre pending further consultation.
  - It has been agreed that people living at home with their families should be a priority for accessing Day Services.
  - Where people live away from the family home, for example in supported living or residential care, work is taking place with providers of those services to identify how they can support people with more person centre day time activities.
  - As a number of people will need to continue to attend a building based service, alternatives are being explored regarding services provision in the future.
  - There will be no change to the Day Service currently provided until further engagement has taken place, unless individual service users are currently working with their social worker or case manager to look at alternatives.
11. Whilst Members will be reassured that a temporary formal Agreement is in place to underpin the current arrangements, it is anticipated that there will

be further slippage as detailed consultation with families and service users is required.

## OPTIONS CONSIDERED

12. Option 1 – do nothing. This option would not effectively support the delivery of the commissioning plan and priorities or the delivery of the Transformation Programme. There would likely be an increase in the number of contracts in breach.
13. Option 2 – To note the information contained in this report, and the actions and progress made by the Commissioning and Contracts function in Adults Health and Wellbeing (AHWb).

## REASONS FOR RECOMMENDED OPTION

14. To ensure that the Council continues to delivery it's commissioning priorities and supports the delivery of the transformation programme.

## IMPACT ON THE COUNCIL'S KEY OUTCOMES

15.

	Outcomes	Implications
	<p><b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> <li>• Better access to good fulfilling work</li> <li>• Doncaster businesses are supported to flourish</li> <li>• Inward Investment</li> </ul>	<p>The commissioning and procurement plan:-</p> <ul style="list-style-type: none"> <li>• Benefits the local economy by increasing opportunities for local service providers.</li> <li>• Supports the delivery of modern, quality, value for money services.</li> </ul>
	<p><b>Doncaster Living:</b> Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> <li>• The town centres are the beating heart of Doncaster</li> <li>• More people can live in a good quality, affordable home</li> <li>• Healthy and Vibrant Communities through Physical Activity and Sport</li> <li>• Everyone takes responsibility for keeping Doncaster Clean</li> <li>• Building on our cultural, artistic and sporting heritage</li> </ul>	<p>Commissioning, procurement and contract management supports modern, quality, value for money services.</p>



	<p><b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> <li>• Every child has life-changing learning experiences within and beyond school</li> <li>• Many more great teachers work in Doncaster Schools that are good or better</li> <li>• Learning in Doncaster prepares young people for the world of work</li> </ul>	
	<p><b>Doncaster Caring:</b> Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> <li>• Children have the best start in life</li> <li>• Vulnerable families and individuals have support from someone they trust</li> <li>• Older people can live well and independently in their own homes</li> </ul>	Robust contract management processes will ensure that individuals remain safe and supported.
	<p><b>Connected Council:</b></p> <ul style="list-style-type: none"> <li>• A modern, efficient and flexible workforce</li> <li>• Modern, accessible customer interactions</li> <li>• Operating within our resources and delivering value for money</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of residents</li> <li>• Building community resilience and self-reliance by connecting community assets and strengths</li> <li>• Working with our partners and residents to provide effective leadership and governance</li> </ul>	

## RISKS AND ASSUMPTIONS

16. The principle risk would be a reduction in key posts within the commissioning and contracts function which would impact on the team's ability to deliver business as usual, the commissioning plan and provide support to the transformation programme.

## LEGAL IMPLICATIONS (SF 21/06/18)

17. The Council has a series of legal powers and duties around the provision of Adult Services. The Council must also follow both internal and external

regulations surrounding its Commissioning and Procurement processes. There are no specific legal implications arising from this report. However, Legal Services provide ongoing advice and assistance on commissioning and procurement exercises and contract matters and will continue to input into the matters detailed with this report.

#### **FINANCIAL IMPLICATIONS [KB 5/07/18]**

18. There are no direct financial imps arising from this report. The adult Commissioning and Contracts team work with Finance colleagues to deliver adult transformation and the delivery of the 4 year £12.7m efficiency targets.

#### **HUMAN RESOURCE IMPLICATIONS (DD 26/06/18)**

19. There are no direct HR implications in respect of this report. Continued HR & OD support will be provided to the Commissioning & Contracts Team to assist them in delivering their key priorities.

#### **TECHNOLOGY IMPLICATIONS: (PW 28/06/18)**

20. There are no direct technology implications in relation to this report

#### **HEALTH IMPLICATIONS (RS 21/06/18)**

21. Commissioning is a key way to improve and protect the health of Doncaster residents and this includes both the policy making and sourcing elements of the commissioning processes. Decision makers should welcome this update on key elements of the commissioning cycle and should also take note of the performance and contribution of key contracts in improving health and reducing health inequalities.

#### **EQUALITY IMPLICATIONS [DB 5/07/18]**

22. Due Regard Statements will be completed in line with Council Policy and the Public Sector Equality Duty.

#### **CONSULTATION**

23. Consultation will be undertaken with key stakeholders associated with in pursuit of the delivery of commissioning and procurement priorities and to support the delivery of the Transformation Programme as well as the Doncaster Place Plan and Doncaster Growing Together programme.

#### **BACKGROUND PAPERS**

24. None

#### **REPORT AUTHOR & CONTRIBUTORS**

Denise Bann – Strategic Lead – AHWb Commissioning and Contracts  
01302 862222

**Damian Allen - Director of People**



## Doncaster Council

### Report

---

Date: 26 July 2018

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

#### **MONEY LAUNDERING ARRANGEMENTS**

#### **EXECUTIVE SUMMARY**

1. This report presents to the Audit Committee, for approval prior to implementation, the Council's revised policy on Anti-Money Laundering.
2. The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (known throughout this document as **MLR 2017**) came into force on 26 June 2017. They implement the EU's 4th Directive on Money Laundering. In doing so, they replace the Money Laundering Regulations 2007 and the Transfer of Funds (Information on the Payer) Regulations 2007 which were previously in force.
3. Whilst the new regulations do not place specific responsibilities on the Council / local authorities in respect of money laundering, it is accepted best practice for the Council, as a guardian of public finances, to comply with the spirit of the legislation and put in place appropriate anti-money laundering safeguards.
4. The MLR(2017) require the completion of a documented risk assessment for money laundering activity and the implementation of appropriate procedures to prevent, detect and report on money laundering activity. The regulations also require the appointment of a Money Laundering Reporting Officer. This role has been reassigned to the Chief Financial Officer and Assistant Director of Finance with money laundering reporting activity being undertaken by Internal Audit. This is because the role is now considered to more closely align to that of the Council's statutory financial officer. The role was previously held by the Assistant Director for Legal and Democratic Services (the Monitoring Officer).
5. The policy attached at **Appendix A**, takes a risk based view of the activities of the Council and aims to put in place procedures to prevent and detect (and ultimately report on) money laundering activities without being onerous or excessive to the Council's overall risk.

6. The Council's overall risk in respect of money laundering (as per the documented risk assessment) has been judged as low (this is known as "moderate risk" within the Council's risk management guidance).

## **EXEMPT REPORT**

7. This report is not exempt. However, in order to protect the Council from potential fraudulent activity, detailed elements relating to the Council's Money Laundering Risk Assessment have been removed from this document to ensure that they are not used for criminal purposes.

## **RECOMMENDATIONS**

8. The Audit Committee is asked to approve the Council's revised Anti-Money Laundering Policy and associated arrangements, noting the change of Money Laundering Officer.

## **WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?**

9. Money laundering activities, along with fraud, affect the monies held in the public purse. Financial crimes reduce the monies available to the public purse and disproportionately affect those from the most disadvantaged backgrounds and poorest communities. Money laundering is often linked to the most serious types of crime which potentially affect all citizens within the UK.
10. Upholding a unified stance to anti-money laundering across the country helps to protect public monies and deter crime within the wider community.

## **BACKGROUND**

11. This proposed version of the Anti-Money Laundering Policy replaces the previously issued version of the Policy. This policy has been re-written to ensure that it gives a plain English approach to money laundering and can be understood by all staff using the policy.
12. In addition, a full risk assessment has been undertaken to ensure that the activity within the policy is proportionate to the risk faced by the Council. This was a requirement in the MLR 2017. The risk assessment looked at all areas known to collect or handle cash and is a dynamic risk assessment that has been integrated into the Council's Fraud Risk Register.
13. A detailed risk analysis has not been included as part of this report due to the fact that this information could be ultimately used by fraudsters / criminals to target areas in order to exploit listed controls.
14. As the risk exposure from money laundering is low overall (moderate) minimum coverage levels have been adopted by the policy. Due diligence checks are required for all single or combined cash transactions (multiple smaller cash transactions that cumulatively are over the limit) of £10k or more with additional anti-money laundering checks on areas which are considered the highest risk areas that the Council is exposed to.

15. This policy will need to be circulated to St Leger Homes, who deal with the sale of properties under Right to Buy on behalf of the Council.
16. In addition to the above, Anti-Money Laundering e-Learning is being developed and is expected to be available from the 1<sup>st</sup> of August, 2018 to ensure that those involved with handling cash are aware of the policy and its associated implications.

## OPTIONS CONSIDERED

17. None. This policy needed to be updated to ensure that it dealt with the changes under the MLR 2017.

## REASONS FOR RECOMMENDED OPTION

18. Whilst the new regulations (MLR 2017) do not place specific responsibilities on the Council / local authorities in respect of money laundering, it is accepted best practice for the Council, as a guardian of public finances, to comply with the spirit of the legislation and put in place appropriate anti-money laundering safeguards.

## IMPACT ON THE COUNCIL'S KEY OUTCOMES

19.

Outcomes	Implications
<p><b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> <li>• Better access to good fulfilling work</li> <li>• Doncaster businesses are supported to flourish</li> <li>• Inward Investment</li> </ul>	None
<p><b>Doncaster Living:</b> Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> <li>• The town centres are the beating heart of Doncaster</li> <li>• More people can live in a good quality, affordable home</li> <li>• Healthy and Vibrant Communities</li> </ul>	None

<p>through Physical Activity and Sport</p> <ul style="list-style-type: none"> <li>• Everyone takes responsibility for keeping Doncaster Clean</li> <li>• Building on our cultural, artistic and sporting heritage</li> </ul>	
<p><b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> <li>• Every child has life-changing learning experiences within and beyond school</li> <li>• Many more great teachers work in Doncaster Schools that are good or better</li> <li>• Learning in Doncaster prepares young people for the world of work.</li> </ul>	None
<p><b>Doncaster Caring:</b> Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> <li>• Children have the best start in life</li> <li>• Vulnerable families and individuals have support from someone they trust</li> <li>• Older people can live well and independently in their own homes</li> </ul>	None
<p><b>Connected Council:</b></p> <ul style="list-style-type: none"> <li>• A modern, efficient and flexible workforce;</li> <li>• Modern, accessible customer interactions;</li> <li>• Operating within our resources and delivering value for money;</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of residents;</li> <li>• Building community resilience and self-</li> </ul>	<p>Anti-money laundering arrangements applied across the country reduce the opportunity for criminals to launder funds and this in turn reduces the harm to the public purse.</p>

reliance by connecting community assets and strengths;  <ul style="list-style-type: none"> <li>• Working with our partners and residents to provide effective leadership and governance .</li> </ul>	
--	--

## **RISKS AND ASSUMPTIONS**

20. This report directly affects the Council's risk exposure to money laundering activities. This forms part of the Fraud Risk Register that is brought to the Audit Committee annually.
21. The failure to implement the required changes would leave the Council non-compliant with the MLR 2017.

## **LEGAL IMPLICATIONS [Officer Initials HP Date 03/07/18]**

22. Whilst the new regulations (MLR 2017) do not place specific responsibilities on local authorities in respect of money laundering, it is accepted best practice for the Council, as a guardian of public finances, to comply with the spirit of the legislation and put in place appropriate anti-money laundering safeguards.
23. A failure to report money laundering suspicions or detected money laundering activity to the National Crime Agency, or the tipping off of those suspected of money laundering activity may result in prosecution of the Council or the individual involved. These prosecutions are subject to a prison sentence of up to 5 years, a fine or both.

## **FINANCIAL IMPLICATIONS [Officer Initials VJB Date 06/07/2018]**

24. Any savings as a result of this policy are NOT quantifiable in budgetary terms, rather they are a saving to the UK economy as a whole.
25. There are no additional costs caused by the introduction of this revised policy.

## **HUMAN RESOURCES IMPLICATIONS [Officer Initials MLV Date 06/07/18]**

26. Appropriate measures need to be put in place to ensure that all employees who need to be aware of the revised Money Laundering Policy are effectively communicated with about the changes and any impact on their roles and responsibilities. One way of achieving this will be through the e-learning module which it is proposed will be a mandatory module for relevant employees in the identified services. Monitoring to ensure completion within agreed timescales should be put in place.
27. Appropriate communication also needs to take place with partner organisation (eg St Leger Homes) to ensure that they can consider implications for their employees and take appropriate actions.
28. None.

#### **TECHNOLOGY IMPLICATIONS [Officer Initials PW Date 10/07/18]**

29. There are no technology implications in relation to this report.

#### **HEALTH IMPLICATIONS [Officer Initials RS Date 10/07/18]**

30. There are no direct health implications in relation to this report.

#### **EQUALITY IMPLICATIONS [Officer Initials NFW Date 03/07/18]**

31. Money laundering activities reduce the monies available to the public purse by diverting it to criminals. As a result, money laundering and other financial crimes disproportionately affect the most vulnerable and deprived social groups in society.

#### **CONSULTATION**

32. None

#### **BACKGROUND PAPERS**

33. The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 form the basis of this paper.

34. Appendix A – The Anti-Money Laundering Policy

35. Appendix B – The Anti-Money Laundering Fact Sheet

#### **REPORT AUTHOR & CONTRIBUTORS**

Nicola Frost-Wilson – Internal Audit Manager

Tel; 01302 862931 [nicola.frost-wilson@doncaster.gov.uk](mailto:nicola.frost-wilson@doncaster.gov.uk)

**Steve Mawson  
Chief Financial Officer &  
Assistant Director of Finance**





# Doncaster Council

## ***Anti-Money Laundering Fact Sheet***

*This factsheet is aimed at Doncaster Council Members and officers*

Fraud and corruption is ever present in the UK and global economies and money laundering is part of the ever changing fraud landscape as criminals attempt to use the proceeds of their crimes.

Doncaster Council is committed to addressing these risks. This factsheet gives basic details for staff about money laundering and their responsibilities.

### **What is money laundering?**

The term "Money Laundering" describes offences involving the integration of the proceeds of crime, or terrorist funds, into the mainstream economy. The "laundered" funds can then be used for legitimate transactions that do not arouse suspicion. It is a favoured method of organised criminals and terrorists.

Whilst most of the Council's activities are unlikely to be at risk from money laundering staff need to be vigilant wherever cash transactions are involved. This means any service that receives income is potentially at risk, as are those involved in property sales, council house Right to Buy sales and any service dealing with or looking after the finances of another person or body. This list is not exhaustive.

Money laundering can happen as a single transaction or a series of smaller linked transactions.

### **What are my responsibilities?**

#### **As an employee you need to:**

- ✓ be aware and look out for money laundering as part of your day to day interactions with customers;
- ✓ undertake "*due diligence*" checks on any higher risk transactions or any cash transaction of €15,000 or more;
- ✓ look out for, and seek advice on any transactions involving countries such as Afghanistan, Syria and Korea (a full list relevant countries is available under *due diligence*);
- ✓ seek advice on any issues you are not sure about;
- ✓ report any concerns from those checks (or from your day job), in respect of money laundering to the Money Laundering Reporting Officer using the Money Laundering Reporting Form on the intranet.
- ✓ follow any instructions from the Money Laundering Reporting Officer when given

#### **Do not:**

- ✗ continue with any transaction once you have referred it to the Money Laundering Reporting Officer unless instructed to do so;
- ✗ attempt to investigate the suspected money laundering (beyond undertaking the "*due diligence*" checks below);
- ✗ discuss any suspicions of money laundering with the customer or record any such suspicions on their customer file (this is because this could tip off the suspect about a possible investigation)
- ✗ ignore your suspicions / concerns.

**Failure to report suspected money laundering is a criminal offence and you could be liable to prosecution and disciplinary action.**

**Failing to report money laundering carries a 5 year prison sentence and / or a fine.**

## Due diligence?

Due diligence is the name given to the additional checks undertaken in transactions at risk from money laundering activity. These checks are undertaken to ensure that we know exactly who we are dealing with, why and where the funds are coming from before we enter into a transaction (such as a cash sale for property or receive large amounts of cash). Due diligence checks include (but are not limited to);

- identity checks using official photographic ID sources, bank statements and credit reports for all those involved in a transaction,
- ensuring that we understand the ownership behind any company or trust so that we know exactly who we are dealing with; and
- ensuring that we know where the funds are coming from (which can involve requesting bank or other financial statements to confirm the source of the funds) before accepting the transaction.

More guidance on these checks is available in the full Anti-Money Laundering Policy.

Enhanced checks are needed where there is any involvement in the transaction by persons from certain countries. These include: Afghanistan, Bosnia and Herzegovina, Guyana, Iraq, Lao Peoples Democratic Republic, Syria, Uganda, Vanuatu, Yemen, Iran and the Democratic People's Republic of Korea. You should seek advice from Internal Audit Services if you are involved in any such transaction.

## Reporting suspicions of money laundering activity

If you suspect money laundering, you must report it to the Money Laundering Reporting Officer. This is the Chief Financial Officer and Assistant Director of Finance. via the *Money Laundering Reporting Form* that is available on the Council's intranet site.

When completing the form, please give as much information as you can, but remember, you should not try to investigate the issue yourself.

The Money Laundering Reporting Officer will review your referral and will make further enquiries. This may mean that you are asked for more information or to provide copies / evidence from the due diligence checks you have undertaken.

You must not proceed with any suspicious transactions until these are cleared and you are instructed to by the Money Laundering Reporting Officer.

If your concerns are upheld, they will be relayed to the National Crime Agency for further investigation.

---

## Further information

Further information can be found in the full Anti-Money Laundering Policy on the Council's intranet site.

For advice on money laundering, please contact Nicola Frost-Wilson on 01302 862931.



Doncaster  
Council

# **Doncaster Council**

## **Anti-Money Laundering Policy**

## Contents

1. Introduction .....	3
2. Scope of the policy .....	3
3. Relevant legislation applicable to this policy.....	3
4. What is “money laundering”? .....	4
5. What are the Council’s obligations? .....	5
6. Money laundering – higher risk activities .....	5
7. Warning signs of potential money laundering .....	7
8. What do I need to do to comply? .....	7
9. Due diligence checks .....	8
10. Reporting suspicions to the Money Laundering Reporting Officer .....	11
11. Consideration of the report by the Money Laundering Reporting Officer .....	12
12. Record keeping and record retention .....	13
13. Data protection considerations .....	15
14. Freedom of information considerations .....	15
15. Review of this policy .....	16

## **1. Introduction**

- 1.1. The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (known throughout this policy as MLR 2017) came into force on 26 June 2017. They implement the EU's 4th Directive on Money Laundering. In doing so, they replace the Money Laundering Regulations 2007 and the Transfer of Funds (Information on the Payer) Regulations 2007 which were previously in force.
- 1.2. This policy is designed to set out the Council's approach to money laundering prevention and associated reporting. This document should be read in conjunction with the Whistleblowing Policy and the Anti-Fraud, Bribery and Corruption Frameworks.

## **2. Scope of the policy**

- 2.1. This policy applies to all employees of the Council, whether temporary or permanent, and any agents acting on behalf of the Council. This policy is also applicable to elected members where any suspicions of money laundering activity are noted or come to light.
- 2.2. This Policy aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The Policy sets out the procedures, which must be followed to enable the Council to comply with its legal obligations.

## **3. Relevant legislation applicable to this policy**

- 3.1. The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (*MLR 2017*).
- 3.2. The Proceeds of Crime Act (*POCA*) 2002.
- 3.3. A "*Money Laundering Reporting Form*" accompanies this document.

#### **4. What is “money laundering”?**

- 4.1. Money laundering is the method by which cash or funds obtained illegally are passed or “laundered” through financial systems to disguise their criminal origin. The “laundered” funds can then be used for legitimate transactions that do not arouse suspicion. It is a favoured method of organised criminals and terrorists.
- 4.2. The term “Money Laundering” describes offences involving the integration of the proceeds of crime, or terrorist funds, into the mainstream economy. Such offences are defined under The Proceeds of Crime Act 2002 as the following prohibited acts;
- Concealing, disguising, converting, transferring or removing criminal property from the UK.
  - Becoming involved in an arrangement which an individual knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.
  - Acquiring using or possessing criminal property.
  - Doing something that might prejudice an investigation e.g. falsifying a document.
  - Failure to disclose one of the offences listed above where there are reasonable grounds for knowledge or suspicion.
  - Tipping off a person(s) who is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation.
- 4.3. Money laundering activity may range from a single act such as the use of criminal funds to pay an invoice to multiple payments to an account to “launder” money in smaller chunks to avoid checks and suspicions. They can even involve sophisticated schemes involving multiple parties and multiple methods of handling and transferring criminal property, as well as concealing it, and entering into arrangements to assist others to do so. Council employees need to be alert to the risks of money laundering in any of its many forms.



## **5. What are the Council's obligations?**

- 5.1. Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2017, guidance from finance and legal professions, including the Chartered Institute of Public Finance and Accounting (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations and put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.
- 5.2. The obligations on the Council are to establish and maintain appropriate and risk-sensitive policies (after a documented risk assessment) and procedures relating to the following;
- Customer due diligence measures (checks) and ongoing monitoring of financial transactions;
  - Reporting of suspected money laundering activities;
  - Appropriate record keeping; and
  - The appointment of a named Money Laundering Reporting Officer.

## **6. Money laundering – higher risk activities**

- 6.1. The Council does not normally in the course of most of its duties undertake “regulated activities” for which additional checks and measures are necessary (these additional measures are known as “*due diligence*” checks). However, some Council activities are considered to be higher risk. On such transactions we must ensure that we comply with the spirit of the money laundering regulations. These activities include (but are not limited to):
- Any advice given on tax affairs or accounting / auditing services done for other parties;
  - Legal services;



- Property sales (commercial and those of housing stocks)
- The handling of any transaction involving a cash payment of €15,000 or more. (Cash is defined as “notes, coins or travellers’ cheques in any currency”). It is the Council’s policy not to accept more than £11,000 in cash in any single transaction. However, cumulatively, cash transactions may exceed this level if not properly monitored (it should be noted however, that this is extremely unlikely). For this reason, the Council has adopted a risk based approach and will undertake appropriate checks on any cash transactions (single or cumulative) of £10,000 or more.

6.2. All employees need to be aware of the possibility of money laundering in their day to day activities. The following scenarios illustrate how money laundering risks are part of our everyday activities:

6.2.1. A social worker is assessing a service user's finances to calculate how much they should pay towards the cost of their care, and then goes on to arrange for services to be provided and charged for. If the service user's finances are the result of criminal activities, the social worker could be committing a prosecutable offence if they know or suspect that the monies are not legitimate income and does not report their concerns.

6.2.2. The Council (via the Director of Adult Services) are court appointed deputies for a service users financial and property affairs. If the member of staff in the Safeguarding Adults Personal Assets Team dealing with the discharge of those responsibilities, notices unusual income being received by the individual either in the past or on an ongoing basis and does not report those concerns for investigation; they may be committing an offence.

6.2.3. In the course of the sale of a Council property (commercial or a council house), the Right to Buy and / or Legal Services team become aware that the buyer wishes to pay a substantial amount in cash (either to fund the property or the deposit), then those dealing with the sale may be

committing an offence if sufficient checks are not undertaken and the property purchase ends up funded from the proceeds of criminal activity.

6.2.4. An employee notices unusual transactions made on the account of the debtor (for example a Business Rates debtor) in that relatively large amounts of cash are being paid to an account or the account being overpaid and a refund requested. These accounts may be under the €15,000 limit, however, if the pattern of payments suggests money laundering (or the monies are coming from different and unusual sources), the employee may be committing an offence if they do not report the suspicious transactions for further investigation.

## **7. Warning signs of potential money laundering**

7.1. Criminals have various ways of concealing, moving and legitimising the proceeds of their crimes. This policy cannot list every potential scenario that could indicate money laundering however, some potential warning signs include:

- the use of cash where other means of payment are more normal (unusual transactions);
- an unwillingness on behalf of the customer to answer questions / secretiveness;
- the use of shell or intermediary companies or persons to pass the monies on to us (such as money through different customers in different names);
- the payment of monies that are then requested back;
- overpayments received that are subsequently requested for a refund;
- individuals or companies that appear insolvent (appear not to have funds) that are making transactions or are making transactions that appear beyond their means;
- the involvement of a third party in a transaction without obvious cause or need; or

- the movement or coming of funds from a different country;

## **8. What do I need to do to comply?**

- 8.1. It is the responsibility of services managers to ensure that their systems of internal control are robust and that their staff are appropriately trained in respect of money laundering. It is also the responsibility of service managers to ensure that appropriate due diligence checks are undertaken on any relevant transactions (see section 8 for further explanations).
- 8.2. Where you are involved in a higher risk transaction or become aware of the transfer of significant amounts (£10,000+) cash (either as a single or multiple transactions), you must undertake due diligence checks to ensure that you know who your customer is and that the monies are legitimate. (See section 9 below). It is the policy of the Council not to accept single cash payments over €15,000 or the UK monetary equivalent (approximately £11,000). However, some sales such as Right to Buy sales will be purchased by electronic bank transfer. Despite these not being a true “cash” payment, it is still important to undertake the proper due diligence checks on the source of any funds being used to make the purchase despite the electronic method of transfer.
- 8.3. Where you, as either an individual or a team, suspect (or know) that money laundering activity is taking place then you must report it to the Money Laundering Reporting Officer and obtain advice and permission to continue the transaction.
- 8.4. IF YOU FAIL TO REPORT ANY SUSPICIONS YOU MAY BE LIABLE TO PROSECUTION.**
- 8.5. You must follow any advice or instructions given by the Money Laundering Reporting Officer. For Doncaster Council, this is the Chief Financial Officer and Assistant Director of Finance. (Further details on how to do this can be found in section 9).

## **9. Due diligence checks**

9.1. Due diligence is the name given to the additional checks undertaken in higher risk transactions (as outlined earlier). These checks ensure that the Council understands its customer and its business so that the Council is in a position to know if any suspicious activity needs to be reported.

9.2. MLR 2017 requires that;

- the Council identifies its customer and verifies that identity based on documentation and data obtained from a reliable source.
- the Council identifies, where there is a beneficial owner who is not the customer and taking adequate measures, on a risk-basis, to verify their identity so that we know who we are ultimately dealing with. This may be because someone else is acting on behalf of another person in a particular transaction, or it may be that we need to establish the ownership structure of a company, partnership or trust. As a general rule, the beneficial owner is the person who's behind the customer and who owns or controls the customer; Or it's the person on whose behalf a transaction or activity is carried out.
- the Council obtains information on the purpose and intended nature of the business relationship. This means understanding where the funds are coming from and the real purpose of the transactions.
- In addition to the above, if the transaction involves dealing with a person from a high risk 3rd country (as defined by the European Union), enhanced due diligence and additional risk assessment is necessary. A full list of high risk jurisdictions is available on [www.gov.uk](http://www.gov.uk), however, at the time of review this includes: Afghanistan, Bosnia and Herzegovina, Guyana, Iraq, Lao Peoples Democratic Republic, Syria, Uganda, Vanuatu, Yemen, Iran and the Democratic People's Republic of Korea.

9.3. To undertake these checks you should:

9.3.1. Check your customer's identity, specifically their name, address, date of birth, using official photographic documentation. The best way to do this is to ask for a government issued document like a passport, along with utility bills, bank statements and other official documents. Other sources of customer information include information held by credit reference agencies such as Experian and Equifax (although this information must be checked with their consent). If you have doubts about a customer's identity, you must not continue to deal with them until you are sure.

9.3.2. If you are dealing with a company or trust and not an individual, you will need to determine who owns the trust / company to determine who your customer really is. Please seek additional advice from Internal Audit Services if you are unsure of how to do this.

9.3.3. You will need to determine the source and origin of funds that your customer will be using in the relationship / transaction, especially where this is a cash transaction. This will involve requesting and reviewing copies of recent and current financial statements and reviewing the source of the cash being used. In the event of a property sale or right to buy application the source of the funds will still need to be investigated. Where a mortgage is being put in place, you will need to review the "mortgage offer in principle" to confirm the source of the funds. Where the investment is coming from a business, you will need to understand the ownership of that business and any related parties to it.

9.3.4. You will also need to understand the relationships between any joint parties, for example where 2 people are purchasing a property or council house, you will need to understand the relationship between the parties to ensure that money laundering (or fraud) is not taking place.

9.4. The checks described above must generally be undertaken by the Council before it establishes a business relationship or carries out an occasional transaction, or if it suspects money laundering or terrorist funding or doubts the veracity of any information obtained for the purposes of identification or verification. However, the Council is not required to undertake these checks if its

customer is another public authority, unless it suspects money laundering or terrorist funding.

9.5. Enhanced checks (over and above those described above) are necessary where:

- the customer is not physically present when you carry out identity checks;
- when you enter into a relationship or transaction with a politically exposed person (typically, a non UK or domestic member of parliament, head of state or government, or government minister and their family members and known close associates);
- where you enter into a transaction with someone from a 3<sup>rd</sup> risk country (as outlined in paragraph 8.2, point 3); or
- you feel that there is a high risk for money laundering.

9.6. In all of these cases additional checks are necessary and you should contact the Money Laundering Reporting Officer or their representative for additional guidance before undertaking additional checks.

9.7. Should any of your checks arouse suspicions, you must stop the transaction / dealing with the customer and report the activity immediately using the details in the next section. **Should you fail to do so, you may be liable to prosecution and disciplinary action.**

## **10. Reporting suspicions to the Money Laundering Reporting Officer**

10.1. The officer nominated to receive disclosures about money laundering activity within the Council is the Chief Financial Officer and Assistant Director of Finance.

10.2. Where you know or suspect that money laundering activity is taking/has taken place, you must disclose this as soon as practicable to the Money Laundering Reporting Officer. The disclosure should be within hours of the information coming to your attention, not weeks or months later. **DO NOT** attempt to make further investigations into the matter yourself.

- 10.3. Your disclosure should be made to the Money Laundering Reporting Officer using the Money Laundering Suspensions Reporting Form giving as much detail as is possible. If you prefer, you can discuss the matter with the Money Laundering Reporting Officer first. You must follow any advice or instructions issued by the Money Laundering Reporting Officer.
- 10.4. Once you have reported the matter to the Money Laundering Reporting Officer you must follow any directions he may give you. You **MUST NOT** make any further enquiries into the matter yourself; simply report your suspicions to the Money Laundering Reporting Officer who will refer the matter on to the National Crime Agency (NCA) if appropriate. All members of staff will be required to co-operate with the Money Laundering Reporting Officer and the authorities during any subsequent money laundering investigation.
- 10.5. Similarly, at no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering, otherwise you may commit a criminal offence yourself in “tipping off” the reported person.
- 10.6. **DO NOT**, therefore, make any reference on a client file to a report having been made to the Money Laundering Reporting Officer. Under data protection legislation the customer can exercise their right to see their file (a Data Subject Access Request) at any point in time. Such a note will obviously tip them off to the report having been made. The Money Laundering Reporting Officer will keep the appropriate records in a confidential manner.
- 10.7. Should any investigation be necessary (in conjunction with the National Crime Agency), you will be required to participate and supply information as appropriate under the direction of the Money Laundering Reporting Officer.

## **11. Consideration of the report by the Money Laundering Reporting Officer**

- 11.1. The Money Laundering Reporting Officer will consider the report and any other available internal information they think is relevant e.g.:
- reviewing other transaction patterns and volumes;
  - the length of any business relationship involved;

- the number of any one-off transactions and linked one-off transactions; and
- any identification evidence held.

11.2. The Money Laundering Reporting Officer will undertake such other reasonable inquiries he thinks appropriate in order to ensure that all available information is taken into account in deciding whether a report to the National Crime Agency is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The Money Laundering Reporting Officer may also need to discuss the report with you.

11.3. Once the Money Laundering Reporting Officer has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:

- there is actual or suspected money laundering taking place; or
- there are reasonable grounds to know or suspect that is the case; and
- whether they need to seek consent from the National Crime Agency for a particular transaction to proceed.

11.4. Where the Money Laundering Reporting Officer does conclude that there are reasonable grounds to suspect money laundering, then they must disclose the matter as soon as practicable to the National Crime Agency on their standard report form and in the prescribed manner, and await their instructions.

11.5. Where the Money Laundering Reporting Officer concludes that there are no reasonable grounds to suspect money laundering then they will mark the report accordingly and give consent for any on-going or imminent transaction(s) to proceed.

## **12. Record keeping and record retention**

12.1. Each department undertaking due diligence checks **MUST** maintain records of the checks carried out including copies of any evidence obtained to support the transactions / due diligence assessment.



- 12.2. The precise nature of the records is not prescribed by law; however, they must be capable of providing an audit trail during any subsequent investigation.
- 12.3. On **NO ACCOUNT** should a record of or any mention of, any referrals to the Money Laundering Reporting Officer be kept / mentioned on a customer's file. The file must not contain details of any such suspicions as the file can be reviewed by the customer at any time and it is important that the customer is not "tipped off" about any allegations accidentally.
- 12.4. Records must be kept for a minimum of 5 years to allow for any investigation to take place.
- 12.5. A record of the destruction of such information (including the money laundering reporting form) must also be kept in line with normal Council procedures.
- 12.6. An electronic copy of every customer due diligence record must be sent to the Money Laundering Reporting Officer to meet the requirements of the Regulations and in case of inspection by the relevant supervising body.

### **13. Data protection considerations**

- 13.1. Under data protection regulations any customer may ask to see the information that we hold about them. This is called a Data Subject Access Request. Under the law, we must provide this information. However, the regulations (both the General Data Protection Regulation and its predecessor) contain exemptions.
- 13.2. Exceptions apply in this case, where the release of the data would likely prejudice the prevention and detection of a crime or would cause the body releasing the information to actually commit a crime in doing so. As a result, money laundering referrals are usually exempt from any such subject access request, which is why the referral should not be documented on the customer's file. However, this does not prevent the release of all of the customer's information. Advice on the application of exemptions in this respect should be taken before any release of the information takes place.

### **14. Freedom of information considerations**

- 14.1. The Freedom of Information Act 2000 gives members of the public a general right of access to all types of recorded information held by public authorities, which includes the Council. The general right of access is, however, subject to exemptions.
- 14.2. The relevant exemptions are contained in section 23 (information supplied by, or relating to, bodies dealing with security matters) and section 31 (law enforcement). Information is exempt from disclosure if it would likely prejudice the prevention or detection of crime or the apprehension or prosecution of offenders.
- 14.3. Summary information, i.e. the number of reported suspicions, may be releasable providing that individual customers / referrals cannot be identified. In all cases, advice should be sought before dealing with any Freedom of Information request relating to money laundering activities.

**15. Review of this policy**

15.1. This policy will be reviewed annually and is next due for review in March 2019.

15.2. All significant amendments will be subject to approval by the Audit Committee.

<b>Version</b>	<b>Date of Amendment / Review</b>	<b>Details of Amendments</b>
1.0	November, 2013	Initial publication
2.0	July, 2018	Amendment to incorporate The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017  Introduction of the Money Laundering Fact Sheet

This page is intentionally left blank



## Doncaster Council

### Report

---

Date: 26<sup>th</sup> July 2018

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

#### **INTERNAL AUDIT REPORT FOR THE PERIOD: APRIL TO JUNE 2018**

Relevant Cabinet Member(s)	Wards Affected	Key Decision
		No

#### **EXECUTIVE SUMMARY**

1. The report attached at **Appendix 1** updates the Audit Committee on the work done by Internal Audit for the period April to June 2018, and shows this in the context of the audit plan for the year. The report includes details on the implementation of internal audit recommendations and the Internal Audit Teams performance information.
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. Section 1 of the attached update report shows the 4 new jobs that have been added to the plan. The changes are in response to emerging risks and concerns. Current progress in delivering the audit plan is commented in more detail within Section 2 of this report.

## **Section 2: Audit Work Undertaken During the Period**

5. Internal Audit continues to experience a high level of unplanned work in response to requests from management. This work is important as it helps to address weaknesses and potential errors and/or irregularities, and Internal Audit's support is generally highly regarded in these circumstances.
6. There are currently 5 ongoing investigations. Details of the work being carried out are included in Section 2 of this report.
7. The planned audit work done continues to confirm the Council generally has appropriate controls in place and that the controls are operating effectively. More details are provided in paragraph 2.4 and Appendix A of the attached report.

## **Section 3: Progress on the implementation of audit recommendations**

8. There are now 16 overdue major recommendations; these all fall within Adults, Health and Wellbeing. This is an increase from the number outstanding reported last period of 14 for the full organisation. This is due to several high level pieces of audit work having been completed around the same time for this Directorate. Although originally agreed timescales have not been fully met for some recommendations, there has been significant work undertaken implementing other major and lower level recommendations. In this period, 160 recommendations have been fully implemented by management compared to a total of 216 recommendations implemented in the entire 2017/18 year.
9. It should be noted that the internal audit risk assessment planning process completed for 2018/19, assessed the Adults Health and Wellbeing Directorate as being exposed to a higher level of risk than the other directorates within the council as it did in 2017/18. As such, this results in more audit areas being reviewed in this Directorate in comparison to the rest of the Council. In turn this will result in more audit recommendations being made.
10. The current number of audit recommendations outstanding overall is 154 of which 114 have revised implementation dates that were beyond their original agreed implementation date. Further information is set out in Section 3 of the report.

## **Section 4: Performance Information**

11. Performance on four out of the service's six key performance indicators are above target and are currently below target on the other two.
12. The percentage of planned audit work completed is slightly below target. This is due to the high levels of responsive work experienced by the team in this period and a heavy concentration of follow up work as explained in section 3 above. There is an expectation that that this small under-delivery can be recovered in future quarters but this is dependent on the level of responsive work required to be undertaken by the team. Should this become a problem, then additional resources will be put into the team in line with existing assurances to the Audit Committee and past actions by the Chief Financial Officer. .

13. The percentage of jobs completed within 110% of the budget is below target due to additional time spend on jobs due to a now departed junior member of staff
14. 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.
15. Issuing draft reports within 15 days of fieldwork completion is at 100% as is issuing final reports within 5 days of client feedback on the draft report.

## **RECOMMENDATIONS**

### **16. The Audit Committee is asked:**

- To note the 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?**

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

## **BACKGROUND**

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

## **OPTIONS CONSIDERED**

19. Not applicable - for information only

## **REASONS FOR RECOMMENDED OPTION**

20. Not applicable - for information only

## **IMPACT ON THE COUNCIL'S KEY OUTCOMES**

21. 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.

Outcomes	Implications
<p><b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> <li>• Better access to good fulfilling work</li> <li>• Doncaster businesses are supported to flourish</li> <li>• Inward Investment</li> </ul>	
<p><b>Doncaster Living:</b> Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> <li>• The town centres are the beating heart of Doncaster</li> <li>• More people can live in a good quality, affordable home</li> <li>• Healthy and Vibrant Communities through Physical Activity and Sport</li> <li>• Everyone takes responsibility for keeping Doncaster Clean</li> <li>• Building on our cultural, artistic and sporting heritage</li> </ul>	
<p><b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> <li>• Every child has life-changing learning experiences within and beyond school</li> <li>• Many more great teachers work in Doncaster Schools that are good or better</li> <li>• Learning in Doncaster prepares young people for the world of work</li> </ul>	
<p><b>Doncaster Caring:</b> Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> <li>• Children have the best start in life</li> <li>• Vulnerable families and individuals have support from someone they trust</li> <li>• Older people can live well and independently in their own homes.</li> </ul>	
<p><b>Connected Council:</b></p> <ul style="list-style-type: none"> <li>• A modern, efficient and flexible workforce</li> <li>• Modern, accessible customer interactions</li> <li>• Operating within our resources and delivering value for money</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of</li> </ul>	<p>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</p>



residents <ul style="list-style-type: none"> <li>• Building community resilience and self-reliance by connecting community assets and strengths</li> <li>• Working with our partners and residents to provide effective leadership and governance</li> </ul>	The work undertaken by the Audit Committee improves and strengthens governance arrangements within the Council and its partners.
--	--

## **RISKS AND ASSUMPTIONS**

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

## **LEGAL IMPLICATIONS [SF 09/07/18]**

23. 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 [AT 10/07/18]**

24. There are no immediate financial implications associated with this report. In 17/18 additional resources were secured to pay for additional resources to help deliver the audit plan and if this should need to be repeated for 18/19, funding will be identified from existing budgets within Finance.

## **HUMAN RESOURCE IMPLICATIONS [MLV 09/07/18]**

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

## **TECHNOLOGY IMPLICATIONS [PW 10/07/18]**

26. There are no specific technology implications associated with this report. As outlined in section 2.4, stronger controls relating to ICT inventory are planned/underway, including improved asset management and a full ICT audit. Any requirements for new, enhanced or replacement technology following the review of systems and processes within the Alarm Receiving Centre (ARC) will need to be considered by the ICT Governance Board (IGB). The overdue recommendation in Appendix B relating to Contract Monitoring Review – Supported Living is being addressed as part of the Integrated People Solution.

## **EQUALITY IMPLICATIONS [PJ 03/07/18]**

27. 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.

## **HEALTH IMPLICATIONS [RS 10/07/18]**

28. Good governance is important for healthy organisations and for healthy populations. Specific health implications should be addressed through individual audits and action plans.

## **CONSULTATION**

29. 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. Regular meeting are held with Senior Management to ensure there is effective and relevant Internal Audit coverage provided.

## **BACKGROUND PAPERS**

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

## **REPORT AUTHOR & CONTRIBUTORS**

Peter Jackson, Head of Internal Audit,  
Tel 01302 862938 E-mail - [Peter.Jackson@doncaster.gov.uk](mailto:Peter.Jackson@doncaster.gov.uk)

**Peter Jackson**  
**Head of Internal Audit**

## **Appendices Attached**

Appendix 1 - Internal Audit Progress Report to June 2018



**Doncaster  
Council**

**Appendix 1**

**Doncaster Council**

**Internal Audit Progress Report**

**April to June 2018**

## Section 1: Revisions to the Audit Plan

- 1.1. The 2018/19 Audit Plan was approved by the Audit Committee on 5<sup>th</sup> April 2018. As the audit year progresses, the plan is reviewed to take into account new and emerging risks and any responsive work arising. So far in 2018/19 the service has received and responded to 2 responsive work requests (see section 2), and ongoing work within the Adults Health and Wellbeing directorate which have required a review of the plan alongside a review of available resources. Amendments to the plan are set out below.
- 1.2. The following jobs have been added to the plan:
  - Bereavement Services, Stocks and Sales
  - Schools Catering - Invoice, Ordering and Receipting Process
  - Adults Health and Wellbeing- Risk Development
  - Adults Health and Wellbeing-Governance Development

## 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 adequacy and satisfactory operation of the Council's governance, risk management and internal control arrangements at the end of the year.
- 2.2 A "*substantial*" opinion is given where there are no/low levels of concern. A "*partial*" opinion is given where there are issues of concern that need to be addressed but represent a reasonable level of assurance. 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

- 2.3 Summary conclusions on all significant audit work to June 2018 are set out in **Appendix A**.

### Responsive Audit Work and Investigations

- 2.4 In addition to our planned assurance work, we also investigate allegations of fraud, corruption or other irregularity and/or error, and respond to requests for assistance from services and functions in the Council. A summary of the significant pieces of work that have been completed or are ongoing is provided below:

Audit Area	Update
Smart Lights Phase 2	<p>This is an investigation launched in November 2017 after further issues were reported within the smart lights programme on ordering items (and potential surplus lamps being ordered) on Phase 2.</p> <p>This is being reported to the July Audit Committee.</p>
Social Care Provider	<p>This is a potential significant issue regarding cost of social care incurred either directly by the Council or through direct payments. Action is being taken to reassess care needs and more clearly define care plans.</p>
Strategic Infrastructure	<p>This minor piece of work was requested by the Manager follow a staffing issue, who expressed concerns over the efficiency of procedures. . All the work has now been completed and reported.</p>
Occupational Therapy Service	<p>This is a review into concerns over previously poor management of the service. This review covered financial, governance and asset management arrangements.</p> <p>The review is complete and has been reported.</p>
ICT Equipment Inventory	<p>Internal Audit is assisting management to put in place stronger controls relating to ICT inventory, following an inability to locate small amounts of ICT equipment.</p>
Review of ARC Practices	<p>A review of systems and processes within the Alarm Recording Centre (ARC) has raised concerns about the efficacy and business continuity of assistive technology.</p>
Bereavement Services, Stocks and Sales	<p>During previous investigation work it was identified that there are weak controls in this area. This piece of work will ensure that income and stock, in this area are correctly accounted for and adequately protected.</p> <p>Work is underway.</p>
Schools Catering - Invoice, Ordering and Receipting Process	<p>A request was made for advice streamlining / improving processes after year end routines identified a significant number of orders that had not been receipted in the Council's payment</p>

Audit Area	Update
	<p>system (P2P).</p> <p>The work is complete and improvement actions are being implemented.</p>
<p>Music Service IR35 Payments</p>	<p>A review of payments being made to individuals through the creditors system (P2P) from routine matches obtained from the National Fraud Initiative (NFI).</p>

- 2.5 This responsive work has accounted for a significant proportion of the work carried out by the section in this period. Whilst the majority of the work above has now been concluded, there are other areas of concern emerging that will require resourcing which could possibly be significant.

### 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 actions and dates agreed agreed by management 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 Resource Management processes (previously called the quarterly finance and performance challenge) and consequently monitored through that process. Major recommendations outstanding are also reported routinely by Internal Audit to the Audit Committee. Additionally, Assistant Directors are provided each month with details of all actions outstanding in their area and these are then reviewed with Internal Audit and the Director and their management teams each quarter.
- 3.4 A summary of overdue major recommendations is provided in **Appendix B**. The number of both major and lower level recommendations that are currently overdue for completion is distributed as follows:

Directorate	Overdue major recommendations 2 July 2018	Overdue lower level rec's 2 July 2018
Adults, Health and Wellbeing	16	53
Regeneration & Environment	0	11
Corporate Resources	0	22
Learning & Opportunities (Children & Young People)	0	10
Council Wide	0	2
<b>TOTAL</b>	<b>16</b>	<b>98</b>

*(note: schools are excluded from this analysis)*

- 3.5 Included in the Adults, Health and Wellbeing overdue major recommendations listed above are a batch of major recommendations for the directorate which have just become overdue. These are in respect of the audits of the Deprivation of Liberties Safeguards and Direct Payments / Personalised Budgets and Safeguarding Adults Personal Assets Team (SAPAT) and are not included in detail within Appendix B but further information is detailed below.

#### Deprivation of Liberties Safeguards - 5 overdue major recommendations

Progress is being made in implementing the actions that arose from the Internal Audit Review of the DoLS processes. Several major actions have been implemented as well as lower rated actions. There has been some slippage in 5 of the major actions but steps to rectify the situation are in hand and no extended timescales are considered to cause a fundamental problem for the service meeting an overall implementation date of 30th September 2018.

#### Direct Payments / Personalised Budgets Follow Up – 7 overdue major recommendations

There is now a newly appointed permanent Head of Service in post responsible for Direct Payments who is currently reassessing priorities in this area and the outstanding audit actions which she has inherited. The actions have been included within a project plan and definitive target dates and responsible officers and resources have been allocated to ensure that these targets will be met. This area has unfortunately had a number of temporary / vacant posts which has led to actions being incomplete and well as having to provide resource into the Doncaster Integrated Peoples System (DIPS) which the Direct Payments processes have a dependency on. The new Head of Service however is committed to ensuring the improvements are embedded within the team and is keen to implement the previously agreed actions. Internal Audit are monitoring the development and delivery of this plan.

- 3.6 The number of major recommendations overdue has increased this period, however Internal Audit are rigorously pursuing their implementation with senior management.
- 3.7 The current number of audit recommendations currently awaiting implementation is 154 of which 117 have passed their original agreed implementation date. In the main this is due to the high number of new recommendations arising from the completion of the above noted Deprivation of Liberties Safeguards and Direct Payments and Safeguarding Adults Personal Assets Team, (SAPAT) audits. Internal Audit are working closely with these sections to promote the timely implementation of these recommended actions.
- 3.8 In this period, extensive work has been undertaken on implementing outstanding recommendations. It should be noted that 160 recommendations have been implemented by management in this period, compared to a total of 216 recommendations implemented in the whole 2017/18 year demonstrating the work that has been put into addressing this area by both Internal Audit and Service / Senior Management. The spread of recommendations still awaiting implementation is shown below:

Directorate	Number of rec's at April 2018	Plus New rec's in year	Less Rec's implemented	Number rec's at 2 July 2018
Adults, Health and Wellbeing	43	+157	-101	99
Regeneration & Environment	15	+9	-9	15
Corporate Resources	35	+13	-24	24
Learning & Opportunities (Children & Young People)	8	+29	-23	14
Council Wide	5	0	-3	2
<b>TOTAL</b>	<b>106</b>	<b>+208</b>	<b>-160</b>	<b>154</b>

- 3.9 It should be noted that the internal audit risk assessment planning process completed for 2018/19 assessed the Adults Health and Wellbeing Directorate as being exposed to a higher level of risk than the other directorates within the council as it did in 2017/18. As such this results in more audit areas being reviewed in this Directorate in comparison to the rest of the Council. In turn this will result in more audit recommendations being made for the Directorate.



## 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 April to June 2018

Performance Indicator	Target	April to June 2018	Variance (positive is good)
Percentage of planned audit work completed	25%	20%	- 5%
Draft reports issued within 15 days of field work being completed	90%	100%	10%
Final reports issued within 5 days of customer response	90%	100%	100%
% 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%	75%	- 15%

- 4.2 The percentage of planned audit work completed is slightly below target. This is due to the high levels of responsive work experienced by the team in this period and a concentration of follow up work as explained in section 3 above. There is an expectation that that this small under-delivery can be recovered but this is dependent on the level of responsive work required to be undertaken by the team. Should this become a problem, then additional resources will be put into the team in line with existing assurances to the Audit Committee and past actions by the Chief Financial Officer.
- 4.3 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.
- 4.4 Issuing draft reports within 15 days of fieldwork completion is at 100% as is issuing final reports within 5 days of client feedback on the draft report.
- 4.5 The percentage of jobs completed within 110% of the budget is below target due to additional time spend on jobs due to a now departed junior member of staff

### Quality Assurance Improvement plan

- 4.5 In February 2017, Internal Audit was reviewed by the Head of Internal Audit and the Audit Manager from Kirklees Council and this was reported to the Audit Committee at its meeting on 6 April 2017. The assessment confirmed that Doncaster's Internal Audit Service meets the highest of the three possible ratings within the standards, i.e. that the service "Generally Conforms" with the standards.

- 4.6 The peer review report identifies seven observations noted either by the reviewers themselves, or by Members and officers interviewed by the reviewers. The observations, and actions emanating from them were incorporated into the Service's Quality Assurance Improvement Plan (QAIP) and it was reported in the Head of Internal Audit Annual Report that all these actions had been met.
- 4.7 Additionally, file reviews of completed audits were undertaken by the outgoing Head of Internal Audit in March 2018 and the results of the were very positive confirming our ongoing compliance with the standards.

## APPENDIX A

### Summary of Planned Audit Work Completed

Audit Area	Assurance Objective	Final Report to Mgmt.	Overall Audit Opinion	Summary of Significant Issues
<b>CORPORATE RESOURCES</b>				
Core Financial Processes – Business Rates	To examine the extent to which the operational risks and operational processes are effectively managed within Business Rates to ensure that the right rates / taxes are collected from the right payees at the right time.	19/03/18	<i>Substantial Assurance</i>	Nothing significant reported.
Data Matching – Cashbook Payments	An ongoing identification and examination of late bankings to ensure the security of income collected.	30/03/18	N/A	Nothing significant reported.

Audit Area	Assurance Objective	Final Report to Mgmt.	Overall Audit Opinion	Summary of Significant Issues
Data Matching – Supplier to Payroll Payments	To ensure that where / if employees are being paid by creditors as well as their wages or there is a connection to a member of their close family being paid by the creditors system that there is no conflict of interest between their work and that they have declared this appropriately on their declaration of interest form.	06/04/18	N/A	Nothing significant reported.
Core Financial Processes – Cash Book	To examine the extent to which the operational risks and operational processes are effectively managed within cash collection and cashbook to ensure that the are fit for purpose and that cash is properly collected, safeguarded and can be easily traced, receipted and reconciled.	12/04/18	<i>Substantial Assurance</i>	Nothing significant reported.

Audit Area	Assurance Objective	Final Report to Mgmt.	Overall Audit Opinion	Summary of Significant Issues
Core Financial Processes – Council Tax	To examine the extent to which the operational risks and operational processes are effectively managed within Council Tax to ensure that the correct tax is calculated for the right people at the right time and that collections are maximised.	25/04/18	<i>Substantial Assurance</i>	Nothing significant reported.

Audit Area	Assurance Objective	Final Report to Mgmt.	Overall Audit Opinion	Summary of Significant Issues
Core Financial Processes – Payroll Processing	The objectives of the audit were to; review the arrangements for processing and monitoring of payroll transactions for The Council in order to ensure that they are robust and free from fraud and material error; review the control arrangements in place utilising the results of Rotherham's Payroll Audit 2017/18; confirm compliance with the management control processes in place; give assurance to stakeholders, including the Audit Committee, that the risks threatening the payroll processing are adequately managed; and agree, in conjunction with managers at both Doncaster and Rotherham, control process improvements to further mitigate or transfer risks identified.	26/04/18	<i>Substantial Assurance</i>	Nothing significant reported.

Audit Area	Assurance Objective	Final Report to Mgmt.	Overall Audit Opinion	Summary of Significant Issues
<b>REGENERATION AND ENVIRONMENT – Nothing to report</b>				
<b>LEARNING AND OPPORTUNITIES:CYP</b>				
Passenger Transport Services	<p>To gain assurance that adequate and appropriate safeguarding arrangements are in operation for the transportation of vulnerable individuals referred to the Passenger Transport Service.</p> <p>To ensure that the financial administration and contracting arrangements are operating in a controlled manner, follow best practice, making value added recommendations to improve the service, service delivery, efficiency or effectiveness or further mitigate risk exposures, as appropriate.</p>	18/06/18	Partial Assurance	<p>Strengthening of sharing of information processes with the Council's Licensing department and other Authorities is required to further reduce safeguarding risks.</p> <p>Disclosure Barring Service checks had not been undertaken recently for all individuals working on routes.</p>

Audit Area	Assurance Objective	Final Report to Mgmt.	Overall Audit Opinion	Summary of Significant Issues
Adult Safeguarding Board - Governance Review of Training in Care Homes	To evaluate the governance arrangements in respect of the adequacy of the contract management arrangements covering the provision of equipment and effective training for Care Home staff.	30/03/18	Limited Assurance	Several improvement / efficiency areas were identified including; the Council's Moving and Handling Team producing plans which are the responsibility of the Service Provider, the absence of a plan to effectively manage the on-going rewrite of the Contract and contract monitoring weaknesses.
Safeguarding Personal Assets Team Mid Year Review.	This piece of work was a formal follow up of the detailed review of all SAPAT functions which was undertaken in 2015/16, to check on progress against pre-defined work streams, documenting the revised processes and log any outstanding improvements that are still required.	20/04/18	Partial Assurance	<p>Further work is required to reduce the number of service users managed by SAPAT, balancing workloads to reduce the number of service users managed by each caseworker and increasing closer working with social workers.</p> <p>Transport reviews are still needed to be undertaken along with further improvements in the recording of information.</p>



Audit Area	Assurance Objective	Final Report to Mgmt.	Overall Audit Opinion	Summary of Significant Issues
Home Care Payment Arrangements	The objective of the audit was to review the adequacy of the payment arrangements for Doncaster Council Home Carers in the Steps Team.	23/04/18	Partial Assurance	<p>Numerous errors and a lack of audit trail within the process were identified, however, Management had already instigated a move to producing the payroll via the standardised council wide process using the HR Portal (the first pay using this process being April 2018). This should address a number of the issues found during the audit fieldwork, ensuring that future pay is correct and appropriate.</p> <p>The Councils Working Time Directive had been breached or potentially breached on several occasions for several different reasons.</p>
Occupational Therapy Service	To provide an opinion on the adequacy of the management arrangements in respect of the Occupational Therapy Service.	05/06/18	Limited Assurance	<p>A number of improvement areas were identified. These included establishing a performance framework and a detailed Service Plan. Delays were also being incurred due to excessive authorisation / approvals processes.</p> <p>The current re-engineering programme has not been completed in accordance with the required timescales.</p>

Audit Area	Assurance Objective	Final Report to Mgmt.	Overall Audit Opinion	Summary of Significant Issues
<b>CCOUNCIL WIDE</b>				
Money Laundering Policy	Policy revision, ensuring the Council has clear guidance in place that is up to date with the latest legislation.	28/03/18	N/A	The Policy has been revised and submitted to the July Audit Committee for comment.

## APPENDIX B

### Overdue Major Recommendations

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
<b>ADULTS AND COMMUNITIES</b>						
Solar Centre	A review of the Solar Centre CPR breach situation raised questions as to whether there are sufficient resources to manage current procurement plans and contractual agreement effectively.	Further breaches may occur.	Review of the resourcing of the Adults Plan for dealing with contracts in breach / coming to an end to ensure further breaches are minimised - allocate responsibility; identify clear reporting lines and frequencies.	30/09/17	31/03/18	<b>Complete:</b> Resources have been reviewed and additional resources and filling of vacant posts agreed. Filling of all these posts commenced December 2017. One Commissioning Manager post still remains unfilled.
Solar Centre	Contract Monitoring has not been undertaken for 3 significant contracts with RDaSH.	Poor performance may not be identified and corrected, at worst, this could lead to harm to service users.	Contract Monitoring Audit (process, regularity, timeliness, safeguarding issues, non standard arrangements etc.) / Establishing	31/12/17	31/08/18	<b>Complete:</b> A 4 year commissioning delivery plan was reported to Cabinet in November. The plan includes an action 'to develop and implement a revised contract monitoring process' by the end of March 2018. The contract process and

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
			contract monitoring arrangements.			monitoring toolkit has been developed and rolled out.
Solar Centre	The DMBC / RDaSH contract for the provision of services at the Solar Centre ended March 2013 with a CPR Waiver to extend for 1 year. However, actual service provision is still ongoing which is a breach of CPR's.	Penalties for non compliance with EU Procurement Regulations.  Best value is not obtained.	Allocate responsibility; produce a clear project plan with timescales, report to and challenge by each DLT.	30/06/18	30/11/18	Assistant Director responsibility and a Project Lead is in place. A Joint Project Board (Senior Leadership Team and all partners) meets regularly and is responsible for monitoring the project plan and unblocking problems.  Slippage against the Project Plan has occurred as the original June 2018 completion date was unachievable and that it was likely that the June 18 date will see a strategy / way forward agreed for all users, but that this will take time to implement.
Residential and Respite Care Placements	Decision recording is poor as no record is made of rejected decisions and although the decision	Poor governance arrangements that could lead to ineffective	All panel decision outcomes will be supported with prudent, structured records of how and	31/03/18	31/07/18	There has been a change in responsibility for this recommendation and Internal Audit are now pursuing the new responsible officer for

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
	outcome is known, the justification of the decisions is not. This results in poor transparency around decisions if challenged	and inefficient decision making processes with an inappropriate level of rigour and transparency	why such an outcome was arrived at.			action.
Adult Safeguarding Board - Governance Review of Training in Care Homes	The standard contract dated 2003 is currently undergoing a rewrite and update which has been ongoing since amendments to the Care Act were introduced in 2014. Timescales have not been specified for expected completion of the Contract update and its anticipated implementation.	The absence of an implementation plan in respect of the review of the Care Home Contract presents the risk that those involved may not be clear as to their roles and responsibilities along with completion timescales.	An Action Plan will be drafted in conjunction with other interested parties such as the Contract Officer, Legal Services etc. outlining roles and responsibilities, and will specify timescales for completion of the review of the Care Home Contract.	30/04/18		<b>Complete:</b> An action Plan is now in place covering responsible officers and timescales.

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
Contract Monitoring Review - Supported Living	The CareFirst system is not currently capable of being used to record service delivery and associated payment. A project is currently being progressed under the Council's Digital Transformation Programme, which should address this issue.	Changes to client related data may not be updated on a timely basis by both the Council and the CCG. This issue is reinforced as at the 21st July 2017, circa £2.4M of debt was in the process of being recovered from the CCG, of which circa £1.3M related to Supported Living.	As part of the scope of the CareFirst project the intention is to move all elements of care packages onto CareFirst which will include Service Provider payment processes.  Progression of the project will be closely monitored in order to ensure that project deliverables are met including improved payment processes.	31/05/18		The project is ongoing but many issues are arising and needing to be overcome before implementation.
Occupational Therapy Service	The Occupational Therapy Service has previously recognised that their current operational and	Strategic plans and priorities may not be achieved, potentially	The Acting Head of Service, Adults Safeguarding & Specialist Team will provide assurance	30/06/18		There are many improvement actions within this service and the Directorate Project Management Office are now putting together a project plan

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
	strategic management arrangements require improvement and have embarked upon a review / re-engineering exercise of the Service in order to identify any service improvements. As at the time of the audit the review had not been finalised although an Interim Report dated May 2017 had acknowledged major improvement areas	therefore having an adverse impact upon the Council's overall performance, including the likes of; service delivery to programme, budget / financial performance management. In addition, the risk exists that the required Service improvements may not materialise as required	that the review of the Occupational Therapy Service will be completed and outline a revised expected timeframe.			to prioritise actions that are required in order to ensure structured and feasible progression going forward.

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
<b>Learning and Opportunities: CYP</b>						
Aiming High Care Package efficiencies	<p>The Aiming High budget has been overspent for a number of years. It is for Aiming High to prioritise where they incur expenditure and identify efficiency savings to offset expected overspends.</p> <p>However, there is an ongoing trend of an increase in cases within the service, with the net number of children at 31<sup>st</sup> March 2016 being 23 more than that 1<sup>st</sup> April 2015 and there is currently an average of 4 new cases a month in 16/17.</p>	Budget overspending may increase.	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.	09/11/16	05/03/18	<b>Completed:</b> The budget continues to be monitored rigorously, efficiencies obtained and a year end break even position is anticipated for 2018/19.





## Doncaster Council

### Report

---

**Date:** 26<sup>th</sup> July, 2018

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

### **STREET LIGHTING PROJECT – AUDIT REPORT**

#### **EXECUTIVE SUMMARY**

1. This report represents the results of an audit review of the SMART Lights project undertaken by the Street Lighting Team, part of the Highways and Street Lighting service within Regeneration and Environment.
2. This work was undertaken in 2 distinct parts. An initial review regarding concerns of the over-ordering of stocks and missing lamps and a second element whereby the whole project was reviewed after further concerns were raised about continued issues and a lack of overall clarity on figures being reported to them.
3. A copy of the report regarding both elements is attached to this covering report and concludes that whilst the SMART Light project was / is beneficial and does save the Council money in terms of ongoing energy cost reduction, issues with the management of the project and on the ground project delivery caused significant losses in terms of over-ordered stocks of component LED lamps. This does not negate the overall value of the project, but did mean that a potential loss of over £700k occurred that could have been avoided should the project have been better managed through the over-ordering of 3,743 lamps. (It should be noted that 1,419 of these are not yet paid for and remain with the supplier. These were ordered but have not yet been paid for and negotiations regarding these are ongoing with the

supplier. It should also be noted that this is the current position re these stocks and these figures do continue to change as final elements within the scheme are finished).

4. Options to recover these monies and use these additional stocks are being considered and should be firmed up by the end of August 2018. These include negotiations with the supplier to take back some of the stocks ordered, options to convert stocks for use in other lighting schemes and sales of the stocks for use in the schemes of other authorities. As a result, the losses identified above are not final values. As these options are still being considered and are yet to be agreed, no detailed plan is available for inclusion in this report.
5. Issues noted through the project (in summary) include:
  - 5.1. The over-ordering of lamp stocks;
  - 5.2. Additional costs spent converting lamps from one type to another because they were not the part that was needed (this at least meant that additional stocks were not ordered but was an additional and unnecessary cost to the Council). The level of these costs is not currently quantified.
  - 5.3. Poor project planning with no use of PRINCE 2 techniques or other similar project management techniques.
  - 5.4. A Project Board and Project Team to govern the project were in place to challenge the project and hold it to account but were hampered by a lack of documentation regarding any challenge and actions taken and by the delayed sending of project figures with these being regularly tabled at the meetings rather than circulated in advance for comment and analysis.
  - 5.5. Poor data quality as the actual number and locations of lighting columns was not properly known before the project commenced (the column inventory was out of date and inadequate to commence the project. It was not updated before the project commenced). This was due to the pressure to actually commence the project and achieve the savings outlined.

- 5.6. The ordering of lamps of distinct sub-types before the schemes were designed, therefore, before the actual requirements were known.
  - 5.7. Poor ordering and stock control procedures in the early stages of the project.
  - 5.8. Insufficient resource dedicated to the scheme design and back office recording of the work undertaken with a disproportionate number of teams (in comparison) working on lamp installation.
6. Further details on all of the above are included in Appendix A that accompanies this report.

## **EXEMPT REPORT**

7. This report is not exempt.

## **RECOMMENDATIONS**

8. The Audit Committee is asked to note the contents of the report and action taken as a result.

## **WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?**

9. The new SMART Light scheme ensures that street lighting levels have been maintained across the borough and that ongoing yearly energy costs have reduced significantly as a direct result of the implementation of these new and more efficient LED street lights.
10. Financial losses as a result of the over-ordering of lamp stocks reduce the amount of monies overall available to the Council. However, options are being pursued to liquidate some of these stocks in order to minimise any overall financial impact. As these options are still being explored, this report is unable to give a final value for consideration and is unable to give detailed plans on these arrangements as these are still (at the time of this report) being finalised.

## **BACKGROUND**

11. Doncaster Council's SMART Light project is a scheme to modernise Doncaster's residential street lighting stock. The Project was been split into 2 phases: Phase 1 was lighting for mainly residential streets and Phase 2 for main routes.
12. A tender exercise was conducted in May 2015 to procure a supply of new LED lamps to the Council for use in the scheme. The LED lamps are more energy efficient and cheaper to run for the Council as they have an expected life of 100,000 hours (around 25 years of normal usage), whereas the Council's original lights only lasted up to 6 years before they need to be replaced. As well as making savings, the scheme was designed to reduce the Council's carbon footprint.
13. The new lights use a computer management system (CMS Planet) that shows the status of each of the active lights on the grid. This enables the Council to identify faults automatically, sometimes before the light actually fails, so residents will experience a reduced need to report faulty streetlights to the Council.
14. Each light requires a Telecell, which sends a signal to a base station, which then relays it to the central system at North Bridge. This allows remote control of the lighting levels and monitoring of the lights for faults.
15. The Council invested apx £13.3m to date on the new technology (please note that this is not yet finished), which is mostly funded by an environmental loan from a company called SALIX. The Council will save at least £1.4m per year compared to the running cost of the previous lights.
16. The SMART Light project was set to take place over 2 distinct phases with phase 1 installing approximately 33,000 lamps in residential areas and phase 2 dealing with approximately 14,000 lamps in main road areas. Both phase 1 and phase 2 of this project are complete (with the exception of some sporadic lamps) and the project is currently moving on to the procurement and installation of smaller numbers of decorative lanterns, high mast and zebra crossing lamps.

## OPTIONS CONSIDERED

17. None.

## REASONS FOR RECOMMENDED OPTION

18. .None

## IMPACT ON THE COUNCIL'S KEY OUTCOMES

Outcomes	Implications
<b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future; <ul style="list-style-type: none"><li>• Better access to good fulfilling work</li><li>• Doncaster businesses are supported to flourish</li><li>• Inward Investment</li></ul>	None
<b>Doncaster Living:</b> Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time; <ul style="list-style-type: none"><li>• The town centres are the beating heart of Doncaster</li><li>• More people can live in a good quality, affordable home</li><li>• Healthy and Vibrant Communities through Physical Activity and Sport</li><li>• Everyone takes responsibility for keeping Doncaster Clean</li><li>• Building on our cultural, artistic and sporting heritage</li></ul>	None
<b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling; <ul style="list-style-type: none"><li>• Every child has life-changing learning experiences within and beyond school</li><li>• Many more great teachers work in Doncaster Schools that are good or better</li><li>• Learning in Doncaster prepares young</li></ul>	None

people for the world of work.	
<p><b>Doncaster Caring:</b> Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> <li>• Children have the best start in life</li> <li>• Vulnerable families and individuals have support from someone they trust</li> <li>• Older people can live well and independently in their own homes</li> </ul>	None
<p><b>Connected Council:</b></p> <ul style="list-style-type: none"> <li>• A modern, efficient and flexible workforce;</li> <li>• Modern, accessible customer interactions;</li> <li>• Operating within our resources and delivering value for money;</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of residents;</li> <li>• Building community resilience and self-reliance by connecting community assets and strengths;</li> <li>• Working with our partners and residents to provide effective leadership and governance.</li> </ul>	<p>The SMART Lights project has delivered significant savings for the Council and will continue to do so on a yearly basis. (This is in terms of energy usage costs of the new LED energy efficient lamps compared to the older sodium lamps).</p> <p>However, there are value for money implications associated with this report and the potential losses caused by over-ordering.</p>

## RISKS AND ASSUMPTIONS

19. At this stage of the SMART Lights project, options regarding the over-ordered stock are still being explored. At this stage, the Council faces a maximum potential loss of over £700k on this project, but has assumed £350k in the 18/19 Budget monitoring position. The total value of any loss will not be known until these options have been explored and a plan to deal with the excesses finalised.
20. The 1,419 lamps ordered that remain with the supplier have not yet been accepted or paid for, however, this report makes the worst case assumption that these will need to be accepted and paid for. This may not be the case. The risk levels quoted

above include these 1,419 lamps. This worst case assumption is made throughout this report.

**LEGAL IMPLICATIONS [Officer Initials SRFs..... Date 9/7/18.....]**

21. There are no specific legal implications arising out of this report. Continued legal advice will be required in relation to decisions taken around the excess lamp stock, whether that be in relation to onward sales or discussions with the supplier.

**FINANCIAL IMPLICATIONS [Officer Initials MS Date 10 July 2018]**

22. As stated above the over-ordering has led to additional costs to the Council of up to £700k. A recovery plan is being prepared to outline how this loss can be mitigated through use of existing stocks for new developments, on-going repairs and the sale of any remaining surplus. £350k assumed loss has been assumed in the Q1 budget position and will be charged to Regeneration & Environment's revenue budget in 2018/19.
23. The project has made savings of £1.4m to date with more savings expected from further reductions in energy costs and a review of all street lighting revenue budgets.

**HUMAN RESOURCES IMPLICATIONS [Officer Initials...MLV...Date.....08/07/18.]**

24. The issues highlighted by the audit investigation detailed in this report warrant further consideration in relation to the conduct and action of the relevant officers in line with the council's Disciplinary Policy and Procedure and the Managing Employee Performance Policy to determine whether formal action is required under either policy.
25. Consideration should also be given as to whether there are any training and development needs for any of the officers involved in the Street lighting project to prevent any repetition of the issues highlighted through Audit's investigation.

**TECHNOLOGY IMPLICATIONS [Officer Initials PW..... Date 09/07/18.....]**

26. There are no specific technology implications in relation to this report. The purchase and implementation of a Central Management System (CMS) for the SMART Lights Project, supported by an appropriate asset management solution was considered

and agreed by the ICT Governance Board (IGB) in August 14. As a result of integration issues between Symology and the Telensa Planet CMS system it was subsequently agreed by the project team in November 14 to procure the externally hosted Mayrise Street Lighting Asset Management solution from Yotta, via CPR waiver.

#### **HEALTH IMPLICATIONS [Officer Initials: KH Date: 9.7.18]**

27. The energy efficiency gained by updating the lighting will have wider benefits for the environment.
28. Although artificial light can provide many benefits to society, for example extending the time people can spend outside recreationally and providing better visibility in public spaces, it is important that the right lighting is in the right place, at the right time.
29. In Section 4 of the summary, the possibility of converting/re purposing excess stocks for other lighting schemes is considered. There are health implications related to using inappropriate lighting in public spaces, including risks relating to glare, light pollution, harm to local ecologies and inappropriate light spectrums. In order to prevent the lighting impacting on health and wellbeing we recommend that the repurposing is only undertaken where the lighting type is correct for the purpose and poses no health, wellbeing or safety risks.

#### **EQUALITY IMPLICATIONS [Officer Initials...NFW..... Date...06/07/18.]**

30. None

#### **CONSULTATION**

31. None

#### **BACKGROUND PAPERS**

32. Attached to this report is the SMART Light Audit Report that gives further detail on the issues highlighted in this covering report. This is included as Appendix A.



## REPORT AUTHOR & CONTRIBUTORS

Nicola Frost-Wilson – Internal Audit Manager

Tel; 01302 862931

[nicola.frost-wilson@doncaster.gov.uk](mailto:nicola.frost-wilson@doncaster.gov.uk)

**Peter Jackson**

**Head of Internal Audit**



Doncaster  
Council

## **APPENDIX A**

### **Internal Audit Report** **Street Lighting –** **SMART Light Project**

## **Introduction**

1. This report represents the results of an audit review of the SMART Light project undertaken by the Street Lighting Team, part of the Highways and Street Lighting service within Regeneration and Environment. These reviews were originally commissioned after concerns were raised by the Project Board regarding the management of the scheme, specifically with regard to potential losses to the Council as a result of over-ordering stock and concerns over missing lamps.
2. A review was commissioned at that time (May 2017) to review the stock ordering and control arrangements to determine whether the concerns over the ordering of stock and stock levels were justified and the financial costs of any associated over-ordering or lamp losses.
3. After the initial phase 1 report, lessons were identified for the continuation of the project into the phase 2 stage of the SMART Light project. Issues however, over progress reporting and ordering were again experienced (this time on a smaller scale), with identified data quality issues. This resulted in Internal Audit being asked to come back in and review phase 2 of the project to determine what was actually happening on the ground and the actual progress of the project.
4. As a result, the phase 2 audit review scope was significantly wider (beyond that of stock control) and looked at the wider project as a whole, the administration of the project (beyond ordering and stock management) and included the management of the project at both project and board level.
5. This report contains an overall summary of the issues from both audit phases along with details of the options being pursued to reduce the level of lantern stocks held.

## **Executive summary**

6. Overall the SMART Light project was a worthwhile project that will (and does) save the Council money in terms of ongoing energy cost reductions, reduced levels of stock holding (in terms of less types of lamps to be held in stock and therefore the associated financial cost), and reduced customer interactions due to the fact that the CMS system detects faults within lamps thereby reducing the need for citizens to report outages. The purpose of the project was sound but the actual delivery of the

project was marred and this unfortunately detracts from the overall success of the project. This project was delivered overall under budget £2.75m (estimated over the 2 phases).

7. The project was not properly thought through before delivery of it began (in terms of project management, data quality and the systems required) and the majority of the issues with this project can effectively be traced back to a lack of properly controlled project planning and project management with the completion of the installation of new lamps being the primary concern for the project with too little emphasis on the quality and control of the project and its data. This is explained in the main report that follows.
8. Detailed issues are included in the 2 “Detailed analysis” sections of this report that follow this main report, however, headline issues include:
  - 8.1. The over-ordering of stock with some 3,743 additional lamps still in stock as at March 2018 at a cost of over £700k. (Please note that this figure differs from the cumulative total in the 2 detailed analysis sections. This is because some of the phase 1 surplus stocks were converted for use in phase 2 installations at a cost to the authority and others have been used in new capital schemes).
  - 8.2. Of the above units 1,419 are in the suppliers holding depot having been ordered but not taken receipt of. Whilst these have not yet been paid for, these were ordered by us and manufactured at our request. Discussions are ongoing with the supplier about taking back these stocks but the supplier would be within their rights to insist that these are taken and paid for, hence their inclusion in the above costings. (It should be noted, that this is not a final figure. There may be some warranty replacements that will offset some of this number, however, this is unlikely to be significant).
  - 8.3. Additional costs spent converting lamps from one type (where possible) to another because they were not the part that was needed (this at least meant that additional stocks were not ordered and existing stocks converted where possible, but this was an additional and unnecessary cost

to the Council). The level of these costs is not currently quantified but conversion costs are approximately £17-19 per unit.

- 8.4. Project planning was poor with no use of PRINCE 2 techniques or other similar project management techniques employed.
- 8.5. The Project Board and Project Team to govern the project were in place to challenge the project and hold it to account but were hampered by a lack of documentation regarding any challenge delivered. Actions taken as a result of this challenge were not clearly documented or signed off and update reports from Street Lighting (including progress figures) were tabled at these meetings rather than in advance (limiting their ability to scrutinise these reports in full. Whilst this governance structure did flag up the project for a review, this could have been escalated sooner.
- 8.6. The project was started without appropriate systems in place to deliver it effectively with new systems to record data being introduced after the project had started. This was the Mayrise system that was introduced to replace manual paper based systems because the existing technology could not handle an interface with the new SMART Lights system CMS Planet. The use of Mayrise was identified as a need before the project started but due to project delays this was not available in a timely manner.
- 8.7. Data quality on which the project was based (namely the inventory of street lighting columns), was woefully inadequate and out of date containing information about columns that did not exist. No attempt was made to correct or validate this inventory prior to the starting of this project and this essentially meant that those attempting to administer the project on the ground were constantly attempting to play catch up and correct data as they progressed.
- 8.8. Designs however, were based on operatives' walkthroughs and the documenting of lighting columns and assets in the area, however, orders for the lamps required were placed in phase 1 before schemes / streets had been designed and, therefore, before the product mix needed was actually known.

- 8.9. Ordering and stock control procedures in phase 1 of the project were poor with additional orders being made rather than existing orders being amended to reflect the actual mix of lamps required. This directly led to the over-ordering of lamp stocks.
- 8.10. Throughout the project insufficient resource was dedicated to the design and back office documenting of the project and light installations with a focus predominantly on installing as many lights as possible. The 7-10 installation teams working on the project outstripped the capacity of the office and design staff and this led to errors and delays in error correction and the build-up of errors to be investigated and resolved until the very end of the project.
- 8.11. Lessons learned from the audit of phase 1 of the project were generally learned and stock controls improved for phase 2 of the project but lessons regarding only ordering stocks once a scheme had been designed were not applied and further over ordering did occur on phase 2 with 573 unnecessary units being purchased at a cost of over £135k. (NB these 573 are included within those listed above and are not in addition to these). Stocks were again ordered in advance of designs based on estimates rather than actual requirements.

### **Dealing with the excess stocks**

9. Discussions re a “recovery plan” to deal with the excess stocks are still in progress as at the date of this report and are due to be fixed by the end of August 2018. Some (110) of these excess lamps can be converted to work as zebra crossing lamps and used to replace some of the 268 zebra lanterns that are yet to be replaced.
10. Discussions are taking place in July (and should be complete by the time of this Audit Committee) with the supplier Urbis to determine the position of the 1,419 ordered items that have been produced and remain with the supplier (at this time, these remain unpaid for).

11. Minimal stock levels will need to be maintained for each of the 9 lamp types to cover errors, breakages, accidents and replacements as is normal on any street lighting scheme. Options re the remaining stocks include selling these on, using these on capital works schemes / commercial street lighting work and are being considered to reduce any overall financial loss to the Council.
12. A further update to the position on the recovery plan should be available for verbal update at the Audit Committee.

### **Moving forwards**

13. Whilst there have been substantial errors within this project, the overall value of the scheme remains positive. Additional work on the new SMART Lights is continuing and the Street Lighting Team is passing on lessons learned from the Doncaster experience to other authorities embarking on similar projects.
14. The scheme designs are being imported into the CMS Planet (the SMART Light monitoring system) to ensure that the correct lanterns (according to the designs that were done) have actually been put in place. Errors in this would have been identified by the reconciliations between systems but these proved too problematic at the time. This risk however, has not been ignored and these alternative measures are being put in place to make sure the lamp fitted is in line with the design.
15. Barcode scanning is being looked at and developed in conjunction with ICT in order to scan in the lamp barcode for automatic entry into the back end systems thereby minimising any future issues within CMS Planet by ensuring that the information that the system is provided with is accurate and verified, avoiding costly re-inspection and rework.

## **Detailed analysis – SMART Lights Phase 1 – Procurement, ordering and stock control**

---

16. The purpose of the review on the phase 1 project, was to determine whether there was (and if so the extent of), any over-ordering of LED lamps that had taken place and quantify (both in absolute and financial terms) any over-ordering that had taken place and the extent of any missing lamp stocks. This scope was agreed with the Assistant Director for Environment prior to the start of the review.
17. The remainder of this analysis has been split on a subject matter basis and is in summary form, highlighting the weaknesses identified by the review in each of the stated areas.
18. Lessons learned from the review of the phase 1 process have also been included. These are again summary versions of the detailed lessons learned that were communicated to all relevant parties at the end of this initial review.

### **Procurement and ordering**

19. The procurement process for the phase 1 lamps was concluded before the individual street designs were completed, therefore, before the actual numbers and types of lamps required were actually known. The number of lamps estimated for the procurement was based on information from the lighting column inventory, which was badly out of date and contained significant numbers of errors (missing columns, columns listed that no longer existed in those places etc).
20. The procurement was undertaken using 2 types of lantern known as type A and type B and an approximate mix of the 2 types. However, when the designs were completed, these used a mixture of type A, B, and 2 designs not on the original procurement, types C and D. These additional lamp types were required to address lighting difficulties in streets where the street was curved or a cul-de-sac as lighting levels using the originally identified types were not suitable. This was not known until the design phase had started and the first trial area in Thorne and Moorends had been installed.



21. The first orders of lamps were also placed before the designs were completed without knowing the mix of lamps required for the project. An initial order was placed in September 2015 for all of the estimated 33,000 lanterns that were estimated as needed for the phase 1 project with the belief that this would need to be adjusted as the project progressed and the actual mix of lamps required became known. This decision to complete the contract without completing the design was made in order to ensure that SALIX Loan was secured. However, it is clear that the ordering of incorrect lamps would have been less likely to occur if the scheme design had been properly known before the procurement was undertaken, or at least before orders were placed, as more accurate information about the types and quantities to order would have been known.
22. Roles and responsibilities were unclear within the ordering and stock control elements from the outset. Contact with the supplier Urbis was made through the Stores Team as well as the Street Lighting Team and these communications did not always include all relevant parties, leading to a situation where not all parties were always aware of what discussions had taken place with the supplier or what had been agreed. The role of the Stores Team was to ensure orders were placed as the Street Lighting Team informed them of the requirements (as the designs were agreed). There was no one key Council contact for the contract with both the Stores and Street Lighting team making amendments and querying orders and deliveries which blurred the lines of communication.

### **Pricing of the supply contract**

23. The price agreed for the lamps following the procurement exercise was £149.33 per lamp. This was for an Ampera Mini 16LED lamp, but the procurement exercise did not specify any variations to this (i.e. to accommodate the different types that might be needed). This was because the need for lamp variations was only noted AFTER the procurement exercise had been completed. As a result, the price of the alternative lamps was not compared to that of competitors during the procurement and it is not known whether this would have changed the result of the procurement exercise.

24. In addition to the above, there have been variations in the prices paid during the project. The price of Type A lamps (the Ampera Mini 16 LED lamp included in the tender specification) was consistent with the procurement contract throughout the period. The price charged for Type B lamps was marginally lower than the contracted price. The price charged for Type Cs and for type Ds however, varied across the period of the phase 1 project. Ideally, these prices should have been fixed by the contract for the supply period. These changes in price were not challenged by Stores staff ordering and receipting these goods as they were not included within the procurement documentation and, therefore, Stores paid the price charged by Urbis at the time of the order. Whilst it is not definitive (there are no crystal balls with respect to what would have happened), it is likely that better prices would have been available if the costs for these types had been fixed by the procurement exercise.

### **Ordering Procedures**

25. It was believed by the then SMART Light Manager, that the order placed with Urbis Schrider (the supplier) was a call off order for an overall number of lamps and that sub-orders would be called off from this 33,000 in the correct mixes required. This type of order is commonly used for such orders and removes the need to raise and authorise all individual orders at lower level.
26. Once the scheme designs had commenced in October 2015, a need for C and D type lanterns was also identified (the designer only commenced in post in August 2015). A modification to the original order was requested by the Street Lighting Team via the sending of a new schedule of stock requirements. This schedule was maintained and shared by the Design Team with the Stores Team on a regular basis. (Essentially the stock requirements were altered from As and Bs to A, B C and Ds and this schedule was updated on a monthly basis). The Street Lighting Team believed any requests for lamps A to D given to the Stores Team through this schedule would be accommodated out of the original order (e.g called off from the bulk order created) and that these were not additional to the original order. As a consequence of this, the Street Lighting Team therefore believed that the breakdown on the original order of 33,000 units should have been changed by the Stores Team to accommodate the different types now known to be required. However, due to the confusion, additional orders were actually placed by the Stores Team for more B's

and for C and D type lamps rather than the call off order being amended to the new mix required. This resulted in orders for 10,800 additional units being placed in addition to the original order of 33,000.

27. Orders and the stocks received were never reconciled to the design requirements. Additional orders raised by Stores were not seen by Street Lighting. This lack of reconciliation essentially meant that the higher number of orders and continued receipt of lamp stocks was not noticed till stock levels were already higher than needed.

28. The following orders and deliveries were received for phase 1 of the project

Lamp Type	Ordered	Received
A	31,500	21,177
B	2,550	3,823
C	2,700	2,700
D	7,050	8,152
<b>Total</b>	<b>43,800</b>	<b>35,852</b>

29. In addition to the above, a further 1,419 lamps were produced by Urbis on the orders raised but remain with Urbis and remain unpaid for. However, negotiations have been ongoing throughout to attempt to get the supplier to “sell on” some of these stocks and negate the order despite these being manufactured at our request. These negotiations remain in progress.

30. As at the 21<sup>st</sup> of September (the date of the Phase 1 SMART Light report), there were excess stocks for the phase 1 programme of 4,316 units at a cost of £640k. (A breakdown of these stocks is not provided in this report. Later figures from 01/03/18 are used later in this report that combine the over-ordering of stock from both phase 1 and phase 2 and details are provided in this table instead). These show a reduced loss from the phase 1 programme as some of these stocks were eventually used on new scheme works and some were converted (at a small cost) to other lamp types for use on the phase 2 project. This has reduced the overall loss from this phase.

## **Stock Control**

31. Orders delivered and received were booked into (at that time) the TASK system by the Stores staff. This has the effect of adding them to the stock levels within stores so that they can be issued as appropriate for jobs.
32. The Street Lighting Team would inform stores what the lamp requirements were for the project on an ongoing basis, and operatives were given their work schedules to match this. Operatives would visit stores and request the relevant numbers and types of lamps to be fitted as per their schedule. These would be issued by the Stores team, booking the items out of stock and charging the items to the job number given to them by the operatives. Any excess stock not used would / should be returned to stores and rebooked into stock for re-issue at a later date. However, this process was not followed by the Street Lighting team who instead had stored some of these items under an arch within the main depot. Additional items that were faulty and due for return to the supplier were also found outside of Northbridge Stores.
33. There was no clear auditable system used for the return and storage of faulty lamps to the supplier. Faulty lamps are covered by a warranty issued by the supplier Urbis. As such, they needed to be returned to Urbis who in turn would issue a replacement part. Whilst assertions were made that staff within the installation teams were informed to return faulty items to stores, this was not the process always followed in practice. Instead some of the faulty items were stored within 'the arches' at North Bridge Depot and not returned to the main Stores for return to the supplier.
34. Stores staff were responsible for returning faulty parts to Urbis for replacement. There were no clear records kept of any replacements received for faulty items or any sent back to the supplier. Any returns did not go through the TASK system and therefore a clear audit trail is not available to ensure that those sent back to Urbis were actually replaced. Instead stores operatives would email Urbis to inform them how many of each type of lamp needed to be returned and they would make arrangements for collection and the replacement. It is not clear whether all of these replacements were actually received or not. However, by not using the stores TASK system to book back into stock any damaged or faulty goods, 2 lamps were then recorded by the system as being issued for 1 lighting column. This had the effect of

suggesting that there were in fact significant numbers of lanterns missing when in fact the actual variance between stocks and usage was minimal.

### **Future focus – Lessons learned from the phase 1 project**

35. At the conclusion of the phase 1 review, a “lessons learned” section was included and returned to all of the parties involved with the review. This was released in August 2017 with a final agreed version being issued in September 2017. These recommendations were, however, discussed throughout the review with those involved in the project. The following recommendations were made from the phase 1 review:
- 35.1. Orders and deliveries should not have been placed until the design for the scheme was completed to ensure that they were based on actual requirements avoiding the confusion caused by constantly changing product mixes;
  - 35.2. Communication lines needed to be clearer between all parties with the requirements of the project (whilst it was running) clearly discussed by all parties involved in the process rather than being communicated by email / an order schedule that could be misinterpreted;
  - 35.3. There should have been a single point of contact between the Council and the supplier Urbis with a clear record of communications with the supplier;
  - 35.4. Roles and responsibilities for those involved in the project should have been clearly defined;
  - 35.5. Regular reconciliations should have been undertaken to ensure that orders placed matched the scheme design and that orders are appropriate and matched the overall contract. Monitoring should take place against these reconciliations with the results discussed at project monitoring meetings to ensure orders are appropriate and identify any mistakes or issues early on in the process; and
  - 35.6. Clear process should be established by the Stores team for faulty items with these re-communicated to all staff for them to follow with any faulty items returned to the supplier being clearly recorded within the stores system for monitoring purposes.

36. Further recommendations were also made regarding dealing with the surplus stocks with recommendations made to explore options regarding the disposal / use of surplus lamp stocks. These have not been covered here as the current plan to use up these stocks is included within the main body of this report.

## **Detailed analysis - phase 2 audit review**

---

37. In November 2017, a further call was received from the SMART Lights Project Board concerning further issues with the SMART Light project. Concerns were raised that the numbers of columns requiring installation were fluctuating constantly suggesting that there were no clear records concerning the number of lanterns that were actually needed. At this point a further review was commissioned to look at the whole process to determine the cause and extent of any issues with the project. The scope of this work was agreed with the SMART Light Project Board prior to commencement.
38. The commissioned review, found that the majority of the learning from the phase 1 review had taken place, but not all. There were no issues noted with the operation of the stores function or in the contact with Urbis. However, over-ordering had continued into phase 2 (except on a smaller scale with over –ordering occurring from September 2017).
39. Significant issues were again uncovered by this second review. These have again been organised by theme and appear below.

### **Scheme design and installation**

40. Asset information (essentially the street lighting column inventory) was outdated and contained a significant number of errors in terms of the location and even the existence of some of the lighting columns within it. This information was originally used to as the basis for the procurement tender estimations for phase 1 and phase 2 (33,000 and 14,000 lamps respectively).
41. In order to design the schemes properly, operatives walked the streets to map current column locations, road widths and assess lighting requirements for their

inclusion into the designs created. Whilst this was time consuming, reliance on the asset inventory would not have been possible. However, this then led to significant variations and movements on the number lamps left to install as this was originally based on the inventory figures and was constantly revised as the designs were completed and actual numbers of columns in an area became known. Essentially, the actual number of columns was not known until all assessments and designs had been completed. This was the main cause of the variations in the number of columns still to design/ fit which was raised as a concern by the Project Board.

42. Designs for phase 2 of the project used lamp types E, F, G and H, again these were not part of the original procurement exercise but were instead legitimately procured through the ESPO procurement framework. Their use was legitimate as higher power lamps are needed for main road areas.
43. There were 7 Doncaster Council teams installing SMART Lights with an additional 3 subcontractor teams drafted in to assist to speed up the project. An average of 1600 lamp fittings were taking place per month with the teams using new handheld equipment to log their installations and locations rather than paper based recording mechanisms.
44. Designs initially fitted to the Thorne and Moorends area (the first area fitted on phase 1) were flawed. Attempts had been made to match existing lighting levels in any area where the lamps were replaced and the process used was that advised by the manufacturer. However, this did not provide reliable results and when the area was completed this attracted significant complaints and was redesigned. As a direct result, specific design software (Lighting Reality) was purchased in order to model the designs and achieve a better result. However, this made the design process significantly more time consuming and making it significantly more difficult for the design process to keep up with the 7-10 teams fitting lamps across the borough. This essentially meant that some of the checking processes that were scheduled to take place after fitting were left to the end of the project in order to keep up with the pace of fitting across the project (by directing the checking resource to the designs instead).

45. In hindsight, a slower approach with error checking throughout would have been more beneficial but this would have delayed the savings from switching to the newer LED lamps. The continued use of subcontractors in addition to Council teams (once the new but slower design process was implemented) again added additional and unnecessary pressure to the process with the project concentrating essentially on throughput (numbers installed) rather than the quality and accountability of the project.
46. In addition to the above, throughout the project (phase 1 included), where an existing older type lamp (the orange ones) failed, a decision was taken to put up a new LED lamp rather than leave a failed light in place. Operatives replacing the unit did so using what they believed to be a suitable LED lamp alternative based on information that they had been given from the design teams. This was a sensible solution. However, as the fitting for these lamps was done before the design was completed there were invariably some lamps installed of an incorrect design that should have been changed as the rest of the lights in an area were fitted to the new design. This was not always done and these columns were not always noted for changing resulting in errors at the end of the scheme.
47. Whilst the designs were done in a specialist design program, the records of the designs for action were kept in spreadsheets. These were copied and passed to other members of staff in order to order the correct products and raise a job for each individual light to be fitted. However, as with any such manual process this was prone to errors. Changes to the spreadsheet (and therefore changes in any designs) were not noted (there is no audit trail on a spreadsheet and therefore no way to know that anything had been redesigned except where it was specifically highlighted or communicated outside of the spreadsheet). As a result, some changes were not noted or actioned and duplication in designs (for example the same column showing 2 different designs in 2 separate parts of the spreadsheet) were not noted resulting in some double counting for statistical / ordering purposes. A more controlled change / design process or additional checking resources would have been needed to detect and prevent errors in such a manual system.

## **Stocks and ordering**



48. It was pleasing to note that the stocks and stores issues from the phase 1 review were not present in the phase 2 project with stores and stock control functioning as would be expected. There were no missing items identified on the phase 2 review and no stock discrepancies beyond that expected in any manual stores process.
49. However, issues continued within the ordering process. One of the lessons learned from phase 1 was the need to order products when the design was completed. However, it is clear that this did not happen in reality. The SMART Light Project Manager reported to the board that orders were being placed only for designed items but examination of the reports to the Project Board showed that this was not actually the case.
50. The following is an extract of the orders and designs table from the September 2017 Highlight Report.

Data Correct at 29/08/2017	Lanterns Already delivered/ Ordered	Lanterns Designed	Required on Next Delivery	Recommended Next Delivery
Type E Ampera Midi	2725	2644	-81	150
Type F Ampera Midi	2955	2960	5	200
Type G Ampera Midi	2655	2796	141	350
Type H Ampera Midi	375	344	-31	25

51. As can be seen, the number of lamps / lanterns in stock was already (for 2 of the required product lines), higher than the number designed but still more were being ordered for delivery (the end column). This again resulted in over ordering for the phase 2 project as (as it clear from the table above); orders were being placed in advance of the designs being completed. These were done on an estimated basis. There are contrasting recollections from those involved in the project and from the boards about the instruction to order only to design. There is little documentary evidence to show that this requirement was communicated and understood at operative level. However, this failure to order only with a completed design was the main direct cause of the over-ordering of additional lamps on the phase 2 project.
52. Over-ordering on the phase 2 project lines (types E,F,G and H lamps) however, was relatively low with a reported 573 over ordered lamps. Prices per lamp for these

types were £219 per lamp for types E, F and G and up to £310 for type H. This puts the spend on these over-ordered items (using an average price) for phase 2 products of over £135k. This loss is in addition to the loss on the phase 1 project.

### **Systems, data quality and error management**

53. The systems required to undertake the project were not in place prior to its commencement. The asset inventory (the inventory of lighting columns) was incomplete, out of date and contained columns that did not exist. Setting off with poor quality information in the first place in our opinion, left the project constantly playing catch up.
54. Changes to the inventory were not made when noted as part of the walkthrough. This meant that throughout the project, it was impossible to know with accuracy how many of the columns were still to be designed and fitted. This metric was reliant on the use of spreadsheets maintained manually which, as already discussed contained errors and were completed inconsistently by different members of staff. This was primarily due to the fact that for the majority of the project, back office support and design functions were significantly under resourced and were attempting to design and input manually to systems for 7 to 10 installation teams. Inevitably, this lead to increased error rates and delays in updating the asset inventory.
55. The system Mayrise was procured part way through phase 1 and was procured just 2 months before onsite installations began with the delay being caused by procurement complications. Manual paper based systems are error prone and a decision was made relatively early on in the project to look for a way to transfer information into the CMS Planet system (the system that controls the new LED lights and reports on them) to minimise manual errors. The Symology system in use within Street Lighting at that time was not suitable and instead the Mayrise system was procured and put into operation to address the shortcomings. This required a full transfer of all of the asset data (street lighting column assets) from one system to the other. A new system however, is prone to errors and user difficulties as they are not familiar with the system. Whilst this was introduced in time and did reduce the error rates, the methodology for completing the project needed to have been

considered and implemented at the project conceptualisation / planning stage and not once the project had started. Staff were still becoming familiar with the new system during the first weeks of installation and this will have increase the amount of errors within the system.

56. Attempts were made to reconcile the data between the design spreadsheets, the CMS Planet system and Mayrise but these were unfruitful with significant error rates between the systems. This work was further hampered by a systems migration that took place with a live implementation date of 31<sup>st</sup> March, 2018 and the work required in order to make this happen. Instead a decision was taken to complete all works and manually review and deal with all errors. Essentially this means that there is a small chance that some installations have been missed as such a reconciliation would have identified columns that may not have been re-fitted. However, this is a relatively small risk and is being mitigated by inspections / error checking and manual reviews by the Street Lighting team.
57. At the outset of the project, checking was proposed to take place throughout the project to detect and address any errors. This resource however was quickly lost and re-directed to scheme design due to the delays being experienced there. The CMS Planet system controlling the lights has inbuilt error reporting that identifies faults with the lights. These are now being worked through with many of the errors having been resolved in the last 2-3 months. Errors occur for a number of reasons, some caused by errors within the installation, others caused by programming issues and others by faulty lamps or connections. A checking resource however, throughout the project would have minimised the build-up of these errors and provided feedback on the types of errors being detected so that these errors could have (where appropriate) been avoided throughout the rest of the project.

## **Project management**

58. The governance structure for the project included a Project Board with overall responsibility for project progress and delivery within budget and timescales, and a Project Team to assess matters at a detailed project, financial and operational level.
59. Project management arrangements were examined through:

- Review of a sample of project board meetings records obtained from various team members;
- Review of information presented at a sample of project team meetings; and
- Discussions with Project Board and Project team members.

60. This work showed that there was a developed reporting structure used for updating the Project Board and this reporting structure incorporated some key aspects of the project, eg progress, costs, to some degree, and communications. However:

- The application of any established project management conventions (eg PRINCE) appears to have been limited in this project, which is surprising given its scale, value and (political) importance;
- Audit work undertaken shows weak project management and a disconnect between the project team and stores function, leading to errors made in stock ordering;
- We did not see any 'issues log' that would ordinarily record any issues raised by either the project team and/or project board and ensure these were tracked until resolved at relevant project meetings; Some comments / questions about stock ordering were evident from meeting notes, but without any issues log there was no clear record of any precise instructions from the project board or project team, in this instance about stock ordering issues;
- There has been poor document management – reports, agendas, minutes, were not readily available / collated when requested, and there was no single repository for these to be held in; and
- There was insufficient administration support for the project, leaving project officers to carry out certain administration tasks such as the co-ordination and distribution of meeting agenda papers.

61. Because of the significantly fluctuating figures provided by the project team in terms of the total number of lights and total numbers designed, the Project Board could not / did not have any confidence in the information provided. In these circumstances the Project Board ought to have been seeking to rely on work done at Project Team level on the accuracy of the data being provided and the implications arising from the data. However, the Project Team was unable effectively to carry out this role as information provided to it was often tabled at the project team meetings, not allowing sufficient advance scrutiny of the data and this adversely affected their ability to raise concerns at the earliest point possible.
62. It is not evident from records seen that, faced with this process, the Project Team took robust action to fully establish the accuracy and completeness of data being provided, or to understand the implications of the information provided. Nor is there any evidence of any clear delegation or direction from the Project Board to the Project Team to do this.
63. Meeting records show that questions were asked about fluctuating stock. When unsatisfactory answers were provided to questions raised, the Project Sponsor ultimately commissioned Internal Audit to reconcile the stock information available. It is possible that action could/should have been escalated earlier when unsatisfactory responses were received from the project team in response to questions raised.
64. Records of decisions taken / questions asked in project board and project team meetings were not always very clear – there is some evidence in minutes of project board meetings showing some questions asked, but in hindsight, it would have been better in the circumstances, if:
- specific questions asked were noted, and
  - subsequently actions taken were recorded against the questions and
  - these were signed off when suitable assurances had been obtained.

This page is intentionally left blank



## Doncaster Council

### Report

---

**Date: 26th July, 2018**

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

**STATEMENT OF ACCOUNTS 2017/18  
ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE**

#### **EXECUTIVE SUMMARY**

1. In accordance with International Standard on Auditing (ISA) 260, the Council's external auditor is required to issue a report detailing the findings from the 2017/18 audit and the key issues that the Committee should consider before the external auditor issues their opinion on the financial statements.
2. The 'Communication with those charged with governance' report (ISA 260 report attached as Appendix A) has to be considered by 'those charged with governance' before the external auditor can sign the accounts which legally has to be done by 31<sup>st</sup> July.
3. The external auditor (KPMG) expects to issue an unqualified audit opinion on the Council's financial statements for 2017/18; subject to all outstanding queries being resolved to their satisfaction.
4. KPMG also expects to issue an unqualified Value For Money (VfM) conclusion for 2017/18.
5. Overall the ISA 260 report is an extremely positive one, with two adjusted audit differences. The ISA 260 report details that overall good quality working papers with a clear audit trail were provided and generally responses to audit queries were provided timely.
6. Attached to this report is the draft ISA 260 report. A final version of the ISA 260 report will be presented at the Audit Committee along with any relevant verbal updates.

7. The Chief Financial Officer & Assistant Director – Finance, as the responsible financial officer, re-confirms on behalf of the Council that he is satisfied that the statement of accounts presents a true and fair view of: -
- a. the financial position of the Council at the end of the 2017/18 financial year; and
  - b. the Council's income and expenditure for the 2017/18 financial year.

## **EXEMPT REPORT**

8. Not applicable.

## **RECOMMENDATIONS**

9. It is recommended that the Audit Committee: -
- a. Note the contents of the external audit ISA 260 report;
  - b. Consider the Letter of Representation and endorse its contents; and
  - c. Approve the Statement of Accounts 2017/18.

## **WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?**

10. An unqualified audit opinion on the Council's financial statements and a good VfM conclusion resulting from the annual audit process would indicate that there is excellent internal control in place safeguarding Council resources.

## **BACKGROUND**

### Preparation of the Accounts

11. The Council's 2017/18 accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and the appropriate accounting codes of practice. They were approved by the Council's responsible financial officer and published on the Council's website on the 31<sup>st</sup> May. This was in line with the statutory deadline of 31<sup>st</sup> May.
12. The draft accounts were presented to this Committee for information on 21<sup>st</sup> June 2018. KPMG were presented with these draft accounts on 1<sup>st</sup> June 2018.

### Outcomes of the Audit

13. The external audit began on 1<sup>st</sup> June and included examination of evidence relevant to the amounts and disclosures in the financial statements and related disclosure notes. It also included an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements and related notes and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed. This has resulted in the findings and conclusions contained in the ISA 260 report.
14. Throughout the audit process the Council's Financial Management team



have responded promptly to audit queries which have contributed positively to the audit's satisfactory conclusion.

15. KPMG did not identify any material misstatements. This is a testament to the knowledge and expertise of all staff engaged in the final accounts process. This reflects the benefit of key finance officers taking a proactive role in identifying potential risks so that a dialogue can take place with KPMG at an early stage to discuss and seek agreement on significant and often highly complex, accounting issues affecting the year's accounts.
16. There were two adjusted audit differences regarding audit fees and a valuation. The external audit fees note 32 was a presentational amendment to correct the classification of pooling capital receipts work. A revaluation for a school used 2012 figures for Modern Equivalent Asset (MEA) valuation basis. When updated to use 2017 MEA values, a difference of £896,000 was identified. This has been adjusted for. All properties valued on MEA basis by the valuer who made the error were checked and no further errors were identified.
17. KPMG have made two recommendations this year: both Medium priority. One of the recommendations is the same issue as highlighted in the 2016/17 report regarding Universal Housing password controls. The other recommendation relates to the contract with Link Asset Services for Treasury consultancy services. These are detailed in the ISA 260 report pages 21 to 22.
18. In the previous year, KPMG raised three recommendations which were reported in the External Audit Report 2016/17 (ISA 260). The Council has successfully implemented two of the recommendations regarding Housing Benefits Overpayments Reports and Reconciliations. The remaining recommendation regarding IT User Documentation and Processing around the e5 financial ledger, Universal Housing and Northgate was implemented for e5 financial ledger and Northgate. Universal Housing is subject to a new recommendation. Further details are provided in the ISA260 report pages 23 to 24.
19. The accounts were made available for public inspection for 30 working days (in accordance with the Accounts and Audit (England) Regulations 2015) on Friday, 1<sup>st</sup> June 2018, during which, members of the general public were able to inspect the accounts and raise questions on the financial statements and the associated disclosure notes. During this period no inspection visits were made.
20. KPMG intends to issue an unqualified Value for Money (VfM) conclusion stating that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. KPMG performed detailed work on two identified risks – Children's Services Trust Overspend and Adult Social Care Contracting – as well as work around VfM process in place across the Council. This follows on from the positive conclusion obtained last year and is recognition of the work undertaken to embed robust financial and governance arrangements within the Council.
21. The Letter of Representation requires endorsement by the Committee as an important final stage in the audit of the Council's 2017/18 Statement of Accounts. The letter is from the Chief Financial Officer & Assistant Director – Finance to KPMG and is an assurance from management that the accounts have been prepared correctly and to bring to the auditors' attention any further matters that need to be taken into account prior to their opinion being issued. The letter will be presented at the Audit Committee along with

any relevant verbal updates.

## OPTIONS CONSIDERED

22. Not applicable.

## REASONS FOR RECOMMENDED OPTION

23. 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

24. These are detailed in the table below: -

	Outcomes	Implications
	<p><b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"><li>• Better access to good fulfilling work</li><li>• Doncaster businesses are supported to flourish</li><li>• Inward Investment</li></ul>	<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><b>Doncaster Living:</b> Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"><li>• The town centres are the beating heart of Doncaster</li><li>• More people can live in a good quality, affordable home</li><li>• Healthy and Vibrant Communities through Physical Activity and Sport</li><li>• Everyone takes responsibility for keeping Doncaster Clean</li><li>• Building on our cultural, artistic and sporting heritage</li></ul>	
	<p><b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"><li>• Every child has life-changing learning experiences within and beyond school</li><li>• Many more great teachers work in Doncaster Schools that are good or better</li><li>• Learning in Doncaster prepares young people for the world of work</li></ul>	

	<p><b>Doncaster Caring:</b> Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> <li>• Children have the best start in life</li> <li>• Vulnerable families and individuals have support from someone they trust</li> <li>• Older people can live well and independently in their own homes</li> </ul>	
	<p><b>Connected Council:</b></p> <ul style="list-style-type: none"> <li>• A modern, efficient and flexible workforce</li> <li>• Modern, accessible customer interactions</li> <li>• Operating within our resources and delivering value for money</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of residents</li> <li>• Building community resilience and self-reliance by connecting community assets and strengths</li> <li>• Working with our partners and residents to provide effective leadership and governance</li> </ul>	

## RISKS AND ASSUMPTIONS

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

Risks / Assumptions	Probability	Impact	Proposed Action
Robustness of correct outturn figure	Low	Medium	Work has been undertaken during monitoring and closedown process to process all transactions and prepare for audit. This has included an increase in senior officer quality assurance review and control; and internal verification and checks by finance and technical officers.
The Audit identifies a material / significant finding or inaccuracy in the production of the accounts.	Low	High	Continuous dialogue with KPMG throughout the year. Specific discussions on key complex / technical areas are as part of the monthly audit liaison group meetings

## LEGAL IMPLICATIONS [Officer Initials...KDW...Date...18.07.18]

26. The Statement of Accounts is prepared in accordance with the appropriate regulations and the Council is subject to statutory external audit and performance by KMPG.

## **FINANCIAL IMPLICATIONS [Officer Initials...RI... Date...16.07.18]**

27. The Council's Statement of Accounts are prepared in line with the Accounts and Audit Regulations 2015 and International Financial Reporting Standards.
28. The audit fee budget is managed by the Director of Corporate Resources and this review is included in the planned expenditure for the 2017/18 audit.

## **HUMAN RESOURCES IMPLICATIONS [Officer Initials...MLV...Date...18.07.18]**

29. There are no specific HR implications relating to the contents of this report.

## **TECHNOLOGY IMPLICATIONS [Officer Initials...PW...Date...18.07.18]**

30. As outlined above, KPMG have highlighted issues in both the 2016/17 and 2017/18 reports regarding Universal Housing password controls. This is considered to be low risk as the solution cannot be accessed without logging into the Council network, where good controls are in place. A procurement exercise is also currently underway for a new Integrated Housing Management Solution, the password controls for which will meet the requirements of IT security policies.

## **HEALTH IMPLICATIONS [Officer Initials...RS...Date...17.07.18]**

31. There are no direct health implications in this report. Effective audit and governance should contribute to improved health and wellbeing.

## **EQUALITY IMPLICATIONS**

32. This report has no specific equality implications.

## **CONSULTATION**

33. Not applicable.

## **BACKGROUND PAPERS**

34. Following background papers: -
  - Unaudited Statement of Accounts 2017/18 published on the Council website: - <http://www.doncaster.gov.uk/services/the-council-democracy/statement-of-accounts>
  - Accounts and Audit Regulations 2015
  - The Code of Practice on Local Authority Accounting 2017/18 ('The Code') - based on IFRS

## **REPORT AUTHOR & CONTRIBUTORS**

Robert Isaac, Financial Planning & Control Manager

☎ 01302 737983

✉ robert.isaac@doncaster.gov.uk

**Steve Mawson  
Chief Financial Officer  
& Assistant Director – Finance**

This page is intentionally left blank



# External audit report 2017/18

**Doncaster Metropolitan  
Borough Council**

—

July 2018



# Summary for Audit Committee

## Financial statements

This document summarises the key findings in relation to our 2017-18 external audit at Doncaster Metropolitan Borough Council 'the Authority'.

This report focuses on our on-site work which was completed in June and July 2018 on the Authority's significant risk areas, as well as other areas of your financial statements. Our findings are summarised on pages 4 – 13.

Our report also includes additional findings in respect of our controls work

**Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 31 July.**

We have identified one presentational adjustment with no impact upon the primary statements and reserve balances, and one adjustment which impacted upon the primary statements and reserve balances. See page 9-13 for details. We have also identified two unadjusted audit differences (Appendix 3).

Based on our work, we have raised 2 recommendations. Details on our recommendations can be found in Appendix 1.

We are now in the final stages of the audit and anticipate issuing an unqualified audit opinion and issuing our completion certificate and Annual Audit letter once work on the WGA is complete later in the year.

Our audit is not yet complete and matters communicated in this report may change pending signature of our audit report. We will provide an oral update on the status of our audit at the Audit Committee meeting but would highlight that the following work is still outstanding:

- Journals testing
- Revaluation queries
- Pensions queries
- Loan/investment confirmations
- Information regarding the Dedicated School Grant
- Finalisation of the disclosure of the prior year adjustment
- Casting and checking the final updated accounts

## Use of resources

We have substantially completed our risk-based work (although work regarding adult services is ongoing, at the date of drafting this) to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We anticipate concluding that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**We therefore anticipate issuing an unqualified value for money opinion.**

See further details on page 14.

## Acknowledgements

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

**We ask the Audit Committee to note this report.**



# Contents

## The key contacts in relation to our audit are:

### Clare Partridge

*Partner*

KPMG LLP (UK)

+44 (0)113 231 3922

clare.partridge@kpmg.co.uk

### Alison Ormston

*Senior Manager*

KPMG LLP (UK)

+44 (0)113 231 3942

Alison.ormston@kpmg.co.uk

### Jakira Motala

*Assistant Manager*

KPMG LLP (UK)

+44 (0)113 232 3912

Jakira.motala@kpmg.co.uk

- 2 Summary for Audit Committee
- 4 Section one: financial statements
- 14 Section two: value for money

## Appendices

- 21 One: Key issues and recommendations
- 23 Two: Follow-up of prior year recommendations
- 25 Three: Audit differences
- 26 Four: Materiality and reporting of audit differences
- 27 Five: Declaration of independence and objectivity
- 28 Six: Audit fees

This report is addressed to Doncaster Metropolitan Borough Council (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. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointments' website ([www.psaa.co.uk](http://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 (on 0207 694 8981, or by email to [andrew.sayers@kpmg.co.uk](mailto: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](mailto: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 3H.

## Section one

# Financial Statements



We anticipate issuing an unqualified audit opinion on the Authority's 2017/18 financial statements by 31 July 2018. We will also report that your Annual Governance Statement is consistent with other information disclosed and information obtained during our audit.

For the year ending 31 March 2018, the Authority has reported a total deficit on provision of services of £100.7m. Note that this includes £15.1m of revaluation decreases on Council Dwellings. The impact on the General Fund has been a decrease of £4m.



# Significant audit risks

Our *External Audit Plan 2017/18* sets out our assessment of the Authority’s significant audit risks. We have completed our testing in these areas and set out our evaluation following our work:

Significant audit risks	Work performed
1. Valuation of Property, Plant & Equipment (PPE)	<p><b>Why is this a risk?</b></p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years. In addition due to the significant value of the PPE base as the valuations are based on a number of assumptions there is a risk that if these assumptions are incorrect then there could be a material difference in the PPE balance.</p> <p>This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. In addition, as the valuation is undertaken as at 1 April, there is a risk that the fair value is different at the year end.</p> <p><b>Our work to address this risk</b></p> <ul style="list-style-type: none"><li>- We have assessed the qualifications, objectivity and independence of the valuer to carry out the valuations;</li><li>- We have assessed the approach adopted by both the Council’s in-house valuation experts and the District Valuer;</li><li>- We have tested the accuracy and completeness of the Authority’s asset register through review of the Authority’s asset verification processes as well as the verification of assets reviewed as part of our revaluation testing. There were no individually material additions made in year;</li><li>- We have reviewed the instructions provided to the external valuer and the in-house valuation team and assured ourselves that these are in line with our expectation and any assumptions outlined are reasonable;</li><li>- We have considered the appropriateness of the valuation basis adopted e.g. fair value or modern equivalent asset basis;</li><li>- We have considered the movement in market indices between revaluation dates and the year end in order to determine whether these indicated that fair values had moved materially over that time;</li><li>- We have agreed the basis of material impairments and revaluation losses through our testing of the revaluation process and agreement of accounting entries; and</li><li>- We have reviewed the capitalisation of major expenditure in the year, including a review of maintenance spend to ensure there has been no material omissions of capital items.</li></ul>
2. Pensions Liabilities	<p><b>Why is this a risk?</b></p> <p>The net pension liability represents a material element of the Authority’s balance sheet. The Authority is an admitted body of South Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority’s overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority’s valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority’s employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p>

Significant audit risks

Our *External Audit Plan 2017/18* sets out our assessment of the Authority’s significant audit risks. We have completed our testing in these areas and set out our evaluation following our work:

Significant audit risks	Work performed
2. Pension Liabilities (continued)	<p><b>Why is this a risk? (continued)</b></p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority’s pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p> <p><b>Our work to address this risk</b></p> <p>We reviewed the process used to submit payroll data to the Scheme Actuary and have found no issues to note. We also tested the year-end submission process and other year-end controls. We have also liaised with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This included consideration of the process and controls with respect of the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of Mercer, the actuary.</p> <p>We have reviewed the appropriateness of the key assumptions included within the valuation, compared them to expected ranges, and have used KPMG pensions specialists to review these. We have also reviewed the methodology applied in the valuation by Mercer.</p> <p>We have reviewed the overall Actuarial valuation and considered the disclosure implications in the financial statements and are in the process of reviewing the pension asset allocation split.</p> <p>Our work has also considered the roll forward of the assets undertaken by the actuaries and the allocation of those assets to the Authority. We noted that, consistent with many pension funds given the faster close process of Local Government accounts, the actuaries have used estimated investment rates of returns for the last few months of 2017/18, which our work has considered and the difference in actual and estimated investment rates of return has not had a material impact on the value of the pension fund assets and therefore net liability (see Appendix 3). In addition as the Council paid some future pension contributions in advance during the financial year, we have confirmed these back to supporting evidence and confirmed the accounting treatment is appropriate.</p>
3. Overstatement of fixed asset values in the Balance Sheet	<p><b>Why is this a risk?</b></p> <p>During 2015/16 and 2016/17, when revaluations had been undertaken for componentised assets by the Council’s valuers, the Council had posted the revalued amount all to the building category – rather than splitting this across the building, mechanical and external component values/categories. This has resulted in the assets being overstated by the existing component value. The Council have brought the previous pre-revaluation values for the mechanical and external categories forward to reflect the value that they have historically been held in the asset register. This has resulted in a misstatement of asset values held on the Balance Sheet of approximately £33.5m. This has no impact upon Council Tax and is merely a capital accounting adjustment that will flow through the capital accounts.</p> <p>There is a risk that the 2017/18 Financial Statements will be materially misstated if a prior period adjustment is not made to the 2016/17 and 2015/16 Financial Statements to reflect the correct fixed asset value in the Balance Sheet.</p> <p><b>Our work to address this risk</b></p> <p>We have reviewed the council response to the identified overstatement to understand the proposed treatment of the assets in the current and previous years. We have assessed whether we consider the proposed response to be adequate.</p> <p>We have ensured that the correct accounting treatment is made and disclosures comply with the code, including whether the prior period adjustment is correct.</p>

# Considerations required by professional standards

## Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2017/18* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.



## Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

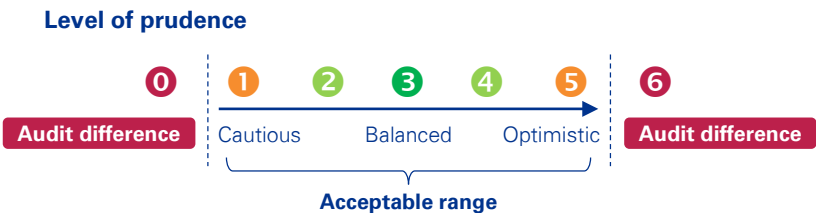
In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.



Judgements

We have considered the level of prudence within key judgements in your 2017/18 financial statements and accounting estimates. We have set out our view below across the following range of judgements.



Subjective areas	2017/18	2016/17	Commentary
Provisions (excluding NNDR)	3	3	Total value of non NNDR provisions (£12.21m) is marginally higher than our materiality of £11m. The majority of the provisions relate to the estimated value of outstanding insurance claims (£9.4m). We have agreed this figure to workings provided by the Council and have deemed this a reasonable recognition.
NNDR provisions	3	3	The NNDR provisions held at year end (£4.21m) are significantly less than our materiality level of £11m. We have reviewed the workings for the NNDR provisions and note that these have increased from the prior period based upon the effects of the 2017 revaluation and low level of appeals being settled for 2017. The methodology behind this calculation is considered balanced and based accordingly upon recent historical trends and knowledge of current cases.
PPE: HRA assets	3	3	The Authority continues its use of the beacon methodology in line with the DCLG’s <i>Stock Valuation for Resource Accounting</i> published in November 2016. The Authority has utilised the District Valuer to provide valuation estimates. We have reviewed the instructions provided and deem that the valuation exercise is in line with the instructions. The resulting increase is in line with guidance provided by DCLG and the 41 % Regional Adjustment Factor deemed appropriate for the Yorkshire and Humber region. We have also seen work performed locally that justifies the utilisation of the 41 % Regional Adjustment Factor.
PPE: Asset lives	3	3	Our work around PPE did not identify any inappropriate asset lives being applied to PPE held. We are therefore satisfied that the asset lives being applied by the Council are reasonable and reflect as closely as possible the expected useful remaining life of assets. We note that the accounting policy with regards to the asset lives of buildings has been updated to reflect actual practice.
Pensions: Actuarial Assumptions	3	3	As part of our work we have engaged our own pensions specialist to review the actuarial assumptions used in relation to the Council’s share of the South Yorkshire Pension Fund and this work did not identify any outliers. We also note that the Council lead a local assessment/discussion of assumptions with the actuary demonstrating a review and challenge process giving us further assurance with regards to the veracity of the key assumptions made.

# Proposed opinion and audit differences

**Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2017/18 financial statements following approval of the Statement of Accounts by the Audit Committee on 26 July 2018.**

## **Audit differences**

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

The final materiality (see Appendix 4 for more information on materiality) level for this year's audit was set at £11 million. Audit differences below £550k are not considered significant.

We identified two unadjusted audit differences. One related to an academy then when accounted for as a long term lease in 2014/15 was not disposed of from the Council's asset register. The other is for £5.7m in relation to pension assets valuation. Details can be found in Appendix 3.

We also identified:

- One small presentational adjustment relating to the audit fees. This has been addressed by management.
- One valuation carried out resulting in a £896,000 valuation difference. This has been addressed by management.

## **Annual governance statement**

We have reviewed the Authority's 2017/18 Annual Governance Statement and confirmed that:

- It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

## **Narrative report**

We have reviewed the Authority's 2017/18 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.



# Accounts production and audit process

Our audit standards (*ISA 260*) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

## Completeness of draft accounts

We noted draft accounts were published on the council website on 31<sup>st</sup> May, in line with the statutory deadline

## Quality of supporting working papers

Ahead of our audit, we issued our *Accounts Audit Protocol 2016/17* ("Prepared by Client" request) which outlines our documentation request. This helps the Authority to provide audit evidence in line with our expectations.

We are pleased to report that overall good quality working papers with a clear audit trail were provided.

## Response to audit queries

Generally, the responses to our audit queries were timely and enabled the audit to progress to the agreed timetable. As a result of this, all of our audit work were completed within the timescales expected with few outstanding queries.



### Group audit

The Council has two subsidiaries: St Leger Homes of Doncaster and Arthur Street Developments. Only St Leger Homes of Doncaster is consolidated. Arthur Street Developments are not consolidated as the figures are not material.

To gain assurance that this has not been materially misstated we considered the draft financial statements of the entity and compared these both to prior period and our understanding of the entity. We noted, as per our understanding, that the large majority of transactions and balances were intercompany and therefore eliminated on consolidation. The net impact of I&E transactions being significantly below our materiality level.

For the material pension liability balance we agreed these figures to the actuarial report produced by Mercer and the data submitted to the actuary by the subsidiary.

We are pleased to report that there were no issues to note in relation to the consolidation process.

### Prior year recommendations

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

The Authority has implemented 2 of the recommendations in our ISA 260 Report 2016/17. We note that issues remained with regards to general IT controls for Universal Housing around password controls. Appendix 2 provides further details.

### Controls over key financial systems

We have tested controls as part of our focus on significant audit risks and other parts of your key financial systems on which we rely as part of our audit. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Below we have highlighted exceptions in relation to controls:

#### General IT Controls

- We noted that the password control in place for Universal Housing did not function as per the policy with a 3 character password able to be utilised rather than the 8 characters required by the policy. This is the same issue as highlighted in our 2016/17 report.

#### Contracts

- The Council appointed Link Asset Services to provide Treasury Consultancy Services for a further five years from 1 January 2017 to 31 December 2021. Currently there is no signed contract in place between the Council and Link Asset Services for the Treasury Management Consultancy Service contract. Link Asset Services are proposing the Council sign up to Link's terms and conditions (T&Cs). The Council have consulted with the legal team and have been advised that Link Asset Services should in fact be signing Council T&Cs. Currently both parties are at a standstill in contracting as neither are willing to sign each others contracts.

Further detail and associated recommendations can be found in Appendix 1.

# Completion

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2017/18 financial statements.**

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

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

## **Declaration of independence and objectivity**

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

In relation to the audit of the financial statements of Doncaster Metropolitan Borough Council for the year ending 31 March 2018, we confirm that there were no relationships between KPMG LLP and Doncaster Metropolitan Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 5 in accordance with ISA 260.

## **Management representations**

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

There are no issues over which we are seeking specific management representations.

## **Other matters**

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

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

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

A woman with curly hair, wearing a black lace dress, is shown in profile, smiling and looking upwards. She is standing in front of a red brick wall. A semi-transparent white box with blue borders is overlaid on the upper part of the image, containing the section title.

## Section two

# Value for money



Our 2017/18 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

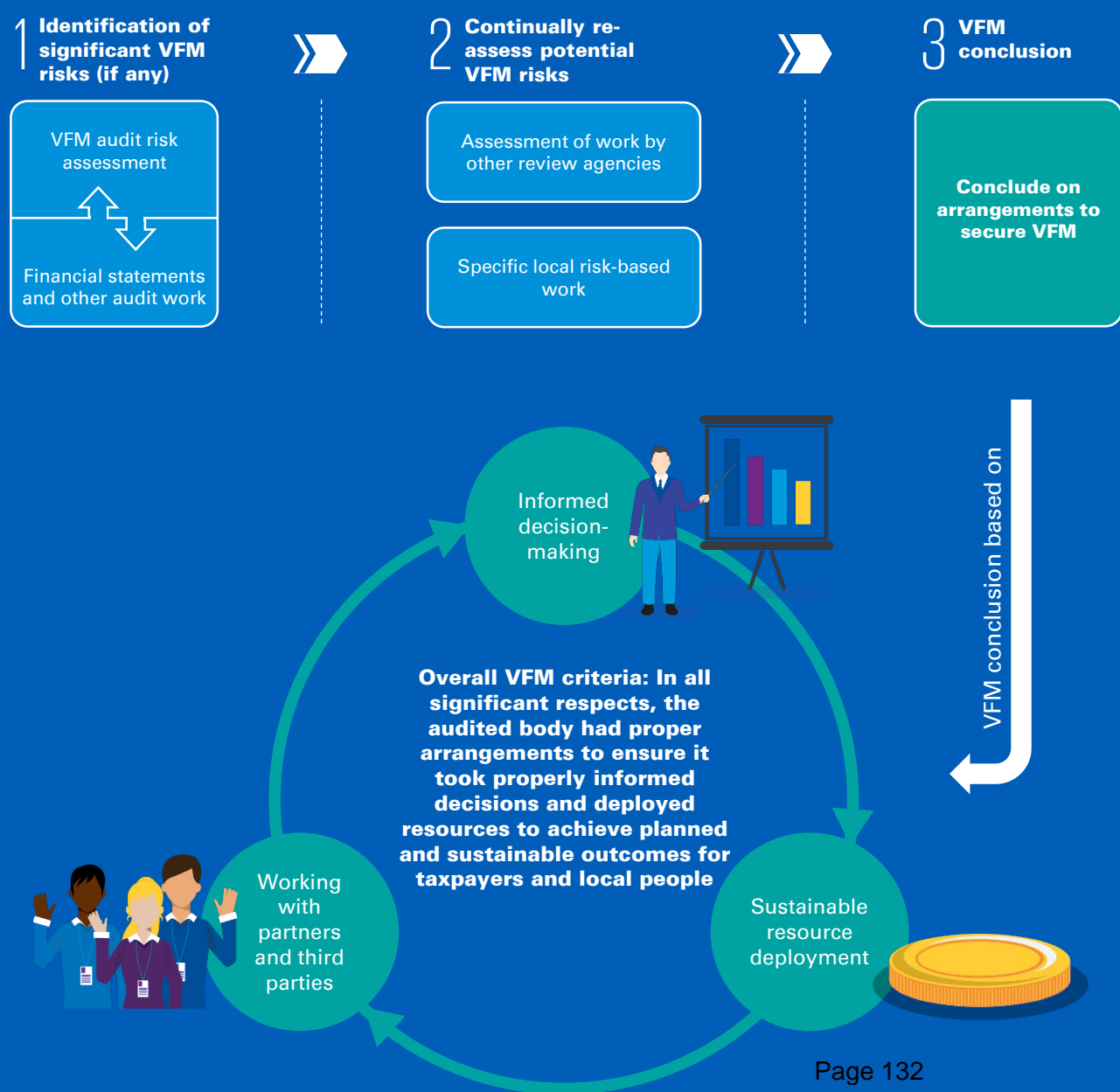
# VFM conclusion

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.’

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



The table below summarises our assessment of the individual VFM risks identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

VFM assessment summary			
VFM risk	Informed decision-making	Sustainable resource deployment	Working with partners and third parties
1. Children’s Services Trust Overspend	✓	✓	✓
2. Adult Social Care Contracting	✓	✓	✓
Overall summary	✓	✓	✓

In consideration of the above, we have concluded that in 2017/18, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

In our audit plan presented in January 2018 we identified a significant VFM risk with regards to the overspend and performance of the Children’s Services Trust and Adults Services contracts.

We have performed detailed work on both of these identified risks as well as wider work around VFM processes in place across the Council.

Our work has not identified any issues that would adversely impact upon our Value For Money conclusion.

Further details on the work done and our assessment are provided on the following pages.

# Significant VFM risks

We have identified two significant VFM risks as communicated to you in our *2017/18 External Audit Plan*. In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority’s current arrangements in relation to these risk areas are adequate.

Significant VFM risks	Work performed
1. Children’s Services Trust Overspend	<p><b>Why is this a risk?</b></p> <p>We noted that the Finance &amp; Performance Improvement Report for Q2 showed a year end forecast overspend of circa £3.0m, of which £1.1m 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</p> <p><b>Summary of our work</b></p> <p>In order to assess this risk we held conversations with a number of individuals across the organisation including those directly involved in quality, performance and financial management of the contract with the Children’s Services Trust. Complimenting these discussions we also reviewed relevant minutes and reporting to both Council and the Audit Committee as well as reviewing and assessing minutes and actions from performance meetings.</p> <p>In combination this work gave us assurance that the Council was working collaboratively with the Children’s Trust, providing assurance with regards to the ‘working with partners and third parties’ VFM criteria.</p> <p>We also noted that the performance and financial position of the Trust and the contract in place was discussed in detail and reported to management and those charged with governance in a transparent fashion, meeting the ‘informed decision making’ VFM criteria.</p> <p>Finally, we noted that there was a clear plan in place for the Children’s Trust to take on more of the risk of service moving forwards as they become more established as an entity. We noted that the final outturn position for the Trust was a £4.1m overspend. We also noted observations (evidenced through minute reviews of performance meetings) that the level of information and collaboration being provided by the Trust was improving enabling clearer decisions to be made with regards to resource deployment. This has provided us with evidence that the ‘sustainable resource deployment’ criteria is being met.</p>



### 2. Adult Social Care Contracting

#### Why is this a risk?

The Transformation of Adults, Health and Wellbeing is a key area of development for the Council in 2017/18. There are a number of expired contracts with adult social care providers which are overdue for renewal by up to 3 years in some cases.

There is therefore a risk that the Council are not achieving value for money from these out of date contracts.

#### Summary of our work

We have reviewed the Commissioning Plan introduced during 2017/18 for the Adults, Health and Wellbeing directorate. This plan shows consideration of the pressures the directorate is under. The plan gives a forward thinking view up to 2021, ensuring that expired contracts do not become overdue for renewal by up to 3 years as identified previously. We have found that since April 2017, only 1 contract has gone into breach with a total value of £42,055 – this is excluding contracts which were already in breach at the start of the year. As at 28/02/2018 (last date reports to audit committee), 7 contracts remain in breach with a total value of £1,297,193.

We have reviewed the budgetary reporting and the breaches and waivers reporting that has taken place to Audit Committee and as a result gain assurance that the position with regards to expired or breached contracts has been transparently reported, giving us assurance with regards to the 'informed decision making' criteria.

We have noted from review of the commissioning plan and ongoing reporting to management that the Council continues to work with third party providers closely, including the CCG, in order to ensure services continue to be provided whilst some service redesign is being considered. This gives us assurance that the Council continues to work with partners and third parties to ensure services are delivered.

We are encouraged by the Council's ongoing plans to redesign services and to ensure that commissioning of new contracts takes place in a structured, but timely, manner. This recognises that some contracts may continue to operate in breach in the shorter term, however we have been able to see that where this is the case there is a clear rationale in terms of ensuring a sustainable service is delivered into the future. We are therefore satisfied that, given the service redesign plans in place and the values of contract breaches the Council is able to demonstrate that sustainable resource deployment has taken place.

The background of the page is a photograph of a wooden desk. On the right side, there is a stack of papers and a red folder. A silver pen is lying on the desk in the bottom right corner. The word "Appendices" is written in a large, thin, red font, centered horizontally and partially enclosed by two vertical red lines.

# Appendices

# Key issues and recommendations

Our audit work on the Authority’s 2017/18 financial statements has identified some issues. These relate to general IT controls and the need for signed contracts with service organisations/experts. We have listed these issues in this appendix together with our recommendations which we have agreed with Management. We have also included Management’s responses to these recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations. We will formally follow up these recommendations next year.

Each issue and recommendation have been given a priority rating, which is explained below.

- High priority

Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.
- Medium priority

Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
- Low priority

Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

The following is a summary of the issues and recommendations raised in the year 2017/18.

2017/18 recommendations summary	
Priority	Total raised for 2017/18
High	0
Medium	2
Low	0
Total	2



1. Universal Housing Password Controls

Our audit identified an issue with regards to the general IT controls in place for the Universal Housing system.

We noted that the password control in place for Universal Housing did not function as per the policy with a 3 character password able to be utilised rather than the 8 characters required by the policy. This is the same issue as highlighted in our 2016/17 report.

Recommendation

Key control parameters such as passwords should also be tested periodically to ensure they continue to meet the requirements of IT security policies.

Management Response

The Council accepts the recommendation identified. This is considered a low risk because; Universal Housing cannot be accessed without logging into the DMBC network (i.e. it is not web based) and there are good controls on the network passwords and on leavers. There are a limited number of people who can make changes to the system and there are controls in place to check system changes which are made. St Leger Homes are currently procuring a new system with a maximum implementation period of 21 months and the password controls in the specification for the new system are in line with the IT security policy.

Owner

Julie Crook

Deadline

30th September 2020



2. Link Asset Services Contract

The Council appointed Link Asset Services to provide Treasury Consultancy Services for a further five years from 1 January 2017 to 31 December 2021.

Currently there is no signed contract in place between the Council and Link Asset Services for the Treasury Management Consultancy Service contract.

We were informed that this was because Link are proposing the Council sign up to Link's terms and conditions (T&Cs). The Council have consulted with the legal team and have been advised that Link should in fact be signing Council T&Cs. Currently both parties are at a standstill as neither are willing to sign each others contracts.

Recommendation

The Council should ensure that a signed contract is in place for the services provided by Link Asset Services as soon as possible.

Management Response

The Council accepts the recommendation identified. Ongoing dialogue continues between the Council and Link Asset Services to sign a contract. In the meantime, Link Asset Services continue to provide services in accordance with the specification, we have excellent relationships and there have not been any performance issues to date.

Owner

Steve Mawson

Deadline

31st January 2019

# Follow-up of prior year recommendations

In the previous year, we raised three recommendations which we reported in our *External Audit Report 2016/17 (ISA 260)*. The Authority has not implemented all of the recommendations. We re-iterate the importance of the outstanding recommendations and recommend that these are implemented by the Authority.

We have used the same rating system as explained in Appendix 1.

Each recommendation is assessed during our 2016/17 work, and we have obtained the recommendation’s status to date. We have also obtained Management’s assessment of each outstanding recommendation.

Below is a summary of the prior year’s recommendations.

2016/17 recommendations status summary			
Priority	Number raised	Number implemented / superseded	Number outstanding
High	0	0	0
Medium	1	0	1
Low	0	2	0
Total	1	2	1



1. IT User Documentation and Processing

Our audit identified a number of issues with regards to the general IT controls in place across the 3 IT systems tested, namely: e5 financial ledger, Universal Housing (Housing Rents system) and Northgate (Benefits system).

With regards to Universal Housing we noted that the password control in place did not function as per the policy with a 3 character password able to be utilised rather than the 8 characters required by the policy.

For all 3 systems tested we noted that the controls around the approval of new users and removal of leavers were weak. We were unable to agree starters and leavers to relevant line manager approvals in the majority of cases.

We also noted in the case of Universal Housing that leavers were not processed regularly, with our testing carried out in March/April 2017 noting that leavers had not been processed since November 2016.

There is a risk that without appropriate starter and leaver processes in place users are given access erroneously to systems and are able to post amendments to systems. This risk is magnified on the Universal Housing and Northgate systems where reports are only able to show access to the system from Users for the past 7 and 15 days respectively. This means that the Council is unable to identify those users that might have accessed the system maliciously outside of this timeframe.

**Recommendation**

The Council should ensure that there is a clear process and guidance in place with regards to the processing of user changes (starters, leavers and amendments) on key IT systems. Access rights should be periodically reviewed to ensure that these remain appropriate.

Key control parameters such as passwords should also be tested periodically to ensure they continue to meet the requirements of IT security policies.

Management Original Response

Accepted

The Council accepts the recommendations identified. A review is currently being undertaken as part of the Internal Services Project, which is looking at the whole process for new starters, movers and leavers. Following the review, actions will be implemented which will improve the weaknesses identified. St Leger Homes will also review and update the password control for the Universal Housing system.

Owner

Steve Mawson

Original Deadline

31<sup>st</sup> January 2018

KPMG’s July 2018 assessment

Not implemented

As per current year recommendation 1, our testing over IT controls identified that the password control in place for the Universal Housing system did not function as per the policy with a 3 character password able to be utilised rather than the 8 characters required by the policy.

Management’s July 2018 response

[TBC]

<div>Low priority</div>	<p><b>2. Housing Benefits Overpayments Report</b></p> <p>The Council utilises an ‘overpayment’ report in order to identify and investigate potential errors in payment. Whilst the control is effective it was noted that these reports are not retained for a full financial year meaning there is not a clear audit trail of the control having taken place throughout the period.</p> <p><b>Recommendation</b></p> <p>The Council should ensure that the overpayments report, and other evidence of controls operating, are retained for a sufficient period in order to provide a clear audit trail of operation.</p>	<p><b>Management Original Response</b></p> <p>Accepted</p> <p>The overpayment report which is run on a daily basis will be saved from September 2017, which will support the effective control which is currently in place regarding potential overpayments.</p> <p><b>Owner</b></p> <p>Marian Bolton</p> <p><b>Original Deadline</b></p> <p>30<sup>th</sup> September 2017</p> <p><b>KPMG’s July 2018 assessment</b></p> <div>Fully implemented</div> <p>Overpayments report is now retained for a full financial year.</p>
<div>Low priority</div>	<p><b>3. Reconciliations</b></p> <p>Our testing identified that key reconciliations between systems and the general ledger were taking place. However, our testing noted that in many instances the reconciliations were maintained in an editable Excel format, which was not ‘frozen in time’. This could mean that reconciliations are amended following completion or evidence of review is not maintained.</p> <p>In one instance of the Accounts Payable reconciliation we noted that review could not be evidenced as it had been overwritten by the following month’s reconciliation process.</p> <p>We also noted on the Universal Housing reconciliation that there was no evidence maintained of who had prepared the reconciliation.</p> <p><b>Recommendation</b></p> <p>The Council should ensure that all key reconciliations clearly evidence who has prepared and reviewed the reconciliation and on what date this was performed. The reconciliations should then be ‘frozen in time’ e.g. by saving as a PDF in order to prevent further editing of the document.</p>	<p><b>Management original response</b></p> <p>Accepted</p> <p>As part of the closedown review we will review all reconciliations and identify areas where reconciliations are not being saved in a PDF format. Staff will be informed that they will need to start saving the document in PDF and make sure it is clear who prepared, reviewed the work and on what date. Specific actions will be implemented to save accounts payable and universal housing reconciliations in PDF as part of the process.</p> <p><b>Owner</b></p> <p>Steve Mawson</p> <p><b>Original Deadline</b></p> <p>30<sup>th</sup> September 2017</p> <p><b>KPMG’s July 2018 assessment</b></p> <div>Fully implemented</div> <p>Testing of reconciliations this year did not identify any issues with regards to the evidence of preparation and/or review.</p>



# Audit differences

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

Adjusted audit differences

Other Adjustments

In addition to the above, there was two amendments identified. These are detailed below.

We are pleased to note that the Finance team remains committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

The corrections made are detailed in the table below:

Table 1: Adjusted audit differences	
No.	Description
1	£2,750 for Pooling Capital Receipts has been wrongly classified as other services within External Audit fees. This should be included within certification of grant claims and returns. We note that this item is relatively minor in nature and relates largely to human error rather than pointing to any specific weaknesses in control. The adjustment made does not impact upon the primary statements.
2	Revaluation carried out over one school using 2012 figures for Modern Equivalent Asset (MEA) valuation basis. When updated to use 2017 MEA values, a difference of £896,000 was identified. This has been adjusted for and updated across all areas of accounts where effected including CIES & Balance Sheet. All properties valued on MEA basis by the valuer who made the error were checked and no further errors were identified.

Unadjusted audit differences

We note that there are two unadjusted audit differences to bring to your attention.

Table 2: Unadjusted audit differences	
No.	Description
1	In 2014/15, an academy was accounted for as a long term lease, having previously been recognised as a short term lease, but not disposed from the Council's asset register. This was identified in 2017/18 and the asset was correctly disposed from the Council's asset register. The position in the 2017/18 accounts is correct and the impact is the same in 2017/18 as it would have been in 2014/15. The asset had a current value of £9.1m however the net effect after depreciation is £2.6m.
2	In response to regulatory comments to all audit firms we have had increased scrutiny over the pension asset roll forward this year. There is an unadjusted audit difference with an approximate value of £5.7m in relation to the pension assets. This variance is due to the actuary having to use estimates to provide their valuation in time for the draft accounts, but the actual figures being available by the time we complete our audit. The actuary had estimated a return of c. -1.13% however based on actual information as at March 2018 the return was c. -0.63%, the effect is to increase the year-end pension assets.

# Materiality and reporting of audit differences

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

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2017/18, presented to you in January 2018.

Materiality for the Authority's accounts was set at £11 million which equates to around 1.5 percent of gross expenditure (circa £728m). 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/Name of the Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

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

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

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £550,000 for the Authority.

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



# Declaration of independence and objectivity

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

*"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."*

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

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

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

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

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

## General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

## Auditor declaration

In relation to the audit of the financial statements of Doncaster Metropolitan Borough Council for the financial year ending 31 March 2018, we confirm that there were no relationships between KPMG LLP and Doncaster Metropolitan Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Appendix 6

Audit fees

Audit fees

As communicated to you in our External Audit Plan 2017/18, our scale fee for the audit is £164,844 plus VAT (*£164,844 in 2016/17*), which has remained the same as the prior period.

Our work on the certification of Housing Benefits (BEN01) is planned for September 2018. The planned scale fee for this is £25,035 plus VAT. Planned fees for other grants and claims which do not fall under the PSAA arrangements is £9,000 plus VAT (£9,000 in 2016/17), see further details below.

PSAA Fee Table	
Component of audit	2017/18 (actual fee) £
<b>Accounts opinion and use of resources work</b>	
PSAA scale fee set in 2014/15	164,844
<b>Subtotal</b>	<b>164,844</b>
<b>Housing benefits (BEN01) certification work</b>	
PSAA scale fee set in 2014/15 – planned for September 2018	25,035
<b>Total fee for the Authority set by the PSAA</b>	<b>189,879</b>

All fees are quoted exclusive of VAT.

Non-PSAA Fees	
	2017/18 (planned fee) £
<b>Grants Certification Work</b>	
Pooling Capital Receipt Return	2,750
NCTL Teaching Bursary Return	3,000
Teachers Pension's Agency Return	3,250
<b>Total fee for the Authority set by the PSAA</b>	<b>9,000</b>

All fees are quoted exclusive of VAT.



© 2018 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International



This page is intentionally left blank



## Doncaster Council

### Report

Date: 26<sup>th</sup> July 2018

To the Chair and Members of Audit Committee

#### 2017-18 ANNUAL GOVERNANCE STATEMENT

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

#### EXECUTIVE SUMMARY

1. An annual review of the council's governance arrangements and the subsequent preparation and publication of an Annual Governance Statement (AGS) are statutory requirements by virtue of the accounts and audit regulations (England) 2016.
2. The council's governance arrangements in place during 2017-18 have been reviewed and an Annual Governance Statement has been drafted which shows governance compliance. There have been **6** significant weaknesses reported in 2017-18, which are detailed on pages 4-6 of the statement.
3. The Accounts and Audit Regulations require proper practice to be followed in the production and approval of the Statement. 'Proper practice' requires the Council Leader (in Doncaster's case, the Mayor) and the Chief Executive to sign the statement to confirm their satisfaction with the governance framework and the procedures for reviewing it, and their acceptance of the significant issues highlighted in the statement, along with actions for tackling the issues raised. This should be done prior to the publication of the Statement of Accounts in July 2018.
4. Since the last report to Audit Committee on 21<sup>st</sup> June 2018 there have been minor amendments to the attached 2017-18 Annual Governance Statement.

#### EXEMPT REPORT

5. Not Applicable

#### RECOMMENDATIONS

6. The Chair and Members of Audit Committee are asked to:
  - Approve the attached Annual Governance Statement;
  - Note that following the agreement of the Annual Governance Statement The Mayor and the Chief Executive will be asked to sign the Statement prior to its publication along with the Statement of Accounts

## WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

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

## BACKGROUND

8. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging these responsibilities, the Council must ensure that there is good governance and a sound system of internal controls in place, which facilitate the effective exercise of the Council's functions.
9. To continue our commitment to good governance the Strategy and Performance Unit has prepared the Annual Governance Statement set out in accordance with the new CIPFA/SOLACE Delivering Good Governance in Local Government guidance.
10. The robust process for creating the Annual Governance Statement is centrally managed using Pentana the Council performance management system and has much better engagement from directorate staff.
11. A reviewed of the process and timeline for next years AGS (2018-19) will be undertaken to streamline the production of the AGS.
12. The 2017-18 Annual Governance Statement:
  - Highlights key areas of improvement that have been completed and have been effectively managed to the extent that they were no longer significant. (Appendix A, Page 10)
  - Identifies new significant issues arising from the 2017-18 review of effectiveness of the corporate governance arrangements (Pages 4-6)
  - provides an update on the key areas identified during previous years that remain an issue in 2017-18 (Pages 6-9).

## OPTIONS CONSIDERED

13. Not Applicable

## REASONS FOR RECOMMENDED OPTION

14. Not Applicable

## IMPACT ON THE COUNCIL'S KEY OUTCOMES

- 15.

	Outcomes	Implications
	<b>Connected Council:</b> <ul style="list-style-type: none"><li>• A modern, efficient and flexible workforce</li><li>• Modern, accessible customer</li></ul>	The Annual Governance Statement enables the Council to ensure that there is good governance and a sound

	interactions <ul style="list-style-type: none"> <li>• Operating within our resources and delivering value for money</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of residents</li> <li>• Building community resilience and self-reliance by connecting community assets and strengths</li> <li>• Working with our partners and residents to provide effective leadership and governance</li> </ul>	system of internal controls in place
--	--	--------------------------------------

## **RISKS AND ASSUMPTIONS**

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

## **LEGAL IMPLICATIONS [Officer Initials KDW Date 16/06/18]**

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

## **FINANCIAL IMPLICATIONS [Officer Initials AT Date 22/05/18]**

18. There are no direct financial implications resulting from this report. The individual elements in the AGS will be subject to specific reporting as required.

## **HUMAN RESOURCES IMPLICATIONS [Officer Initials KG Date 18/05/18]**

19. There are no specific human resources implications resulting from this report

## **TECHNOLOGY IMPLICATIONS [Officer Initials PW Date 16/05/18]**

20. There are no specific technology implications resulting from this report. Digital & ICT will need to continue to be fully involved and consulted in relation to the review and updating of the main database used by the Alarm Receiving Centre and any future recommendations. As stated in the Annual Governance Statement, the Doncaster Integration Peoples System Programme will involve significant business change and the programme will be tightly led and managed with senior and effective governance throughout. Digital & ICT are fully involved in the technical deliverables as part of the wider plan to achieve General Data Protection Regulation compliance. Digital & ICT are also represented on the Data Quality Working Group who will deliver and monitor an action plan and associated activities to educate and change the culture of the organisation with regard to data and resolve some key data quality issues which will impact on some major priorities for the Council moving forward, as outlined in the Annual Governance Statement.

## **HEALTH IMPLICATIONS [Officer Initials RS Date 16/05/18]**

21. Whilst there are no immediate health implications from the Annual Governance Statement (AGS) effective governance of civil institutions is a key prerequisite for Health and Wellbeing. Decision makers should consider the extent to which the AGS provides this assurance.

## **EQUALITY IMPLICATIONS [Officer Initials SWr Date 16/05/18]**

22. In line with the corporate approach for compliance against the equality act 2011 due regard must be shown across all activity within the council. As the Annual Governance Statement draws together a diverse range of activities at a strategic level a due regard statement is not required. All the individual components that make-up the Annual Governance Statement will require a due regard statement to be completed and reported as and when appropriate.

## **CONSULTATION**

23. There is consultation with Directors and senior managers throughout this process. Nominated directorates lead work with the Strategy and Performance Unit and their directorate senior managers to complete the assessment which supports the production of the final Annual Governance Statement.

## **BACKGROUND PAPERS**

24. CIPFA/ SOLACE delivering good governance in Local Government Framework  
Accounts and Audit Regulations (England) 2015.  
2016-17 Annual Governance Statement  
Annual Report of the Head of Internal Audit 2017-18

## **REPORT AUTHORS AND CONTRIBUTIORS**

**Sennette Wroot**, Senior Strategy & Performance Manager  
Tel: 01302 862533, E-mail: [Sennette.Wroot@doncaster.gov.uk](mailto:Sennette.Wroot@doncaster.gov.uk)

**Debbie Hogg**  
**Director of Corporate Resources**

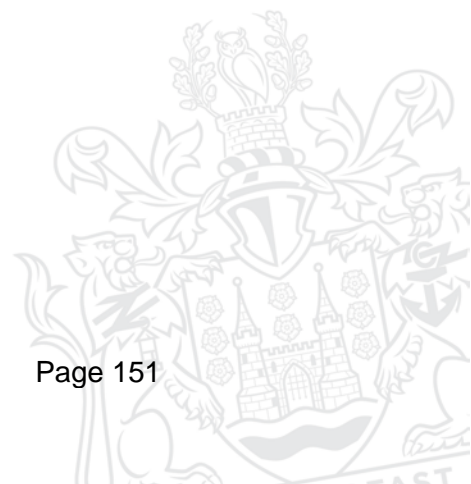




Doncaster  
Council

---

# **ANNUAL GOVERNANCE STATEMENT 2017/18**



## Scope of responsibility

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

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

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

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

## The purpose of the governance framework

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

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

The report covers 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018. However, any significant events or developments relating to the governance system that occur between the year-end and the date on which the Statement of Accounts is signed will be included in this report.

## Our Governance Framework

### Audit Committee

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

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

- Improved risk management arrangements;
- A positive Internal Audit assessment of the Council's control environment;
- Supporting the maintenance of the good standards and positive external audit report achieved in producing the Council's Statement of Accounts, while meeting shorter timescales now required.
- A continuing positive external audit opinion on the Council's Value For Money arrangements
- Calling officers to account where explanations over any lack of progress are required. Resulting in improved arrangements in several areas brought to its attention
- Ensuring appropriate action is taken to implement audit recommendations. This has brought about a notable reduction in the number and significance of outstanding recommendations.

The Audit Committee produces an Annual Report which is available [doncaster.gov.uk](https://www.doncaster.gov.uk)

### Governance Group

The Group which is chaired by the Monitoring Officer leads on the development of governance arrangements at the Council and ensures the Council complies with best practice guidance issued by CIPFA / SOLACE and any other sector leading advice.

### Role of Internal and External Audit

The council has both internal and external auditors.

The role of Internal Audit is to:

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

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

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

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

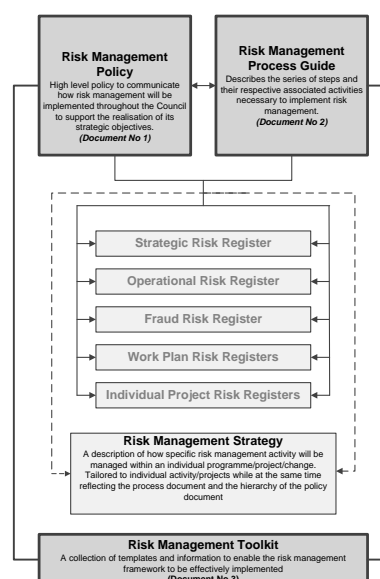
KPMG have been the council's external auditors since 2012/13, although the 2017/18 audit will be their final year. In their annual report, presented to Audit Committee on 27th July 2017 they gave an "unqualified audit opinion" on the Council's financial statements for 2016/17 and an unqualified Value for Money (VFM) conclusion for 2016/17. Internal Audit were able to provide a positive opinion in their annual report for 2017/18, which alongside the good VFM conclusion, indicates there is sound governance, risk management and internal control in place safeguarding Council resources.

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

### Our Approach to Risk Management

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

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



### Review of effectiveness

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

The review of effectiveness is informed by the work of senior managers within the authority, the Head of Internal Audit's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

## Significant governance issues identified in 2017/18

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 2017-18 Annual Governance Statement process:

<b>Issue : ALARM RECEIVING CENTRE (ARC)</b> A review of the systems and processes within the Alarm Receiving Centre (ARC) has raised concerns about the efficacy and business continuity of assistive technology.	
<b>Actions:</b> Internal Audit have conducted a service review of the current process and changes to procedures have been instigated within the ARC suite. Implementation of the audit recommendations is underway. <b>Responsible Officer(s):</b> <b>Debbie John-Lewis – Assistant Director of Communities</b> <b>Bill Hotchkiss - Head of Service Community Safety</b>	<b>Completion Date:</b> <b>October 2018</b>
<b>Issue: GENERAL SIGNIFICANT FINANCIAL CHALLENGES</b> The Council faces a number of significant financial challenges which if not managed carefully in 2018/19 could potentially lead to an overspend position and a reduction in the level of general reserves, these include: <ul style="list-style-type: none"> <li>• Potential shortfall on the delivery of the savings which are increasingly more challenging to achieve such as the Your Life Doncaster programme which will deliver significant service changes as well as savings.</li> <li>• Managing emerging budget pressures including increasing activity e.g. Direct payments and reducing demand for services e.g. Schools Catering.</li> <li>• Doncaster Children's Services Trust (DSCT) risk of overspending is identified below (Page 8)</li> </ul>	
<b>Actions:</b> The financial position will be closely monitored; including the introduction of monthly monitoring to management teams and Directors. Other specific actions to improve the monitoring of budgets include devolved budgeting, and development of financial management capability in the Council. <b>Responsible Officer:</b> <b>Steve Mawson – Chief Financial Officer &amp; Assistant Director of Finance</b>	<b>Completion Date:</b> Monthly monitoring – <b>August 2018</b>  Action plan for improving financial management of managers – June 2018.
<b>Issue: DONCASTER INTEGRATED PEOPLES SYSTEM (DIPS)</b> A new critical business information system will be implemented across Children, Education and Adults Services over the next 1-2 years. It will totally change the way these areas operate and the business change required cannot be underestimated.	
<b>Actions:</b> The programme will be tightly led and managed with senior and effective governance throughout and appropriate preparation. All areas have been asked to provide their best resources to ensure the programme has every chance of succeeding. Staged implementation of the system will take place over the	<b>Completion Date:</b> <b>Ongoing</b>

next 2 years. <b>Responsible Officer:</b> <b>Julie Grant – Assistant Director of Customers, Digital &amp; ICT</b>	
---	--

<b>Issue: GENERAL DATA PROTECTION REGULATION (GDPR)</b> The EU General Data Protection Regulation (GDPR) will come into force on 25 May 2018 and brings significant changes to the law on Data Protection. These changes will be implemented and need to ensure Ensuring compliance with GDPR across the organisation by 25th May deadline and thereafter.	
<b>Actions:</b> A GDPR implementation plan is in place which is being monitored by the SIRO board. The plan includes a target for all high risk areas to be addressed in time for 25th May deadline. <b>Responsible Officer:</b> <b>Scott Fawcus – Assistant Director of Legal &amp; Democratic Services</b>	<b>Completion Date:</b> <b>31st March 2019</b>  (25th May 2018 - high risk areas)

<b>Issue: DEVOLVED BUDGETING IN ADULTS</b> Spend & budget responsibility needs to be as close to decision making as possible to be effectively controlled. The current arrangements in adults allow spending decisions to be taken by front line social work staff (in the community & hospitals) and the budget responsibility is held by the commissioning team. This arrangement can lead to decisions being taken without considering the resource implications and is a weakness in internal control.	
<b>Actions:</b> <ul style="list-style-type: none"> <li>• Examination of budgetary hierarchy &amp; organisational hierarchy to establish the most appropriate level of budget delegation for each of the commissioned services e.g. residential care, domiciliary care etc.</li> <li>• Examination of the underpinning systems to support the production of monthly management accounts. (Examination/ Methodology and sign-off – End of June 2018)</li> <li>• Determine the methodology for budget allocation</li> <li>• Sign off of the approach with Adults DLT</li> <li>• Effect the necessary changes to financial transaction systems (End of July 2018)</li> <li>• Support &amp; train these new budget holders in financial management processes. (End of August 2018)</li> <li>• Review monitoring arrangements during the 2018/19</li> </ul> <b>Responsible Officer:</b> <b>Debbie Hogg – Director of Corporate Resources</b>	<b>Completion Date:</b> <b>December 2018</b> (See text for approximate timeline)

<b>Issue: MANAGEMENT AND STOCK CONTROL RELATING TO THE SMART LIGHTS PROJECT</b> The Streetlight project seeks to make savings for the Council by replacing the borough's sodium street lighting lamps with more energy efficient LED lamps.	
<b>Actions:</b> Phase 1 of the project was completed in March 2017 and phase 2 of the project is estimated to be completed by the end of May 2018. After the end of the first phase, it was noted by the project management board that there were some unexplained	<b>Completion Date:</b> <b>August 2018</b>

<p>variations relating to stock reconciliations. An investigation concluded that there has been over-ordering of lamps due to:-</p> <ul style="list-style-type: none"> <li>• project management issues,</li> <li>• poor communication between the Street Lighting and Stores teams and</li> <li>• a lack of reconciliations between stocks, fitted lamps and orders.</li> <li>• A recovery plan is being produced and will be signed off by the end of July 2018</li> </ul> <p><b>Responsible Officer:</b> <b>Gill Gillies – Assistant Director of Environment</b></p>	
--	--

## **An update on Key Improvement Areas that were previously identified and remain an issue in 2017-18**

<p><b>Issue: DIRECT PAYMENTS</b></p> <p>In 2015/16 there was a high level of overpayments that had been made in paying personal budgets for adult social care. Issues identified included:-</p> <ul style="list-style-type: none"> <li>• High numbers and values of overpayments not being monitored or managed</li> <li>• Weaknesses in the systems to pay, monitor and recover overpayments</li> <li>• Lack of joined up working between the various parties involved in this area.</li> </ul>	
<p><b>Actions:</b></p> <p>Improved arrangements have proven effective; the amount of debt relating to Direct Payment overpayment being raised over 12 months has reduced whilst the amount of debt collected has increased. There is now more effective joined up working between all parties and the backlog of annual financial monitoring reviews has been cleared and reviews are now being conducted on a risk basis.</p> <p>Direct Payment Card accounts are now the preferred method of making a direct payment resulting in reductions in Financial Monitoring administration and more effective debt management. Further improvements are being implemented following a recent audit.</p> <p><b>Responsible Officer:</b> <b>Griff Jones – Assistant Director Adult Social Care &amp; Safeguarding</b></p>	<p><b>Completion Date:</b> <b>September 2018</b></p>

<p><b>Issue: LEARNING DISABILITY/SUPPORTED LIVING REVIEWS:</b></p> <p>An improvement area was identified relating to annual reviews within the Learning Disability Team. There was a risk that some of these reviews may relate to individuals who have not had a financial assessment, are not contributing towards their care and support and have not been considered for Continuing Health Care (CHC) funding.</p>	
<p><b>Actions:</b></p> <p>All of the 267 people identified in supported living had a review of their care and support needs, and where appropriate and required, are now being supported to contribute their disposable income towards their care. A contractor has been appointed to undertake a comprehensive review of all support living</p>	<p><b>Completion Date:</b> <b>September 2018</b></p>



placements in the borough. It is anticipated that all reviews, along with 70 high cost placement reviews will be completed as per contract. <b>Responsible Officer:</b> <b>Griff Jones – Assistant Director Adult Social Care &amp; Safeguarding</b>	
--	--

<b>Issue: DOLS (DEPRIVATION OF LIBERTY SAFEGUARDS) – BEST INTEREST ASSESSMENTS</b> Internal Audit identified anomalies in relation to payments made for Best Interest assessments, which had arisen due to poor financial and administrative processes. An audit has been completed.	
<b>Actions:</b> Recommendations from the audit have been considered and agreed and priorities identified with timescales and review arrangements. <b>Responsible Officer:</b> <b>Griff Jones – Assistant Director Adult Social Care &amp; Safeguarding</b>	<b>Completion Date:</b> <b>March 2019</b>

<b>Issue: ADULT, HEALTH AND WELLBEING - CONTRACT AND COMMISSIONING ARRANGEMENTS</b> There has been a large number and value of ongoing contract breaches and waivers occurring within the Adults, Health and Wellbeing Directorate. Some of this is linked to the strategic and transformation plans for the future provision and commissioning of services. However, some other elements have been in breach for lengthy periods of time and now need to be progressed more quickly.	
<b>Actions:</b> Action has been taken to increase capacity in the team including recruitment to key posts to support this work. Nonetheless significant commissioning activity continues to be undertaken including the Learning Disability Supported Living Service and other housing related support services. Reports recently taken through Cabinet, 27 <sup>th</sup> March 2018, to establish approval to commence procurement processes. <b>Responsible Officer:</b> <b>Denise Bann – Strategic Lead Commissioning</b>	<b>Completion Date:</b> <b>Ongoing throughout 2018/2019</b>

<b>Issue: DATA QUALITY ARRANGEMENTS</b> Annual Self Assessments across the council for statutory returns have been completed and policy monitoring and eLearning training continues to be monitored. Directors have supported a proposal for additional resources to accelerate improvements of data quality in areas identified as priority for the organisation.	
<b>Actions:</b> An Action Plan will be developed for 2018/19 which will be delivered and monitored by the Data Quality Working Group, with particular focus on targeted resources to DIPs development and migration, strengthening data quality in the Performance Management Framework and links to GDPR. The SIRO Board will	<b>Completion Date:</b> <b>APRIL 2018 and throughout 2018/19</b>



oversee this work and the membership of the group will be widened to cover the planned areas of improvement. <b>Responsible Officer:</b> <b>Lee Tillman – Assistant Director of Strategy &amp; Performance</b>	
--	--

<b>Issue: DONCASTER CHILDREN’S SERVICES TRUST OVERSPEND</b> Doncaster Children’s Services Trust (DCST) outturn position for 2017/18 is an overspend of £4.15m. The projected position continued to increase during 2017/18, from £1.6m at quarter 2. The pressures are mainly due to more children in care (45 more in the Care Ladder) and the cost of more complex cases.	
<b>Actions:</b> To address these issues: <ul style="list-style-type: none"> <li>• The Budget for 2018/19 has been agreed with DCST via their Medium Term Financial Strategy (MTFS); this re-bases the budget to reflect the current care ladder activity and includes a commitment towards significantly reducing the cost base.</li> <li>• A review of costs and the Medium-term Financial Strategy (MTFS) will be undertaken to fully understand the assumptions to deliver the significant savings in 2018/19 and identification of additional savings for 2019/20 and 2020/21.</li> <li>• Close monthly monitoring of the financial position during 2018/19 through the improved governance arrangements, including the provision of clearer transparent financial information.</li> </ul> <b>Responsible Officer:</b> <b>Steve Mawson – Chief Financial Officer &amp; Assistant Director of Finance</b>	<b>Completion Date:</b> <b>Ongoing during 2018/19</b> (Review of MTFS to be completed by end of June)

<b>Issue: INCOME MANAGEMENT</b> Internal Audit identified weaknesses regarding compliance with the Council’s procedures and for monitoring and collecting debt. The first phase of the Income Management project was successfully completed which included a series of focused reviews of targeted areas that delivered improved internal controls/reconciliations.	
<b>Actions:</b> The next phase of the Income Management project is to focus on reviewing and updating income management policies and procedures plus delivering further training on income management best practices. <b>Responsible Officer:</b> <b>Steve Mawson – Chief Financial Officer &amp; Assistant Director of Finance</b>	<b>Completion Date:</b> <b>APRIL 2018 and throughout 2018/19</b>

## Statement of Commitment

We have been advised of the implications of the result of the 2017-18 review of the effectiveness of the governance and internal control frameworks by the Audit Committee and of the plans to address identified weaknesses and ensure continuous improvement of the system in place. We propose over the coming year to take steps to address the above matters to enhance further the Council's governance and internal control arrangements.

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

Signed on behalf of Doncaster Council - July 2018:

---

**Ros Jones**  
**Mayor of Doncaster**

---

**Jo Miller**  
**Chief Executive**

## Key Areas of Improvement from previous Statements that have been completed

There are a numbers of areas requiring improvement that have been identified in previous statements that have been effectively managed to the extent that they are no longer significant in 2017/18. These are:

- ❖ **Safeguarding Adults Personal Assets Team (SAPAT)** – There was a number of governance risks associated with SAPAT highlighted in the 2015-16 statement. Strong progress has been made in all areas identified and previous audit recommendations have been implemented. The temporary manager's contract has been extended to end of March to oversee and manage team performance and function. The number of cases held by the team continues with a downward trajectory.

This page is intentionally left blank