



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: Room 9 - Civic Office, Waterdale, Doncaster DN1 3BU

Date: Thursday, 11th April, 2019

Time: 10.00 am

Items for Discussion:

	PageNo.
1. Apologies for Absence	
2. To consider the extent, if any, to which the Public and Press are to be excluded from the meeting.	
3. Declarations of Interest, if any	
4. Minutes of the meeting held on 31st January, 2019	1 - 6

Jo Miller
Chief Executive

Issued on: Wednesday, 3 April 2019

Governance Services Officer for this meeting: Andrea Hedges
01302 736716

A. Reports where the Public and Press may not be excluded.

5.	Audit Committee Action Log	7 - 12
6.	Internal Audit Report - Direct Payments follow up report	13 - 34
7.	Report on any non-compliance with Financial Procedure Rules and Contract Procedure Rules	35 - 50
8.	Annual report of the Head of Internal Audit 2017/18	51 - 70
9.	Draft Annual Governance Statement 2018/19	71 - 90
10.	Internal Audit Plan 2018/19	91 - 142
11.	Audit Committee Annual Report 2017/18	143 - 156
12.	Grant Thornton Audit Committee progress report and sector update.	157 - 176

Members of the Audit Committee

Chair – Councillor Austen White

Vice-Chair – Councillor Richard A Jones

Councillor Iris Beech, Mark Houlbrook and David Nevett

Co-opted Member: Kathryn Smart

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

THURSDAY, 31ST JANUARY, 2019

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER - CIVIC OFFICE on THURSDAY, 31ST JANUARY, 2019, 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:-

Councillor Majid Khan, Chair of Council (Item No.6)

Denise Bann	Strategic Lead Commissioning, AHWB
Patrick Birch	Strategic Lead Adults Transformation
Neil Concannon	Head of Service, Litgation & Regulatory (Item No. 6)
Debbie Hogg	Director of Corporate Resources
Peter Jackson	Head of Internal Audit
Steve Mawson	Assistant Director of Finance
Helen Potts	Principal Legal Officer, Education & Litigation (Item No.6)
Paul Dosset	Grant Thornton
Sarah Howard	Grant Thornton
Perminder Sethi	Grant Thornton

33 Declarations of Interest, if any

There were no declarations made at the meeting.

34 Minutes of the meeting held on 25th October, 2018

RESOLVED that the minutes of the Audit Committee Meeting, held on 25th October, 2018, be approved as a correct record and signed by the Chair.

35 Audit Committee Action Log

The Committee considered the Audit Committee Action Log, which provided an update on actions agreed at previous meetings.

The Audit Committee Action Log is updated for each meeting and enabled the Audit Committee to deliver its work plan against its Terms of Reference.

The Action Log provided detail with regard to the nine actions that arose out of the October meeting, of which four had been completed, and the remaining five were in progress and on track to be completed in due course.

RESOLVED that the Audit Committee note the progress made against the actions agreed at previous meetings.

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

Members considered the Regulation of Investigatory Powers Act 2000 (RIPA) Update, which is considered by the Committee on a six monthly basis. The Council occasionally has a need to utilise covert methods in the investigation of matters in relation to certain crimes, and in these cases, RIPA provided the mechanism to do so through either the use of surveillance or undercover officers and informants.

The Committee noted that the Council has had one RIPA directed application since the last update, and information on this, as well as updates on previous applications were attached at Appendix 3 to the report.

Members were also informed that as a result of revised codes of practice issued by the Home Office, it had been deemed appropriate that the Council amended its RIPA Policy and related documents, thus ensuring that the arrangements in place were fit for purpose and complied with the law. In addition to this, in light of the notification that there would be an inspection from the Investigatory Powers Commissioners Office in March, it had been considered important that the review and update was done prior to the inspection in order to stand them in good stead. Officers informed the Committee that they had not been provided with a date for this inspection yet, but once more information was known, an update would be given.

Following the update given to Members, the Chair afforded the Committee to ask any questions of the Officers in attendance.

Concerns were voiced regarding the increasing number of illicit tobacco sales in establishments across Doncaster, and queries were voiced if the Council was under increased pressure. However, Members were assured that the use of RIPA by Trading Standards officers had proven to be effective in addressing the problems.

At the Chairs discretion, the Civic Mayor, Councillor Majid Khan, also voiced his concerns regarding the issues surrounding illicit tobacco sales, and questioned what limitations there were in terms of using this evidence in prosecutions. Officers assured the Committee that they had robust procedures in place, which if followed correctly resulted in the provision of evidence that was admissible in Court. If this was not done correctly, then there would be work done on ensuring that adequate training provision was put in place, but there was no reason to dispute that this was the case.

RESOLVED that

- 1) The Audit Committee note there had been one RIPA directed application authorised since the last report to the Audit Committee on 21 June, 2018, which was detailed at Appendix 3 to the report;
- 2) The revised RIPA Policy and Procedure , attached at Appendix 1, and the Council's Non RIPA Procedure, attached at Appendix 2 to the report, which have been amended in compliance with the Home Office Codes of Practice be approved by the Committee;
- 3) Training be provided to relevant Officers in light of the amendments to the Home Office Codes of Practice; and

- 4) Trading Standards provide a briefing to the Committee at a future meeting with regard to the work undertaken by them once a RIPA directed application has been authorised.

37 Risk Management Strategy

The Audit Committee were presented with the revised Risk Management Strategy that incorporated recommendations made at the last Committee meeting, and reflected the results of a Risk Management Review undertaken. This aimed to ensure that there was a clear and documented process in place for the embedding of Strategic Risk Management and the review aimed to see the amalgamation of a number of current documents into one, with a focus on the following:-

- Streamlining and simplifying the approach to focus on the main themes within the strategy without losing a corporate grip;
- Outlining a risk appetite
- Ensuring risks were owned and managed within service areas;
- Embedding the updating and reviewing of operational risks into the Resource Management process;
- Standardising the approach to managing risks within transformational programmes / projects by utilising Pentana, the Council's electronic performance management system; and
- Adding a field to the 'target risk' profile.

Members welcomed the revised Risk Management Strategy, as it was felt that this was long overdue, and it provided a much more comprehensive way of assessing the Council's risks.

RESOLVED that the Chair and Members of the Audit Committee note the report.

38 Update Report on Contract and Commissioning in Adults, Health and Wellbeing.

The Committee considered a progress report that provided information from the Adults Commissioning and Contracts function, and improvements made within the last six-month period. Regular progress reports had been received by the Committee at six-monthly intervals since April 2017 in order to ensure that improvements within the function were being made.

Members were invited to raise any concerns on the report before them or ask any questions of the Officers in order that they were happy with the progress.

A query was raised with regard to the number of waivers highlighted within the report as this appeared to have risen. However, Members noted that the Adults Commissioning and Contracts Team had undertaken a huge workload over the past year, with a number of contracts to renew, and were now on track to deliver their targets. It was not envisaged that there would be any slippage and the Team were in a positive position and looking to the future where they hoped to deliver some in-depth pieces of work.

Following this, an additional comment was made in relation to breaches as there was no mention of any within the report. Members noted that there had been a small glitch at the end of 2018, but as a new contract had been agreed and was due to start a month later, this was handled as a waiver instead. Officers reported that the way the Team interacted on a social care basis was now very different, and whilst it was important they didn't become complacent, outcomes were now much improved which was a much more positive outlook for the future.

A brief discussion was held regarding the Solar Centre which continued to be a major piece of work. A separate report on this issue would be presented to Cabinet in May 2019, with work being undertaken with RDaSH, families and their carers with work being done to find solutions to enable more people to live more independently. By delivering things in a different way, Members were informed that it would cost the Authority less, and would enable savings to be made whilst still delivering a more improved service.

Members also queried the provision of help to those sleeping rough, and homeless over the Christmas period and what had been achieved. Officers reported that a lot of focus had been placed on this issue, with the number of people in this position reduced from 65 down to 16. There was investment being put into a programme which would focus on helping people get back on track and creating a sustainable scheme to support those in need.

RESOLVED that

- 1) the Audit Committee note the information contained within the report; and
- 2) agree that they no longer need to receive the progress report on a six-monthly basis, but a progress report be presented on an annual basis.

39 Internal Audit Progress Report for the period: October to December 2018.

Members were updated with the work undertaken by Internal Audit for the period October to December 2018 and were provided with details of the implementation of internal audit recommendations and the Internal Audit Teams performance information.

A summary of the main points was provided within the report, with it separated into the following sections:-

- **The Audit Plan / Revisions to the Plan**
Members noted that four new jobs had been added to the plan in response to emerging risks and concerns, which had resulted in some planned work being removed to accommodate this.
- **Audit Work Undertaken during the period**
It was reported that the work undertaken, continued to confirm that the Council had appropriate controls in place, and was working effectively.
- **Progress on the Implementation of audit recommendations**
It was noted by the Committee that there were currently 10 overdue major recommendations, all of which fell within the Adults, Health and Wellbeing Directorate. This was a decrease by two from the last reported period. Members also noted and acknowledged that very good progress had been made in implementing lower level recommendations, and the number of actions overdue was much better than previously reported.
- **Performance Information**
This section highlighted that four out of six performance indicators were above target with only two now below target although the Committee were informed that it was not anticipated that this would be an issue of concern.

Members of the Committee were afforded the opportunity to ask any questions on the report in order for clarity on any issues of concern. The progress made on overdue audit recommendations was welcomed, as was the improvement in control and governance

highlighted within the Adult, Health and Wellbeing Directorate, which also would be reflected in the Annual Governance Statement.

With regard to a query regarding the 10 major recommendations outstanding, Officers informed the Committee that these were being monitored regularly and further measures of control had been put into place which would impact on all outstanding recommendations.

Despite the lower level of work completed in relation to the Audit plan than anticipated, the Head of Internal Audit said he would still be able to give his annual opinion on the basis of work done, the improvements made across the Council and the detailed risk assessments undertaken as part of the planning process for the 2019/20 year.

Members voiced concern regarding some of the actions that had now been deleted from the plan, such as the Resilience / Emergency Plan and queried whether this was something that should remain. However, members were assured that this was the right decision at the current time, but would be reviewed as part of the planning process and if necessary would be audited in the future.

RESOLVED that

- 1) The Audit Committee note the changes to the original audit plan;
- 2) The internal work completed in the period be noted;
- 3) The Committee note the progress made by Officers in implementing previous audit recommendations; and
- 4) The Committee note information relating to Internal Audit's performance in the period.

40 External Auditor (Grant Thornton) Audit Plan 2018/19 and Arrangements for the preparation of the 2018/19 Accounts.

The external auditor, Grant Thornton had prepared a work programme in preparation of the 2018/19 Statement of Accounts and the timescales in which they would have to work.

The Statutory deadlines for producing the unaudited accounts was 31 May, and the approved audited accounts must be completed by 31st July 2019.

Members noted that there were four risks highlighted within Grant Thornton's report, two of which were standard, and two additional ones and although these had been highlighted, they were nothing particularly unusual and would be routinely reported in the Audit Findings Report. These risks were as detailed below:

- Management override of controls
- Fraudulent revenue recognition
- Property, Plant and Equipment Valuation
- Pension Fund net liability valuation

Members were given the opportunity to ask any questions of the representatives from Grant Thornton after consideration of the report, with Members questions answered in full.

There would be a further report from Grant Thornton presented to the Committee in April, prior to the sign off of the unaudited accounts in May 2019, and the presentation of the Audited accounts in July 2019.

RESOLVED that:-

- 1) The content of Grant Thornton's Audit Plan 2018/19 be noted;
- 2) The Committee noted the arrangements, including the draft timetable, to produce the 2018/19 accounts.

CHAIR: _____

DATE: _____



Doncaster Council

Report

11th April 2019

To the Chair and Members of the AUDIT COMMITTEE

AUDIT COMMITTEE ACTIONS LOG

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. The action log shows detail relating to 7 actions requested in the October 2018 and January 2019 meetings. There are no actions outstanding from earlier meetings. Of these:
 - 3 have been completed and will be removed from the next action log.
 - The remaining 4 are all in progress and will be cleared in the course of future meetings – none of these represent longer running issues.

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
 - Comment 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.

OPTIONS CONSIDERED AND RECOMMENDED OPTION

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

IMPACT ON THE COUNCIL'S KEY OUTCOMES

8.

	Outcomes	Implications
	<p>Doncaster Working: 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"> • Better access to good fulfilling work • Doncaster businesses are supported to flourish • Inward Investment 	
	<p>Doncaster Living: 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"> • The town centres are the beating heart of Doncaster • More people can live in a good quality, affordable home • Healthy and Vibrant Communities through Physical Activity and Sport • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	
	<p>Doncaster Learning: 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"> • Every child has life-changing learning experiences within and beyond school • Many more great teachers work in 	

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

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

LEGAL IMPLICATIONS (HP 13/03/19)

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

FINANCIAL IMPLICATIONS [SB 12/03/19]

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

HUMAN RESOURCES IMPLICATIONS [RH 21/03/19]

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

TECHNOLOGY IMPLICATIONS [PW 12/03/19]

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

EQUALITY IMPLICATIONS [PJ 04/03/19]

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

HEALTH IMPLICATIONS [RS 12/03/19]

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

CONSULTATION

16. 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

17. None

REPORT AUTHOR & CONTRIBUTORS

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

APPENDIX 1

AUDIT COMMITTEE ACTION LOG – OCTOBER 2018

Follow-up actions from previous meetings:-

Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Meeting January 2019				
	RIPA authorisations – Update by Trading Standards Committee requested a pre-meeting training session be provided when the next RIPA report is presented to Audit Committee	Scheduled for 19 th June	Dave McMurdo	In Progress – for completion by June 2019
	Adults, Health and Wellbeing - Contract and Commissioning Report Committee requested an update in one year's time	A report is scheduled for January 2020 Audit Committee	Denise Bann	In Progress – for completion January 2020 Audit Committee
Meeting October 2018				
	Action Log – Smart Lights Project Committee requested further updates on progress in managing stock position	Following on from the Internal Audit investigation for S2 a recovery plan was produced, agreed and signed off. This plan provides an ongoing position regarding lantern stock and future usage up to 2022. Monthly meetings have been held since October 18 to update the plan and monitor progress to actively reduce stocks levels. Negotiations have now been completed with Urbis Schröder and Legal Services to enable the Council to pay for and take delivery of the remaining 1035 Type A lanterns and retain the 15 year warranty.	Andy Rutherford	Completed April 2019 committee

Ref:	Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
	Deprivation of Liberty Safeguards Committee requested further updates on implementation of remaining Audit recommendations	This will be covered within the Internal Audit Annual report	Peter Jackson	Completed April 2019 committee
	Direct Payments –Audit Recommendation update Committee requested further updates on implementation of remaining Audit recommendations including how money recovered is used and accounted for	A report is scheduled for April 2019 Audit Committee	Peter Jackson	Completed April 2019 committee
	Income Management Committee requested further updates on progression of actions in this area in 12 months	A report is scheduled for October 2019 Audit Committee	Steve Mawson	In Progress for completion October 2019 Audit Committee
	Risk Management - training Committee requested further training be considered for members as well as officers.	Training will be offered to all members as part of their induction. Any other training needs for Audit Committee members will be identified and actioned	Sennette Wroot	In Progress – for completion by June 2019



Doncaster Council

Report

Date: 11th April 2019

To the Chair and Members of the
AUDIT COMMITTEE

DIRECT PAYMENTS - INTERNAL AUDIT FOLLOW UP REPORT

EXECUTIVE SUMMARY

1. This report represents the results of an audit follow up review of the Direct Payments audit undertaken in 2017/18 and a further follow up undertaken in 2018/19. The initial audit gave a limited assurance opinion and a follow-up review was agreed with Adult Social Care and Support and Audit Committee requested an update on progress being made in this area following progress reported at October 2018 Audit Committee. This report also updates members on progress on the recovery of overpayments identified in a further audit report from 2015/16.
2. Issues noted through the review (in summary) include:
 - Further progress in addressing the Internal Audit (IA) actions from the review. Management support and buy-in has continued to be very forthcoming
 - Good progress in implementing management actions captured within their Rapid Improvement Plan (RIP) has also been made
 - Outcomes achieved from work completed include a more focussed and consistent approach and strength based support plans,
 - Further actions required to satisfy the recommendations in the audit review are set out in **Appendix A** and all demonstrate progress against every action
 - A “limited opinion” was given in the recent audit report and this area is also included in the Council’s Annual Governance Statement (AGS). Due to the progress made in progressing these outstanding actions, this area has been marked as completed in the AGS for 2018/19.

EXEMPT REPORT

3. This report is not exempt.

RECOMMENDATIONS

4. The Audit Committee is asked to note the contents of the report, the actions taken and any outstanding actions.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

5. The introduction of the Care Act (2014) states that everyone eligible for on-going council funded support receives this as a personal budget. Direct payments are the main way of taking a personal budget and good quality information and advice must be available to provide genuine and maximum choice and control so that people who use services and carers are given information about options for the management of their personal budgets, including support through a trust, voluntary or other organisation. Ensuring that the service is fit for purpose and operating effectively is critical to supporting adult social care and ensuring that in providing this service, the Council complies with the Care Act and safeguards vulnerable citizens.

RECOVERY OF DIRECT PAYMENT DEBTS

6. An audit was carried out in 2015/16 which identified major problems with the overpayment of direct payments. Subsequently the Direct Payments audit function was moved to be part of the Profession Business Support team within Corporate Resources. This team have proved to be highly successful in clearing the backlog of audit of direct payments and then identifying and recovering any overpayments.
7. Overpayments arise for a number of reasons, these include:
 - final balances, where care needs have ended and there is a remaining balance
 - unpaid service user contribution, where the service user should have been contributing to the care costs
 - No bank statements provided, where the Council cannot establish how the service users have spent the budget
 - misuse of the budget on items / services not meeting specified care needs
 - excess balance, where service users have not fully used the budget
8. As at March 2019 the total debt raised figure identified for direct payments since their commencement was £5.2m of which £3.8m has been repaid and payment plans have been set up for £190k. The total remaining balance outstanding is

£703k. In total £611k has been written off against the debt raised. The write off amount is 12% of the total debt which has been raised.

Date	Cumulative Debt Raised	Cumulative Paid	Cumulative Written off	Cumulative Outstanding Balance
As at Sept 15	£922,211.13	£291,233.18	£0.00	£630,977.95
As at Jan 18	£3,807,152.42	£2,492,552.61	£423,342.58	£891,257.23
As at Sept 18	£4,525,319.18	£3,151,350.63	£425,124.20	£948,844.35
As at Mar 19	£5,154,807.98	£3,840,434.98	£611,672.16	£702,700.84

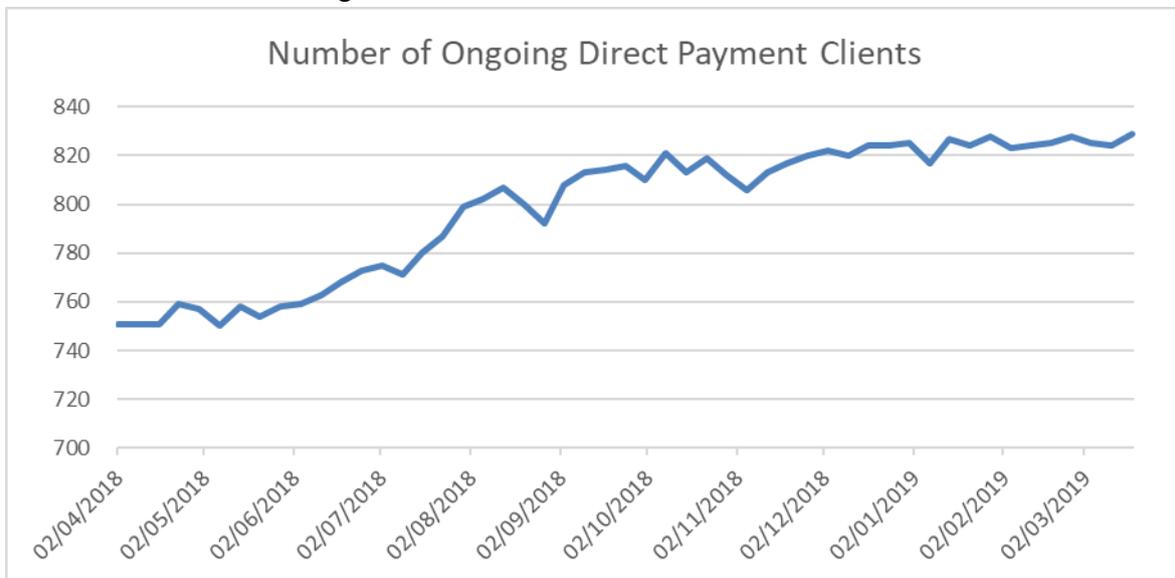
9. As informed at the October Audit Committee, the direct payment audit team are continuing to work on auditing and raising debtor accounts for direct payments where necessary. They are currently completing an audit after the first 8 weeks of the direct payment starting which will help to identify any key issues early. Additional work they are completing is to review the older outstanding debts to assess whether they are collectable and also review whether action has been taken following the outcome of the Direct Payment Financial Monitoring Reviews.
10. Accounts totalling £332,975.29 are currently with Legal Services; this includes 21 cases although two cases have only recently been referred.
11. One workstream which is looking at the outcome following a Direct Payment Financial Monitoring review has currently looked at 130 cases and as a result of action being taken by the team, they have identified a weekly reduction of £5,202.07 which is an annual saving of £270,507.64. The majority of the scenarios are as follows:
 - Direct Payments that are in place are no longer required,
 - A reduction in the care package after identifying excess balances,
 - Care had ended as identified from an audit but payments had continued as the service agreement had not been ended.
12. Although the majority of the care packages reviewed have decreased, some however have increased (4 cases) due to:
 - Low balances – the actual spend was more than the package, which may have been due to incorrectly calculated costings or the hourly rate may have increased.
 - Over package, the costs may have been calculated incorrectly or the hourly rate may have increased.
13. 15 cases have been identified that do not appear to have had any action / issues addressed issues following a Direct Payment Financial Monitoring Review and are

therefore awaiting prioritisation. Additionally, further work has yet to commence on the cases where concerns have been made following a review.

14. Queries were raised during the October 2018 Audit Committee around the income from the outstanding debt. The income is recognised in the council's accounts on the relevant budget code in the year in which a debtor account is raised, whether or not the invoice has been paid. Any cash the council collects just reduces the outstanding debtor balances and doesn't bring more income to the budget code, as they have already accounted for this income in the year in which the debtor account was raised. A provision for bad debt is created for any outstanding debt older than 3 years and is charged to the budget code. The debt is being treated as if the debt has been written off, whereas in practice, we will still continue to recover the debt.

UPTAKE OF DIRECT PAYMENTS

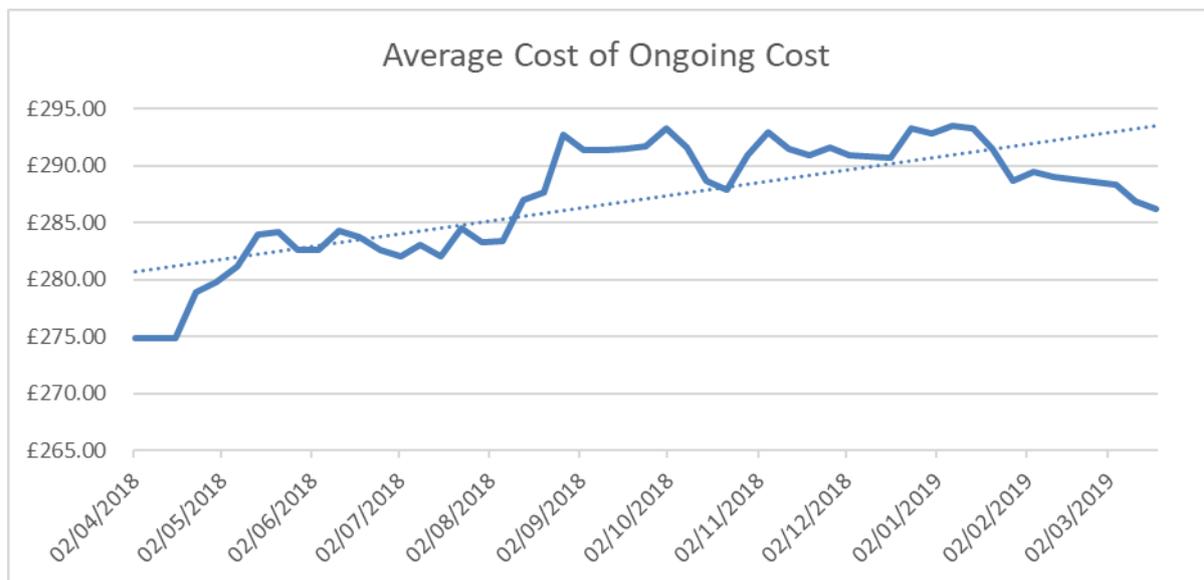
15. The table below shows that between April 1st 2018 and 18th March 2019 there has been an increase in the number of ongoing Direct Payment packages of 78 from 751 to 829. In October 2018 Direct Payment Panel was introduced and during the 5 and a half month period to 18th March 2019 the number of ongoing packages increased by 19 (3.5 per month). In the previous 6 months from 1st April 2018 to 30th September 2018 the increase in ongoing packages was 59 (9.8 per month). This is positive and in line with the policy to increase numbers of Direct Payments but this is now being done in a more controlled manner.



16. The table below shows the average weekly costs of Direct Payment packages has risen from £274.84 at 2nd April 2018 to £286.19 as at 18th March 2019. The below averages do not include one-off Direct Payments. When the Direct Payment panel came into effect 1st October 2018 the average weekly cost of a package

was £293.30 and that figure has not been breached in any week from that point until the last reported figure at 18th March 2019.

17. Work to identify the last recorded adult social care review of each of the current ongoing clients as well as the top 20 costliest packages was completed on the 21st March 2019 and provided to the service (Adult Social Care) for any necessary review procedures to begin.



18. As reported previously, since October 2018 all new Direct Payments are required to be presented at risk panel before being authorised. Whilst the number of people taking a Direct Payment has continued to increase as projected, the spend on direct payments has also continued to increase. This could be for a number of reasons including care package increases, higher costs packages being needed and lack of availability of care commissioned through the CCaSH contract. Work is ongoing with colleagues in commissioning to look at direct payment care packages and the Direct Payment operational lead is about to commence a piece of work with commissioning to stimulate the Direct Payment market in response to the gaps identified through the Direct Payment cases coming to risk panel for authorisation.
19. Appendix C provides some background on the direct payment process and management response to the internal audit report in March 2018 taken from the October 2018 Audit Committee Report..

RECAP OF KEY ISSUES RAISED AT THE MARCH 2018 INTERNAL AUDIT REPORT

20. 24 audit recommendations were raised as part of the last audit, these were split as follows:

No. Raised	Major	Significant	Moderate
24	9	14	1

21. Key Conclusions / improvement areas highlighted included:
- Insufficient management focus leading to inconsistent processes, practices, and procedures. The drive and focus has been on increasing direct payment numbers without ensuring that adequate knowledge and expertise is in place to govern and manage these.
 - A lack of responsibility within Adult Social Care of the financial implications once a direct payment had been set up with not all staff obtaining any relevant information which may need to be taken into account when conducting assessments or reviews.
 - There was a backlog of care plan reviews.
 - The Resource Allocation System (RAS), which guides the social care worker in making a decision about resource required to meet needs, had not been reviewed.
 - A major concern previously raised was that Direct Payment audits were overdue and therefore it was unclear if people were spending their direct payment allocation as agreed. Following the transfer of this team to the Professional Business Support Team, these direct payment audits are now well established and the overpayment position is continuously managed and monitored. The direct payment audits identify excess balances, missing bank statements, shortfall of client contribution and misspends. The audit process is much more streamlined and debtor accounts are raised where required.
 - There was minimal benchmarking against other authorities.
 - Prepayment cards still required rolling out to all service users.
22. Personal budgets and direct payments was acknowledged by management during the March 2018 audit as an area which needs step improvement over its governance and control arrangements and a Program Management Team was established to this end.

ACTION TAKEN BY MANAGEMENT AS AT MARCH 2019 FOLLOWING INTERNAL AUDIT REPORT MARCH 2018

23. The current status of recommendations and their status is detailed in the table below:

Status	Major	Significant	Moderate	Total
No. Raised	9	14	1	24
No. Completed (as at March 2019)	5	13	1	19

No. Outstanding and in progress as at October 2018	5	5	1	11
No. Outstanding and in progress as at March 2019	4	1	0	5
Raised October 2018 and outstanding	1	0	0	1

24. 19 out of the original 24 recommendations have been completed, however 5 remain outstanding. These figures give a positive reflection of the work carried out in this area, as all actions are in progress with clear plans in place for the completion of all the remaining actions. A further action has been raised following the internal audit follow up completed in October 2018.
25. The key outstanding actions include (**See Appendix A** which details the outstanding actions):
- Procedures need updating and disseminating to all staff,
 - Review of care plans need to be up to date to ensure service users have the most appropriate care needs,
 - Benchmarking needs to be completed to assess the Councils overall performance and
 - Direct payment debt management needs embedding into the processes.
26. Direct Payments have been a key priority for Doncaster Council for a number of years, little progress had previously been made embedding them within a strengths based social care assessment process has been achieved. This was due to a number of factors including;
- A clear lack of senior leadership
 - The Direct Payment policy, procedure and guidance being inconsistent
 - Lack of staff buy in to using Direct Payments
27. Consequently, two internal audits have been undertaken, both of which led to a series of recommendations being produced which required urgent actions. However, despite attempts to progress the implementation of the recommendations, limited progress was being made until the newly appointed Head of Service commenced in post in June 2018.
28. Debbie Crohn (Head of Service Adult Social Care and Support) continues to be the nominated person for Direct Payments and has identified Direct Payment champions within each of the Locality Teams and is in the process of further developing our Community Led Support Model which takes a strengths based approach.

29. A Business Change Lead with extensive experience of Direct Payments continues to work alongside Debbie Crohn to ensure a Direct Payment process is developed which is fit for purpose and Audit compliant. A robust rapid improvement project (RIP) plan was produced in response to the outstanding audit recommendations. The RIP focused on the following areas;
- End to end review of the Direct Payment process
 - Identification and refresher training for staff on Direct Payments
 - Embedding of strength based and outcome based assessments and conversations
 - Review of the Resource Allocation System
 - Increasing the number of service users in receipt of a Direct Payment enabling service users to have control over care which meets their care needs
30. The RIP action plan was monitored on the Council's performance management system. This has now been handed over to the Head of Service Adult Social Care and Support and any outstanding actions are being progressed. As stated above the outstanding actions are included within Appendix A.as
31. Key actions completed prior to October 2018 include;
- Head of Service for Adult Social Care and Support identified as overall Lead for Direct Payments,
 - Identification of a business change lead to support the implementation of the internal audit recommendations,
 - A revised Direct Payment Agreement has been sent out to all Direct Payment recipients,
 - Training for frontline staff has been delivered on the correct use of Direct Payments,
 - Direct Payment Card Issuing process developed and operational across the Borough,
 - All new Direct Payments and Managed Accounts are issued a pre-payment cards and will not receive a Direct Payment through their own bank account,
 - Quality Assurance is routinely undertaken to ensure staff are working appropriately and a consistent approach is followed by all staff,
 - Terms of Reference for the Resource Allocation System (RAS) Panel are in place,
 - RAS Panel Approval decisions process in place,
 - A process has been established to share debtor information with frontline staff in order to help in the decision making processes taking place at reviews and assessments,
 - Regular case audits are now completed by Advanced Practitioners to look at the quality of support plans,
 - Employment checks are part of the Direct Payment Procedures,

- From October 2018 all Direct Payment requests will be authorised by the risk panel for a 3 month period to quality assure the policy and procedure where the care plan cost exceeds the RAS.
32. Key actions completed between October 2018 and March 2019 include (shown in Appendix B);
- All new direct payment support plans are being taken to the risk panel and are being reviewed to ensure that they are being completed appropriately and clearly states how it should be spent. This will help when reviews are undertaken.
 - Nominated persons guidance has been updated as part of the direct payment policy.
 - A contractor has now been commissioned to provide a direct payment support service on behalf of the Council, which includes setting up direct payments and / or recruiting and employing staff.
 - Frequency payments have been reviewed and options are available within the new system which will replace Carefirst.
33. All of the outstanding actions are in progress and suitable actions are in place to be able to implement these. The key outstanding actions are summarised below and detailed in **Appendix A**:
- Development and training of Direct Payment procedures; the policy and guidance has been approved and clear documented procedures will follow to ensure a consistent approach,
 - Regional and national benchmarking information is being developed,
 - Ascertain what the current levels of Direct Payment reviews are so resources can be allocated to reduce the outstanding reviews,
 - Further work needs to take place to understand the number of direct payments in the system as well as projecting the budget for direct payments for subsequent years,
 - The RAS is being reviewed as part of the new system,
 - Funding has been secured on an invest to save basis for temporary additional resources to reduce the level of Direct Payment debt and additionally reduce Direct Payment packages where excess balances are identified and reviews are completed. The current outcomes of this are detailed in points 8 -13 above.

OPTIONS CONSIDERED

34. There are no specific options to consider within this report.

REASONS FOR RECOMMENDED OPTION

35. Not applicable.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

Outcomes	Implications
<p>Doncaster Working: 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"> • Better access to good fulfilling work • Doncaster businesses are supported to flourish • Inward Investment 	<p>There is potential with transformation to reinvest in more appropriate services and create local jobs for local people. This will in turn result in people having greater levels of income and therefore contributing more to communities.</p>
<p>Doncaster Living: 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"> • The town centres are the beating heart of Doncaster • More people can live in a good quality, affordable home • Healthy and Vibrant Communities through Physical Activity and Sport • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	<p>People will be supported to have more choice, independence and control over living a more independent life.</p>
<p>Doncaster Learning: 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"> • Every child has life-changing learning experiences within and beyond school • Many more great teachers work in Doncaster Schools that are good or better • Learning in Doncaster prepares young people for the world of work. 	
<p>Doncaster Caring: Our vision is for a borough that cares together for its most vulnerable residents;</p>	<p>There is potential with transformation to reinvest in more appropriate services.</p>

<ul style="list-style-type: none"> • Children have the best start in life • Vulnerable families and individuals have support from someone they trust • Older people can live well and independently in their own homes 	<p>People will have greater levels of income and therefore contribute more to communities.</p>
<p>Connected Council:</p> <ul style="list-style-type: none"> • A modern, efficient and flexible workforce; • Modern, accessible customer interactions; • Operating within our resources and delivering value for money; • A co-ordinated, whole person, whole life focus on the needs and aspirations of residents; • Building community resilience and self-reliance by connecting community assets and strengths; • Working with our partners and residents to provide effective leadership and governance. 	<p>A review of these services will enable the Council and the CCG to ensure that future services provide value for money and that they align to the personalisation agenda.</p>

RISKS AND ASSUMPTIONS

36. Potential risks include:

- Reputational damage to the Council as a result of a failure to undertake assessments within the required timescales;
- Litigation as a result of any failure to / delay in the assessment of an individual's circumstances should they be determined need in a care environment;
- Financial loss as a result of a failure to control payments being made to Direct Payment recipients

LEGAL IMPLICATIONS [Officer Initials HMP Date 27.03.19]

37. It is essential that there is a robust documented process in place. This ensures that vulnerable adults are appropriately supported and also allows the Local Authority to recover sums through the litigation process where a debt has arisen. The Statutory Guidance on Direct Payments contained within 'Care and Support Statutory Guidance' at Chapter 12 should be complied with.

FINANCIAL IMPLICATIONS [Officer Initials: PW Date: 27.03.19]

38. The estimated annual expenditure relating to Direct Payments as at Month 10 of 2018/19 is £12.3m, relating to approximately 880 service users. The direct payments

budgets for 19/20 has been increased to £14.8m assuming a continued increase in clients of approx. 14 per month, but this figure also includes savings targets of £436k relating to improved front door processes and reductions in high cost packages of care.

39. The measures identified in this report are more about operational measures around process, control, training, and support systems and not directly in regard to Financial Management. No savings are identified or expected from this piece of work but improvements in these areas should have the benefit of a better use of financial resources and a better understanding of what outcomes those resources are delivering. The greater scrutiny given to Direct Payment packages of support via an improved panel process and work on the RAS may actually reduce spend, although this is not yet quantifiable.

HUMAN RESOURCES IMPLICATIONS [Officer Initials KG Date: 28.03.19]

40. A robust training and development programme for officers involved in the Direct Payment process to progress, develop and embed the necessary delivery changes is recommended.

TECHNOLOGY IMPLICATIONS [Officer Initials: PW Date: 28.03.19]

41. There are no specific technology implications in relation to this report. As outlined in Appendix A, the Resource Allocation System (RAS) will form part of the new Integrated People Solution.

HEALTH IMPLICATIONS [Officer Initials: RS Date: 27.03.2019]

42. Personal budgets and direct payments are one way that the council can transfer control and maintain the independence of local (eligible) residents. This transfer of control can empower local residents and this is likely to improve health and wellbeing. However, poor policy, poor support and a limited menu of support to choose from as well as poor governance (including overpayment of direct payments) will undermine this improvement in wellbeing. Decision makers will want to assure themselves of both the governance and the 'reach' of direct payments so whilst 858 residents use direct payments, it's not clear what the aspiration is for take up. Decision makers will also want to assure themselves that all groups of residents are able to take up direct payments even where additional support may be required.

EQUALITY IMPLICATIONS [Officer Initials: PRJ Date: 26.03.19]

43. Direct Payments are available to all adults in Doncaster with an assessed care need irrespective of age, disability, ethnicity, sexual orientation or religion.

CONSULTATION

44. None / expand

BACKGROUND PAPERS

45. Previous internal Audit reports on Direct Payments.

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APPENDIX A

Outstanding Internal Audit Recommendations

Issue Identified	Risk Exposure	Agreed Management Action and current status	Revised Date of Completion:
Procedures:	Major	<p>Procedures will be documented for all the systems and processes in operation to ensure that all staff are consistent in their work. This is in progress. Guidance and procedures will be completed and training provided to staff to ensure everyone understands the information provided.</p> <p>Progress:</p> <p>A direct payment policy has been approved and distributed to all staff. Training has been provided around the new policy. Due to operational capacity the completion date has been extended to the 30th April 2019 due to delivering mandatory training. The procedures are being produced to ensure all staff follow the same processes and ensure a consistent approach.</p>	30 th April 2019
Resource Allocation System	Significant	<p>The Resource Allocation System (RAS) will be part of the new system being implemented next year.</p> <p>Progress:</p> <p>This is being reviewed by the Adults Health and Well Being implementation group. The RAS has been updated in Mosaic. This action will not be completed until the Mosaic system goes live.</p>	31 st August 2019
Backlog of Reviews:	Major	Work has continued with area teams to reduce the backlog figure and ensure these are as up-to-	30 th June 2019

Issue Identified	Risk Exposure	Agreed Management Action and current status	Revised Date of Completion:
		<p>date as possible. One member of staff per locality team is focusing on reducing the number of reviews and this has been included as a task within the Direct Payment Rapid Improvement Project. The teams are closely performance managed by the Head of Service Adult Social Care and Support and holds regular clinics and this is a standing agenda item including backlog of reviews</p> <p>Progress:</p> <p>The operational lead has contacted the performance team to obtain the latest figures for annual reviews of DP support plans. It is believed that this is in a good position and the backlog is reducing. However this needs evidencing and is monitored through the ASC and Support monthly Performance clinics. Additional capacity has been identified to ensure that the outstanding DP reviews are completed by the 30th June 2019.</p>	
Benchmarking Information:	Major	<p>Some benchmarking has been completed using ASOCF data for Yorkshire & Humber. Management are working with the Performance Team to review the information that they hold in order to provide performance indicators for monitoring purposes.</p> <p>Progress:</p> <p>Work has commenced on the benchmarking project on behalf of the South Yorkshire teaching partnership.</p> <p>A Freedom of Information request that has gone out to the four local authorities requesting benchmarking information and this is expected to be complete by the 10th April 2019. Focus groups have been held in each of the four Local Authorities with staff and social workers. A questionnaire has been sent out to social care Practitioners asking them for their views on direct payments as well as ascertaining if they have any learning and development needs. Once the benchmarking data has been collated a report will be produced and made available.</p>	30 th May 2019

Issue Identified	Risk Exposure	Agreed Management Action and current status	Revised Date of Completion:
Direct Payment Debt Management:	Major	<p>Work continues with the Business Support Unit to look at embedding robust processes to manage Direct Payment debt management.</p> <p>Progress:</p> <p>Funding has been secured on an invest to save basis for temporary additional resources to reduce the level of Direct Payment debt and additionally reduce Direct Payment packages where excess balances are identified and reviews are completed. The proposed additional resources will:</p> <ul style="list-style-type: none"> • manage the reduction in Direct Payment debt which currently amounts to £1m • reduce the level of excess balances being raised • reduce the level of unmet client contributions being raised through early intervention • reduce the level of misspent or unaccounted for debt • provide Direct Payment support to citizens in the management of their direct payment • where excess balances are identified, this could potentially reduce care plans and consequently the values of the direct payments where appropriate • Transfer direct payments onto prepayments card accounts where currently payment is made into an individual's private bank account. <p>See points 8 – 13 in the report for the progress made so far in this area.</p>	30 th June 2019
Increase in average cost of Direct Payments packages	<i>Major</i>	<p>The team are currently undertaking a deep dive audit of all Direct Payments authorised to date this financial year to ensure the costs associated are reasonable and appropriate plans are in place for service users care needs.</p> <p>Progress</p> <p>All new DP packages will be scrutinised as part of the deep dive audit which will take place at the end of the financial year.</p>	30 th April 2019

APPENDIX B

Internal Audit Recommendations Completed since October 2018 Audit Committee

Issue Identified	Risk Exposure	Agreed Management Action	Status
Support plan details:	Major	All new Direct Payment support plans will be brought to the risk panel and will be reviewed to ensure that they are being completed appropriately and clearly state how it should be spent so that it is clear when it comes to a review. This became operational from 8 th October.	Completed
Nominated person for Direct Payments:	Significant	The arrangements for assessing nominated persons will be reviewed and then clearly communicated to all staff with training provided as appropriate.	Completed
Direct Payment Support Service:	Significant	The Direct Payment (Money Management) Support Service is planned to be commissioned and operational by 31st January 2019. The tender has been sent out at the end of September, due to be returned in October and be operational by January 2019.	Completed
Renaming Payment file:	Moderate	This process will be for resolved when the new system is operational in 2019.	Completed
Frequency of Payments to Service Users:	Significant	The frequency of payments for Direct Payments from weekly to 4 weekly can be accommodated within the new system. Consultation is currently being undertaken with service users to understand any concerns they may have to resolve before this is implemented.	Completed
Training and qualifications:	Significant	Central arrangements will be in place to ensure training and qualifications are collated to evidence appropriate qualifications and training to complete their role.	Completed

APPENDIX C

BACKGROUND - THE DIRECT PAYMENT PROCESS

The Care Act (2014) states that everyone eligible for on-going council funded support receives this in the form of a personal budget. Direct payments are one of the ways of taking a personal budget. However the success of Direct Payments is dependent on having good quality information and advice being available to provide genuine and maximum choice and control enabling service users and carers to make informed choices on how they manage their personal budgets, including support through a trust, voluntary or other organisation.

Personal budgets and self-funding are important for Doncaster Council as they increase choice and independence for service users and carers enabling them to feel in control of their care so they are empowered to;

Decide the kind of support they need and when, where and how they receive it
Know the amount of money available to them for care and support needs, and can determine how this is used (whether it's their own money, direct payment or a council managed personal budget)

Get access to the money quickly without having to go through over-complicated procedures
Get skilled advice to plan their care and support, and are given help to understand costs and make best use of the money involved where they want and need it

Council managed personal budgets offer genuine opportunities for real self-direction. People who use social care (either people who use services or carers) are able to direct their available resource with processes and restrictions on the use of budgets must be kept to a minimum. To do this Doncaster Council must ensure that there is a market of diverse and culturally appropriate support and services that people who use services and carers can access to ensure that people have maximum choice and control over a range of good value, safe and high quality support provision.

However, following on from the initial audit review, it was recognised that Doncaster Council recognises it needs to better understand how people are spending their money on care and support, tracking the outcomes and using this information to improve delivery.

Over the past 2 years the Adult Social Care and Support Locality Teams focused on increasing the number of service users in receipt of a direct payment. The number of Direct Payments has increased from 450 in April 2016 to a forecast of 858 in April 2018. Uptake has increased by 91% in just over 3 years in line with the policy to increase the uptake of personal budgets onto direct payments.

Date	No. of Direct Payment Service Users	Direct Payments Spend (£)	Average £ of Direct Payment
April 2016	450	£5,684,639	£12,633*
April 2017	608	£7,927,231	£13,038*
April 2018	751	£10,340,635	£13,769*
As at Feb 2019	828	£12,344,106 (month 10 forecast)	£14,908*

*These figures are a rough guide, which is just the total spend divided by the number of users at a point in time however there are lots of variances and differences with client count throughout the year which this does not reflect. This can be seen for 2018/19 in point 15 of the report.

The amount of money spent on Direct Payments has increased from £5.7m in 2015/16 to projected spend of £12.3m in 2018/19. This shows an increase of £6.6m (116%) within the 3 years.

Viewed alongside the increase in Direct Payment uptake of 84%, there is also an 18% increase in the average cost of a Direct Payment, which is a significant increase. The team are aware of this and looking into it, currently including undertaking a deep dive audit of all Direct Payments authorised to date this financial year, (Included in **Appendix A**).

The CareFirst system is used to create an assessment of the care required for a service user. A Resource Allocation System (RAS) is used to give an indication of the financial amount for the care required. An outcome care and support plan is then created to show how the care needs will be met. A financial contribution may or may not be required by the service user dependent upon their financial circumstances. The financial assessments team gather financial information on a service user in order to establish whether a financial contribution is required and for what amount if applicable. Reviews should then be completed after 6 weeks of the commencement of care and then also on an annual basis after this to ensure that the care in place is meeting the needs of the service user. There are currently 1064 reviews outstanding for all areas, however there are 206 reviews outstanding for service users with a Direct Payment. Team Leaders who manage the locality teams have been to identify one member of staff per team to focus on reducing the number of reviews and this has been included as a task within the Direct Payment Rapid Improvement Project.

Once in place, direct payment audits are conducted by a separate team in Professional Business Support based in the Corporate Resources directorate according to the risk rating being applied to a case. The direct payment audits are completed on a rolling program. This information is currently stored outside of the CareFirst system and is therefore reliant upon care workers requesting this information when reviewing the status of a care plan. This information is required to ensure the personal budget is being spent as approved.

Once an audit has been completed, if any discrepancies are found then additional information will be requested and a Sales Invoice raised through the Accounts Receivable system if information is not subsequently provided or the direct payment is deemed to have

been misspent. The debt recovery of the invoices raised is also monitored to try to maximise the income being received back to the Council.

MANAGEMENT RESPONSE FOLLOWING INTERNAL AUDIT REPORT MARCH 2018

The historical context of direct payments in Doncaster over the last few years has been changeable. A previous Head of Service had developed a Care Act compliant Direct Payment's policy and this was signed off by a previous Director in December 2016. However, the guidance was incomplete and was therefore never adopted. Subsequent Heads of Services came and went and groups were formed to develop paperwork and processes but this detail was never 'owned' by anyone or properly communicated resulting in Social Care Worker under-confidence and confusion. More recently direct payments were identified as requiring improvement including areas that internal audit had previously highlighted.

The Director has established Rapid Improvement Plans (RIP's) covering several areas within the directorate where a greater degree of pace and oversight was required. Direct Payments became part of an RIP led by new Head of Service, Debbie Crohn. Since commencing in Post in June 2018 Debbie Crohn has been responsible for tracking and delivery of outstanding audit actions and has established an Operational Group made up of Adult Social Care staff to work on these actions and others captured within the RIP.

Based on feedback from stakeholders, the Direct Payment Policy has been refreshed and other paperwork in relation to direct payments is being reviewed to ensure compliance with the Care Act. A robust workforce training plan is currently being developed and there will be mandatory training provided across the adult social care workforce from October 2018. Other initiatives include a plan to change direct payments to service users from weekly to 4 weekly in line with other local authorities. Letters inviting feedback from service users on this proposed change will be sent out shortly.

New Direct Payment agreements have been sent out to service users to reflect any changes and benchmarking information is being sought to ascertain how Doncaster performs in relation to similar authorities. A dedicated project manager for Direct Payments was identified in July 2018 and the Direct Payments Rapid Improvement Project action plan is part of the 'weekly oversight' meeting to maintain momentum and implementation of the internal audit recommendations.

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Doncaster Council

Report

Date: 11th April 2019

To the Chair and Members of the
AUDIT COMMITTEE

BREACHES AND WAIVERS TO THE COUNCIL'S FINANCIAL AND CONTRACT PROCEDURE RULES

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

EXECUTIVE SUMMARY

1. This Report provides Members with details of all the waivers and breaches to the Financial Procedure Rules (FPR's) and the Contract Procedure Rules (CPR's) for the period **1st September 2018** to the **28th February 2019**.
2. The table below summarises the number of new waivers and breaches recorded for each Directorate since the last audit report presented in **October 2018**. The details of each waiver and breach are summarised in the appendices to this report.

Period 1 st September 2018 to the 28 th February 2019	Breaches	Waivers
Adults, Health & Wellbeing	1	10
Learning & Opportunities: Children & Young People	0	3
Corporate Resources	0	3
Regeneration & Environment	3	9
GRAND TOTAL	4	25

EXEMPT REPORT

3. This report is not exempt.

RECOMMENDATIONS

4. To note the information and actions contained in this report regarding waivers and breaches in relation to the FPR's and CPR's.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

5. There are no specific implications within this report with regards to waivers or breaches.

BACKGROUND

6. The Chief Financial Officer (CFO) monitors compliance with the CPR's and FPR's via an update from the Strategic Procurement Team and Finance, detailing any reported waivers of the CPR's and FPR's and instances of breach.

CONTRACT PROCEDURE RULES (CPR'S)

7. The Council's CPR's state the following thresholds where commensurate competition should be undertaken by officers to ensure that value for money is being achieved:-
 - **Up to £5,000** - use of an in-house supplier, Council wide contract, framework agreement or direct award where possible to a Doncaster based organisation.
 - **Between £5,000 and £25,000** – use of an in-house supplier, Council wide contract, framework agreement or obtain three verbal quotes one of which must be from a Doncaster based organisation (a record of quotes is to be maintained);
 - **Between £25,000 and £181,302** use of an in-house supplier, Council wide contract, framework agreement or obtain three written quotes one of which must be from a Doncaster based organisation where the above is not available;
 - **Over £181,302** use of an In-house supplier, Council wide contract, framework Agreement or carry out a formal tender process.
8. Whilst the EU thresholds are set within the legislation and, therefore, cannot be waived, it is recognised that from time to discretionary thresholds within CPR's may be a barrier to the delivery of the service and, therefore, Council officers can request that the CPR's are waived in specific instances via a CPR waiver report, which is approved by the Chief Financial Officer in accordance with the following permissible exemptions.

- a. the goods, services or works are proprietary in nature (i.e. where only one supplier can supply the product or services);
- b. the contract is for goods, services or works that are required in circumstances of extreme urgency;
- c. the circumstances of the proposed procurement are covered by legislative exemptions (whether under EU or UK. law);
- d. there are other circumstances that are genuinely exceptional

Breaches to CPR's

9. Breaches arise from either the aggregation of spend with one supplier going over pre-prescribed limits, a complete absence of any identifiable contract, a failure to comply with requirements to obtain adequate competition or an extension of contract beyond its agreed term or lifetime.
10. It is therefore important that steps are taken to ensure breaches are identified, investigated and plans quickly put in place to rectify the position. A summary report is produced for each breach and detail actions required to be taken, including where necessary the decommissioning of contracts.
11. There have been **four** new breaches, as well as updates on **four** existing unresolved breaches and **five** resolved breaches.
12. **Appendix 1** shows the details of the new, unresolved and resolved breaches for this period.

Update to Breaches previously reported

13. In **October 2018**, there were **three** new breaches of the CPR's reported to Audit Committee as well as updates on **six** existing unresolved breaches and **three** resolved breaches.

Waivers to CPR's

14. **Twenty-five** waivers to CPR's have been approved this period (see Appendix 2 for the detail of each waiver) compared to **twenty-one** in October 2018.
15. The waivers detailed in this report have been reviewed and agreed either by the Chief Financial Officer & Assistant Director - Finance, or the Assistant Director of Legal and Democratic Services (for waivers linked to the Finance Department).

REVIEW OF PROCUREMENT ARRANGEMENTS ABOVE £5,000

16. The Strategic Procurement Team (SPT) continues to work closely with all Directorates to improve procurement practices and provide assurance that arrangements are robust and compliant with the CPR's. Where waivers and breaches are identified, they are recorded and added to the SPT Category Plan (Procurement Plan) and actions agreed. A structured Training

Programme has been designed and will be rolled out in 19/20 which will focus on compliance taking into account the agreed revisions to the CPRs, basic procurement skills, promoting better procurement and contract management practices.

17. The SPT Service Review which accumulated in a new structure designed to better meet the Councils demand for the procurement service, to ensure a robust approach to governance and compliance along with promoting better procurement practices is now fully populated.

18. Increased governance around checking submitted Contract Award Notices, where SPT have not been involved, to ensure compliance to the CPR's now takes place monthly.

19. The revision of the Contract Procedure Rules (CPRs) is due to go to Council for approval in May 19.

BREACHES OF FINANCIAL PROCEDURE RULES

20. There are no reportable breaches to the Financial Procedure Rules (FPR's) between the 1st **September 2018** and the 28th **February 2019**.

OPTIONS CONSIDERED

21. Every waiver is examined and where appropriate challenged for alternative options prior to approval.

REASONS FOR RECOMMENDED OPTION

22. It is important that the Council's Contract Procedure Rules (CPR's) and Financial Procedure Rules (FPR's) are adhered to and where breaches are identified, a robust corrective plan is put in place to protect the Council's commercial interests through contracts.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

23.

	Outcomes	Implications
	<p>Doncaster Working: 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"> • Better access to good fulfilling work • Doncaster businesses are supported to flourish • Inward Investment 	<p>The CPR's state that quotations should be sought from at least one Doncaster based company. This is to encourage local spend where possible. SPT work closely with Business Doncaster to support events and local spend initiatives.</p>

	<p>Doncaster Living: 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"> • The town centres are the beating heart of Doncaster • More people can live in a good quality, affordable home • Healthy and Vibrant Communities through Physical Activity and Sport • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	<p>Effective procurement governance ensures best value is achieved from the budgets available.</p>
	<p>Doncaster Learning: 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"> • Every child has life-changing learning experiences within and beyond school • Many more great teachers work in Doncaster Schools that are good or better • Learning in Doncaster prepares young people for the world of work 	<p>Social value is considered in contracting activity. This would, partly, promote the use of apprenticeships and volunteering opportunities. SPT are working with Doncaster College to look at incorporating student placement opportunities into the Council's contracting activity where possible.</p>
	<p>Doncaster Caring: Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> • Children have the best start in life • Vulnerable families and individuals have support from someone they trust • Older people can live well and independently in their own home 	<p>Effective procurement ensures that 'fit for purpose' contracts are procured with a high emphasis on quality service delivery.</p>
	<p>Connected Council:</p> <ul style="list-style-type: none"> • A modern, efficient and flexible workforce • Modern, accessible customer interactions • Operating within our resources and delivering value for money • A co-ordinated, whole person, whole life focus on the needs and aspirations of residents • Building community resilience and self-reliance by connecting community assets and strengths • Working with our partners and residents to provide effective leadership and governance 	<p>Effective procurement ensures best value, effective partnership working and robust specifications to attain the best from the markets.</p>

RISKS AND ASSUMPTIONS

24. Contractual arrangements with suppliers and breaches to the CPR's expose the Council to reputational, financial, legal and commercial risks. Compliance monitoring of the CPR's along with the implementation of plans and actions to remedy breaches seek to counter these risks.

LEGAL IMPLICATIONS [Officer Initials...NJD... Date.....18/03/19.....]

25. There are no specific legal implications arising from this report. Legal advice has been provided on the individual contracts and waivers detailed within the report and continued legal support will be provided the Service areas in relation to these matters.

FINANCIAL IMPLICATIONS [Officer Initials...AT..... Date...15/03/19.....]

26. There are no specific financial implications attached to this report. Each individual breach and waiver will consider the specific implications for that action. It is important to note that breaches to Contract Procedure Rules risk the Council overspending as checks for sufficient budget being available is not guaranteed to take place.

HUMAN RESOURCES IMPLICATIONS [Officer Initials KG Date 16/03/19.....]

27. There are no specific HR implications to this document.

TECHNOLOGY IMPLICATIONS [Officer Initials... PW Date 15/03/19.....]

28. There are no specific technology implications in relation to this report. Corporate Procurement continues to consult with Digital & ICT in relation to CPR waivers involving the procurement of technology to ensure that these have been considered by the Technology Governance Board (TGB), where applicable.

HEALTH IMPLICATIONS [Officer Initials... VJDate ...26/03/19.....]

29. There is no direct health implication of this report. The health implications will need to be addressed within each individual contract area identified in the breaches and waivers.

EQUALITY IMPLICATIONS [Officer Initials HW Date 14/03/19]

30. There are no direct equality implications associated with this report and a Due Regards Statement (DRS) is not required.

CONSULTATION

31. There has been consultation with the various directorates and applicable officers. All implication authors from the various departments have been consulted with as per the above.

BACKGROUND PAPERS

32. None.

REPORT AUTHOR & CONTRIBUTORS

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Steve Mawson
Chief Financial Officer
& Assistant Director of Finance

BREACHES

Appendix 1 details the:

- **New** CPR breaches that have been identified between the **1st September 2018 and the 28th February 2019**;
- **Unresolved** breaches, reported to the Audit Committee previously and;
- **Resolved** breaches reported previously
-

With a brief explanation of the reasons for the breach and their current status:

Directorate	Status New Unresolved Resolved	Date Reported to Audit Committee	Contract Description	Annual Value	Contract End Date	Reason for breach	Proposed action to be / has been taken in relation to the breach	Timescale for resolution
Adults, Health and Wellbeing	Resolved	Oct 17	Mental Health Assessments with 38 separate providers.	£270,220	No contract in place	Individual commissioning of small work packages to providers. SPT holistic spend analysis established aggregated spend and need for corporate contract.	A compliant corporate contract procured and has gone live.	31 Jul 18 Revised 31 Mar 19
Adults, Health and Wellbeing	Unresolved		Solar Centre	£746,000	No contract in place	A consultant has been employed, working to the current Assistant Director Adult Social Care and a Plan is now in place, ending in the procurement of new services by Jun 18. This milestone has moved to the 30 May 19.	Report on the Solar Centre commissioning intentions going to the Cabinet on the 4 June 19.	30 Jun 18 Revised 30 May 19 Revised To be determined subject to the Cabinet report
Adults, Health and Wellbeing	Unresolved	Apr 17	YMCA Goodall House	£170,000	Contract expired	Looking to review with the Doncaster Children's Trust.	Apr 19 note - report written but still to be agreed – recommendation to decommission the contract – if agreed in April 19 then contract will require six months exit strategy period. Oct 18 note - Review and potentially redesign.	Mar 19 Revised: Sept 19

Directorate	Status New Unresolved Resolved	Date Reported to Audit Committee	Contract Description	Annual Value	Contract End Date	Reason for breach	Proposed action to be / has been taken in relation to the breach	Timescale for resolution
Adults, Health and Wellbeing	Resolved	Apr 17	SPLS IT System (Trojan)	£6,500	Contract expired	18 months project to look at alternatives and potentially de-commission. Subject to DIPS Project Board	Waiver agreed to ensure contractual coverage whilst DIPS takes over from this system. System reviewed and decommissioned.	Sept 18
Adults, Health and Wellbeing	Unresolved	Apr 17	Sheffield YWCA – Yorkshire Green Gables	£81,000	Contract expired	This work is planned for Year 2 of the Commissioning and Procurement Plan in Adults Commissioning.	Currently out to tender, tender submission date 20 Mar 19, should be awarded by Jun 19 subject to submissions. Re-commission.	Mar 19 Revised: Jun 19
Regeneration and Environment	Unresolved	Oct 17	Digital energy software for energy management functions.	£18,000	No contract in place	Provision of software for energy management functions including consumption data on gas, electricity, water and other fuels. Reporting features enables the Council and schools to meet statutory functions.	Mar 19 note – tender out to market week commencing 11 Mar 19. Open Tender for a 7 yrs. contract, with a value of c. £126,000. Oct 18 note – Original date delayed. Tender documentation is part complete and due to go out to market by the 10 Oct 18	30 Jun 18 Revised Jan 2019 Revised: 27 Mar 19 (award date) TBC if awarded
Regeneration and Environment	Resolved	Oct 18	Removal of various recyclable materials from the network of "brings banks" across the borough.	£35,000	No contract	Historical arrangements with multiple service providers to supply recycling banks [and remove the contents periodically] from a network of 'bring-sites' across the borough. The Council pays some of the service providers to remove the contents of the recycling banks based on the volume of materials collected.	The Council will cease any financial responsibility to this by Mar 19. Contract will end.	Mar 19
Regeneration and Environment	Resolved	Oct 18	Cleaning Services	£21,100		Service area assumed purchasing compliance they believed the awarded suppliers are part of the Corporate Framework. Window Cleaning Provider (£11.4k) - . Part of Soft FM Contract/ Client Request for supplier Nilfisk Ltd - £8.7k – Hired on a monthly basis but exceeded time required	Now using the Corporate Framework.	

Directorate	Status New Unresolved Resolved	Date Reported to Audit Committee	Contract Description	Annual Value	Contract End Date	Reason for breach	Proposed action to be / has been taken in relation to the breach	Timescale for resolution
Regeneration and Environment	Resolved	Oct 18	Website Development	£7693 one off cost. £1,000 per annum website hosting fees.	Nov 22	Approval was given by IGB to commission Impression Digital Ltd to develop a website. Commissioning Impression Digital Ltd was deemed the most cost effective option for website development and was the quickest route to produce the website in order to meet urgent timescales.	As this is proprietary there is no alternative other than to continue paying Impression Digital Ltd for the domain fees of £1,000 up to 2022. Department made aware of a need to gain 3 informal quotes when contracting above £5k.	
Regeneration and Environment	New	April 19	Provision of cleaning chemicals from ACE Janitorial	£54,254	No contract	Aggregated spend, no contract in place. Lack of understanding around calculating total contract value and aggregated spend.	Provided service area with extra training regarding Contract Procedure Rules (CPRs). Conducted procurement via a compliant third party framework (NOECPC). This is now resolved.	May 19
Regeneration and Environment	New	Apr 19	Provision of security	£25,000	No contract	Emergency provision following the fire at Bentley Training Centre and an urgent requirement for onsite security due to members of the public entering site. A waiver should have been completed.	Provided service area with extra training regarding Contract Procedure Rules (CPRs). Will end once security provision no longer required.	Feb 19
Regeneration and Environment	New	Apr 19	Direct purchase with a Glass and Glazing supplier for the supply & install for doors, windows and board ups	£102,000	No contract	PBM unaware of the scope of the corporate contract in place related to the 'Provision of Building Materials and Associated Products' and that it does not cover the requirements of doors, windows and board ups and have been using it for that supply.	Procurement exercise to be completed.	Sep 19
Adults, Health and Wellbeing	New	Apr 19	Disabled adaptations	£9,298	One off purchase	Direct Award of contract without competition	Spoken with service area to ensure that CPRs are complied with in future	Jan 19

WAIVERS

Appendix 2 details the CPR waivers that have been agreed covering the period **1st September 2018 to the 28th February 2019**, together with an explanation of the reasons for the waiver. The proposed action will need to be concluded in advance of the expiry of the waiver end date to prevent the occurrence of a breach (i.e. unless it is proposed that the arrangements will end).

Directorate and Department	Contract Description	Waiver Value	Waiver Period	Waiver Category 1. Sole Provider/ Niche Market 2. Insufficient Time/ Resources 3. Continuity of Existing Work 4. Emergency Situation 5. Forms Part of a Strategic Plan/ Review 6. Other	Reason for the Waiver	Condition(s) of the Waiver
AHW Commissioning and Contracts	Highstone Housing Supported Living Housing – Sleep Room Charges	£209,783	01/04/2018 to 31/03/2025	3. Continuity of Existing Work	Update contractual agreement with Highstone Housing for the continued rental of sleep in rooms in the supported living service. Limits the risk to the Council of not having a contract in place for an unavoidable need.	Review the Sleep in Room provision in Supported Living Services.
R&E Highways – Street Lighting	Trafford Way Tunnel – Replacement management system and installation of new ventilation system	£33,000	10/07/2018 to 09/10/2018	4. Emergency Situation	Failure of the ventilation system. Emergency replacement of equipment and testing services, with additional fail safe services to insure that failure of the ventilation system is less likely to occur.	Future proofing via enhanced system to make emergency situation less likely.
R&E Transport Team	Cycling Initiative - Club Doncaster	£30,000	01/04/2018 to 31/03/2020	1. Sole Provider/Niche Market	Specific to the needs of the grant funding from the DfT – deviation away from the work already delivered by Club Doncaster Foundation could threaten this funding and it would also not be best value to engage an alternative supplier. Only provider in the local area.	n/a
CPR Financial Services	HB Subsidy Assurance Process	£24,000	01/09/2018 to 31/08/2019	5. Forms Part of a Strategic Plan/Review	To be completed by the Councils External Auditors that is set by the Public Sector Audit Appointments.	n/a

Directorate and Department	Contract Description	Waiver Value	Waiver Period	Waiver Category 1. Sole Provider/ Niche Market 2. Insufficient Time/ Resources 3. Continuity of Existing Work 4. Emergency Situation 5. Forms Part of a Strategic Plan/ Review 6. Other	Reason for the Waiver	Condition(s) of the Waiver
R&E Bereavement Services	Grave Shoring & associated equipment & training	£15,000	20/07/2018 to 31/03/2019	3. Continuity of Existing Work	These services are bespoke and cannot be delivered by or obtained in any other way other than through direct engagement with this supplier.	
AHW Adults, Commissioning and Contracts	Young People's Service	£49,461	10/12/2018 to 31/03/2019	5. Forms Part of a Strategic Plan/Review	3 months extension to existing agreement to allow this contract to be factored into a wider programme of procurement activity focussed on delivering supported housing services for young people.	Forms part of the procurement for holistic supported housing contract. Status: gone live
AHW Adults, Commissioning and Contracts	Offender Accommodation and Support Service	£83,986	03/09/2018 to 02/12/2018	6. Other	3 months extension to allow for the newly awarded contract to be mobilised, as there is added complexities linked to TUPE.	New contract goes live. Status: gone live
AHW Libraries	Culture Change	£12,500	13/08/2018 to 30/11/2018	1. Sole Provider/Niche Market	Indicatively this work will take 20 days, spanned over 4 months. Sole provider linked to Hull City of Culture, no other provider available.	
R&E Waste and Recycling	Bring Sites	£35,000	02/08/2018 to 31/03/2019	3. Continuity of Existing Work	An interim measure to allow the de-commissioning of this contract by the 31 Mar 19.	Contract ends
LOCYP	Capita	£63,067	01/11/2018 to 31/03/2019	3. Continuity of Existing Work	An interim extension for a software system to allow the implementation of the DIPS project. Would not be sensible to re-procure and implement for such as short timescale.	DIPS project implemented.
AHW Adults, Commissioning and Contracts	Supported Living.	£105,000	01/09/2018 to 27/01/2019	3. Continuity of Existing Work	Failure to award from the first procurement. Re-tendering has led to the timeline being extended. The Council has now successfully tendered the service. The proposed timescale was commensurate with the time taken to TUPE transfer a service of this type and nature from one provider to another.	New contract goes live. Status: gone live.

Directorate and Department	Contract Description	Waiver Value	Waiver Period	Waiver Category 1. Sole Provider/ Niche Market 2. Insufficient Time/ Resources 3. Continuity of Existing Work 4. Emergency Situation 5. Forms Part of a Strategic Plan/ Review 6. Other	Reason for the Waiver	Condition(s) of the Waiver
AHW Adults, Commissioning and Contracts	Keyring Living Support Networks	£16,500	10/12/2018 to 09/03/2019	6. Other	3 months award to allow the safe exit from the contract.	Contract will cease.
CR Customer Services and ICT	Children's Social Care System Support	£181,636	01/11/2018 to 31/10/2020	1. Sole Provider/Niche Market	Liquid Logic are the only supplier that can support their system, no other alternative supplier is available. System will be integrated into DIPS project and will eventually cease.	Implementation of DIPS
R&E Parking Services	Car Park Management Agreement	£120,000	31/12/2018 to 31/09/2019	5. Forms Part of a Strategic Plan/Review	The Civic Car Park Management Agreement novated across through the acquisition of The Civic Car Park and expires 31 st Dec 2018. Insufficient time for an EU procurement exercise and the transition to a potential new supplier. Extend the current contract until Sept 19 to allow for re-commissioning to mitigate risk of disruption to both public and staff by not having a contract in place.	Re-procure through an EU compliant procurement exercise. New contract to go live by 1 Sept 19.
R&E Property Valuation	Property Valuation - Markets	£8,500	19/11/2018 to 30/11/2018	4. Emergency Situation	Urgent requirement within the project timescales a quote has been sought from a supplier recommended by the Council's Brokers, with JLT Speciality.	Contract – one-off. Framework to be set up for future urgent needs.
R&E Transport Team	Gritter Manufacturer/ Supplier	£25,000	01/09/2018 to 31/08/2023	1. Sole Provider/Niche Market	Econ are the sole supplier and manufacturer of Econ gritter bodies and associated equipment for which the authority has several fitted to lorries in various models + their snow ploughs, this is parts/calibration and repairs spend with no other supplier.	n/a

Directorate and Department	Contract Description	Waiver Value	Waiver Period	Waiver Category 1. Sole Provider/ Niche Market 2. Insufficient Time/ Resources 3. Continuity of Existing Work 4. Emergency Situation 5. Forms Part of a Strategic Plan/ Review 6. Other	Reason for the Waiver	Condition(s) of the Waiver
R&E Transport Team	Whale Tankers	£75,000	01/09/2018 to 31/08/2020	1. Sole Provider/Niche Market	Whale are the sole supplier and manufacturer of their own vehicle Gulley/jetting equipment mounted to vehicles for which the authority has several, some fitted to lorries in various models and some stand alone, this is parts and repairs spend with no other supplier	
AHW Communities	AH&WB Transformation Programme – Ways of Working Transforming Social Work – CLS Work Programme of Support	£10,850	01/01/2019 to 31/12/2019	3. Continuity of Existing Work	Specialist supplier of this programme, no alternative provider available.	
AHW Adults, Commissioning and Contracts	Managed Accounts	£16,000	01/01/2019 to 30/04/2019	3. Continuity of Existing Work	This waiver request is due to an unsuccessful tender exercise in July 18 when no viable provider bids were submitted. New procurement exercise undertaken and successfully award second time.	New contract go live 1 Apr 19.
CR Customer Services and ICT	RV Finder	£18,000	30/11/2018 to 31/03/2019	1. Sole Provider/Niche Market	Only this supplier can provide this service as they have already done the work to identify the properties. The supplier has identified 28 potential properties that are not included in the Doncaster Local Rating List, from doing a data matching exercise at another local billing authority.	
R&E Waste and Highways	Keysoft Solutions Service Agreement	£6,000	01/04/2019 to 31/03/2020	1. Sole Provider/Niche Market	Licensing, maintenance and support only for the Council's specialist traffic engineering design software (provided by Keysoft Solutions). This is existing software - not the procurement of a new software system.	

Directorate and Department	Contract Description	Waiver Value	Waiver Period	Waiver Category 1. Sole Provider/ Niche Market 2. Insufficient Time/ Resources 3. Continuity of Existing Work 4. Emergency Situation 5. Forms Part of a Strategic Plan/ Review 6. Other	Reason for the Waiver	Condition(s) of the Waiver
AHW Public Health	Developing Young People's Capabilities: participatory action research	£19,646	01/02/2019 to 31/10/2019	1. Sole Provider/Niche Market	No other provider can supply the bespoke service due to the research done by Sheffield Hallam University.	
LOCYP	Inclusion charter consultancy	£28,000	30/01/2019 to 30/03/2019	2. Insufficient Time/Resources	Significant pace is required to complete this piece of work – for a number of reasons, need to see impact of this work within the life time of the programme; inclusion has recently emerged as a hugely high priority area for schools, the Council and the OA and failure to resolve it in a timely fashion puts other strands of our programme funding at risk.	
AHW Adults, Commissioning and Contracts	Abacus Software Site Licence for Supporting People Local System	£6,891	01/02/2019 to 31/01/2020	2. Insufficient Time/Resources	A bespoke software system 'SPLS' has been used within the Council for a number of years and was established as a requirement of the Supporting People programme in 2003. Will cease once DIPS goes live.	DIPS Project.
LOCYP Children with Hearing Impairment	Purchase of three Otometrics Auricle HIT test-boxes	£10,581	06/02/2019 to 01/04/2019	1. Sole Provider/Niche Market	Connevans Ltd are the approved supplier of this equipment for Teachers of the Deaf. No alternative supplier.	

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Doncaster Council

Report

Date: 11th April 2019

To the Chair and Members of the
AUDIT COMMITTEE

ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2018/19

EXECUTIVE SUMMARY

1. This report provides information on the work of Internal Audit during 2018/19 including its overall opinion on the Council's governance, risk management and internal control arrangements. The report is also used to inform the Council's annual governance statement

Head of Internal Audit Annual Report 2018/19

1.1 It is a requirement of the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) that an annual report is produced by the Head of Internal Audit on the work undertaken by the Audit Section. Headlines from the annual report, which is attached at **Appendix 1**, are as follows:

- The service delivered 1164 chargeable audit days during the year, which was 86% of the budgeted level. There are several factors contributing to this as set out below. However, with management of the resources and revising the audit plan the Head of Internal Audit has been able to provide an adequate level of assurance about the Council's risk, internal control and governance arrangements to the Audit Committee and the Chief Financial Officer for the 2018/19 year.

Internal Audit Plan v Actual Days April 2018 to March 2019

	Plan	%	Actual	%
Assurance Work	793	58.9%	696	60%
Consultancy Work	75	5.6%	81	7%

Responsive Work	370	27.5%	208	18%
Follow-up Work	108	8%	179	15%
Total	1346	100%	1164	100%

The key issues are shown below:

Issues within customer directorates

- High levels of responsive work experienced by the team in the first quarter.
- A significantly higher level of follow up work than budgeted for, the majority taking place in Adults Health and Wellbeing.
- Additional time being required to complete some jobs due to the number or complexities of issues identified as the audit progressed.

Issues within Internal Audit

- Higher levels of time spent on the team restructure and role changes following the departure of the former Head of Internal Audit (March 2018) and familiarisation with new roles, than was originally planned for.
 - An increase in time spent to complete a full risk assessment of services to inform the 19/20 Internal Plan, again by staff unfamiliar with this aspect of work.
 - Eighty days of training more than budgeted for.
- Consultancy work and follow up work has increased to 9% and 15% respectively (originally budgeted at 5.6% and 8%) at the expense of budgeted responsive time, whilst the time taken on assurance work has remained static.
 - It is expected that the level of follow up work required, going forward, should now reduce due to improved reporting arrangements and Directorate management intervention. This has been a major area of audit activity this year and a marked improvement has been noted.
 - The service has achieved acceptable overall performance against its key performance indicators.
 - In particular, the service was rated as 'satisfactory' or 'very satisfactory' in 100% of client surveys received.
 - The service carried out a range of responsive pieces of work, either of an investigative or consultative nature during the period.

1.2 Based upon the audit work undertaken during the year, we can confirm that the Council's governance, risk management and internal control arrangements were adequate and operated satisfactorily during the year.

- 1.3 Internal Audit has identified an area to be considered for inclusion in the Council's 2018/19 Annual Governance Statement (AGS). That is the Alarm Receiving Centre (ARC).
- 1.4 Other weaknesses not considered significant enough for inclusion in the AGS have been highlighted by Internal Audit's work during the year and these have been brought to management's attention. These areas were, Occupational Therapy, Bereavement Services and Stores. These weaknesses do not change Internal Audit's overall opinion on the Council's governance, risk management and internal control arrangements.

Internal Audit conformance with the Public Sector Internal Audit Standards

- 1.5 The Head of Internal Audit has undertaken an annual self-assessment of the Service's compliance with auditing standards. The main areas covered are reviewing the Charter and Strategy, the service's organisational independence and there being an Quality Assurance Improvement Programme as set out below. This concluded that Internal Audit is compliant with the requirements of the Standards.
- 1.6 The auditing standards require an external assessment of the internal audit service to be conducted at least once every five years. In February 2017, the service was reviewed by the Head of Internal Audit and Risk and an Audit Manager from Kirklees Council. The assessment has confirmed that Doncaster's Internal Audit arrangements meet the highest of the three possible ratings within the auditing standards, i.e. that the service "Generally Conforms" with the standards. Seven observations were raised as part of the review and were fully implemented the following year.

Quality Assurance Improvement Programme

- 1.7 A Quality Assurance Improvement Programme, consisting of a review of resources, team development activities and a review of a sample of audit work by the Head of Audit, has confirmed audit standards have been maintained and the Service has continued to develop in line with standards and the expectation of Internal Audit adding value to the organisation.

EXEMPT REPORT

2. Not applicable, for information only.

RECOMMENDATIONS

3. The Audit Committee is asked:
 - To note the Internal Audit Annual Report for 2018/19, including confirmation that the Council's governance, risk management and control arrangements were adequate and operated satisfactorily during the year.

- To note the Head of Internal Audit's self-assessment and the confirmation from the external peer assessment in 2016/17 that the service is compliant with the Public Sector Internal Audit Standards

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. 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

5. 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

6. Not applicable - for information only.

REASONS FOR RECOMMENDED OPTION

7. Not applicable - for information only.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

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

	Outcomes	Implications
	<p>Doncaster Working: 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"> • Better access to good fulfilling work • Doncaster businesses are supported to flourish • Inward Investment 	
	<p>Doncaster Living: 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"> • The town centres are the beating heart 	

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

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

LEGAL IMPLICATIONS (HP 02/04/19)

10. The Council must provide an adequate and effective internal audit in order to comply with the requirements of the Accounts and Audit Regulations 2015.

FINANCIAL IMPLICATIONS (AT, 28/03/19)

11. There are no specific financial implications associated with this report. The 2019/20 budget for the service has been reviewed and is not expected to be a pressure on the Council's overall financial position

HUMAN RESOURCE IMPLICATIONS (KG 02/04/19)

12. There are no specific HR implications related to the contents of this report.

TECHNOLOGY IMPLICATIONS (PW, 28/03/19)

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

HEALTH IMPLICATIONS (RS, 28/03/2019)

14. Good governance is essential for effective organisations. Effective internal audit contributes to the effective discharge of the council's health promotion duties. The addition of the Alarm Receiving Centre (ARC) to the Annual Governance Statement highlights an area for review and action which will have direct impacts on health and wellbeing.

EQUALITY IMPLICATIONS (PRJ, 20/03/2019)

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

CONSULTATION

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

BACKGROUND PAPERS

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

REPORT AUTHOR & CONTRIBUTORS

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**Peter Jackson FCCA
Head of Internal Audit**

ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2018/19

1. Purpose of the report

- 1.1 The purpose of the report is to present the Head of Internal Audit's annual report, which supports the Council's annual governance assessment and its Annual Governance Statement.
- 1.2 The report also contributes to the requirements of the Accounts and Audit [England] Regulations 2015, which require the Council to maintain an effective Internal Audit.

2. Introduction

- 2.1 The report has been prepared by the Council's Head of Internal Audit. The aim of the report is to provide information on the role of Internal Audit and the work undertaken during the past year, and to support the statement prepared by the Head of Internal Audit on the Council's Governance, Risk Management and Control arrangements.
- 2.2 It is not the intention of this report to give a detailed summary of each of the audits that have been undertaken during the year but to provide a broad review of the Council's control arrangements.

3. Legislation Surrounding Internal Audit

- 3.1 Internal Audit is a statutory requirement for all local authorities in accordance with Section 151 of the Local Government Act 1972 and more recently the Accounts and Audit [England] Regulations 2015. The main thrust of these statutes is that every authority shall have arrangements for the proper administration of its financial affairs.
- 3.2 The Accounts and Audit Regulations 2015 require councils to maintain an effective internal audit.
- 3.3 It is a requirement of the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) that an annual report is produced by the Head of Internal Audit on the work undertaken by the Audit Section.

4. Reviewing the Service

Internal Audit Resources

- 4.1 Income was generated by providing an Internal Audit service to St Leger Homes throughout the year as well as from audit services to another external organisation.
- 4.2 Internal Audit commenced the 2018/19 year with an establishment of 7.9 full time equivalent (FTE) staff, increasing to 8.9 in December 2018. The overall available audit days at the start of the year was 1345, compared

with 1562 in 2017/18. The plan for 2019/20 anticipates recruitment of an additional Senior Auditor into the team to increase resources.

- 4.4 A careful approach to risk based planning and robust performance management of our resources has been essential given the level of available resources. It is the opinion of the Head of Internal Audit that sufficient work was delivered to provide an adequate level of assurance about the Council’s risk, internal control and governance arrangements to the Audit Committee and the Chief Financial Officer for the 2018/19 year. This was, however, a lower level of coverage than planned and the additional resources that are being recruited for should help address the situation.

Audit Work Undertaken

- 4.5 A breakdown of time spent in 2018/19 is summarised below: The service delivered 1164 chargeable audit days during the year, which was 86% of the budgeted level.

Internal Audit Plan v Actual Days April 2018 to March 2019

	Plan	%	Actual	%
Assurance Work	793	58.9%	696	60%
Consultancy Work	75	5.6%	81	7%
Responsive Work	370	27.5%	208	18%
Follow-up Work	108	8%	179	15%
Total	1346	100%	1164	100%

- 4.6 The reason for the difference between planned and actual time was due to:

Issues within customer directorates

- High levels of responsive work experienced by the team in the first quarter.
- A significantly higher level of follow up work than budgeted for, the majority taking place in Adults Health and Wellbeing.
- Additional time being required to complete some jobs due to the number or complexities of issues identified as the audit progressed.

Issues within Internal Audit

- Higher levels of time spent on the team restructure and role changes following the departure of the former Head of Internal Audit (March 2018) and familiarisation with new roles, than was originally planned for.
- An increase in time spent to complete a full risk assessment of services to inform the 19/20 Internal Plan, again by staff unfamiliar with this aspect of work.

- Eighty days of training more than budgeted for.
- 4.7 There were variances across the original categories of work, but priority was given to ensuring sufficient work was completed to enable the Head of Audit to form an opinion on the Council's risk, governance and control arrangements. Significantly greater levels of work were delivered in supporting arrangements in several areas highlighted within the Annual Governance Statement and in supporting management in the implementation of outstanding internal audit recommendations.

Implementation of Recommendations

4.8 The Internal Audit Team has prioritised this area of their work during 2018/19, working closely with managers to encourage a high level of implementation of recommendations that are aimed at improving the level of internal control. The extent to which managers have implemented recommendations within the year they have been raised is as follows:

	Number of recs made in year	Implemented in year (number / %)	Number of recs still to be implemented	In Progress but still in time (number / %)	Not yet Implemented & out of time (number / %)
2018/19	291	259 / 89%	63	18 / 6%	45 / 15%
2017/18	282	194 / 69%	88	40 / 14%	48 / 17%
2016/17	405	292 / 72%	113	0 / 0%	113 / 28%
2015/16	565	328 / 58%	237	137 / 24%	100 / 18%

- 4.9 The table shows that during the year that joint working between Internal Audit and management has paid off and with considerable effort, has resulted in a reduced level of outstanding audit recommendations overall. Actions implemented in the year they were raised has greatly improved and actions raised pre the 2018/19 financial year are now minimal (4 only).
- 4.10 The significant decrease in the number of recommendations made from 2016/17 is attributable to the reduction in school and establishment audits which generated large numbers of lower rated recommendations.
- 4.11 The table below shows that the response made by Directorates to implement actions during the year has shown a marked improvement. The only directorate where there are high / major actions now overdue is within Adults, Health and Wellbeing.

Directorate	Number of high/major recommendations overdue			Number of lower level recommendations overdue		
	At 02/07/18	At 15/01/19	At 20/03/19	At 02/07/18	At 15/01/19	At 19/03/19
Adults, Health and Wellbeing	16	10	4	53	29	30
Regeneration & Environment	0	0	0	11	7	9
Corporate Resources	0	0	0	22	1	3
Learning & Opportunities (Children & Young People)	0	0	0	10	2	3
Council Wide	0	0	0	2	1	0
TOTAL	16	10	4	98	40	45

4.12 The majority of the Adults, Health and Wellbeing overdue major recommendations listed above are in respect of the audits of the Deprivation of Liberties Safeguards and Direct Payments / Personalised Budgets. Further information on Deprivation of Liberties Safeguards is detailed at 5.15 and a separate report has been provided for April 2019 Audit Committee covering Direct Payments / Personalised Budgets.

4.13 Any high/major recommendations that are not implemented in line with agreed timescales are reported as part of the Council's Resource Management quarterly process, as well as being routinely reported to Audit Committee. Additionally, all overdue recommendations are now reported on a monthly basis to the relevant Assistant Director who must also authorise any time extensions requested by their managers.

It should be noted that the Council agreed a revised Risk Management Policy this year, which increased the Council's risk appetite. As such, Internal Audit realigned risk levels given to audit recommendations part way through the year. Internal Audit recommendations are now classed as high, medium or low risk.

Customer Satisfaction

4.14 At the end of every completed audit, clients are asked to feedback their rating of the auditor's performance. Based upon the team's customer survey responses, the service was again rated as 'satisfactory or very satisfactory' in 100% of all surveys received.

Performance Indicators

4.15 The indicators are shown below along with current performance for the year April 2018 to March 2019.

Performance Indicator	Target	April to March	Variance
Percentage of planned audit work completed	90%	86%* ¹	-4%
Draft reports issued within 15 days of field work being completed	90%	97%	7%
Final reports issued within 5 days of customer response	90%	100	10%
% of critical or major recommendations agreed	100%	100%	-
Percentage of Customer Satisfaction Surveys rated	90%	100%	+10%

4.16 The difference between the target and actual percentage of planned audit work completed is due to the reduction in resources available (as set out in paragraph 4.4). Despite this, the Head of Internal Audit has confirmed sufficient work has been carried out to form a view on the Council's governance, risk management and control arrangements as required by the audit standards.

4.17 Results relating to major recommendations and customer satisfaction remain very positive. There has also been an improvement in the timeliness of issuing internal audit reports.

Compliance with the Public Sector Internal Audit Standards (PSIAS)

4.18 The Head of Internal Audit is required to report on Internal Audit's compliance with the internal audit standards. Basic requirements for this are as follows:

- The Head of Internal Audit periodically reviews the internal audit charter and strategy and presents it to senior management and the Audit Committee for approval. Updated guidance has been published in March 2019 and this will help inform revising the Charter and Strategy currently scheduled for approval at the June 2019 Audit Committee.
- The Internal Audit service is organisationally independent.
- There is a Quality Assurance and Improvement Programme (QAIP), the results of which are reported to senior management and the Audit Committee.

¹ The calculation of planned work complete takes into account work in progress against incomplete jobs E.g. if 1 job is finished and 2 jobs are 50% complete and assuming there were only 3 jobs on the plan, the plan completion would be $(1 + 0.5 + 0.5)/3 = 66\%$

- There is an external assessment of the service conducted every five years. Kirklees Council's Internal Audit Service reviewed our compliance with the Standards during 2016/17 (see below).
 - All instances of non-compliance with the UKPSIAS are reported to the Audit Committee.
- 4.19 The Head of Internal Audit has undertaken a self-assessment as required by the standards. He has concluded that Internal Audit is compliant with the requirements of the standards, that audit standards have been maintained and that the Service has continued to develop in line with standards and the expectation of Internal Audit adding value to the organisation.

External Assessment

- 4.20 Auditing standards require an external assessment of the Internal Audit service to be conducted at least once every five years. In February 2017, Internal Audit was reviewed by the Head of Internal Audit and the Audit Manager from Kirklees Council. A separate report has been produced following the external assessment and this was reported to the Audit Committee at its meeting on 6 April 2017.
- 4.21 The assessment confirmed that Doncaster's Internal Audit meets the highest of the three possible ratings within the standards, i.e. that the service "Generally Conforms" with the standards.
- 4.22 This is an important assessment as it enables the Audit Committee and other key stakeholders to have confidence that the annual opinion of the Head of Internal Audit is supported by a professional and competent service and is evidenced based. It provides stakeholders with the reassurance that they can place reliance on the quality of the work that Internal Audit delivers.
- 4.23 The peer review report identified seven observations noted either by the reviewers themselves, or by Members and Officers interviewed by the reviewers. All observations and actions were reported as having been fully completed in the 2018/19 Annual Report of the Head of Internal Audit

Quality Assurance Improvement Programme

- 4.24 This year's quality assurance improvement programme included:
- A review of the levels of internal audit staffing resource required in order to continue to meet the requirements of the audit standards and the expectations of the Council, and represents good value for money. The review identified the need for additional resource, at a medium / low level, in order to increase the existing level of assurance type work required, whilst also pursuing modern audit approaches.
 - Implementation of a programme of team development including for

example relating to ICT and Information Governance/GDPR, and the use of data analytics.

- A sample of jobs has been reviewed and this showed continuing substantial compliance with the audit standards.

5. Summary of Findings from Audit Reviews

- 5.1 Internal Audit provides an 'opinion' on the control environment for all systems which are examined. A limited or no assurance opinion is given where one or more high level risks (formerly called major / critical) are identified in the area under examination.
- 5.2 Full information on Internal Audit work completed and outcomes is included in our regular progress reports to the Audit Committee. During 2018/19 the large majority of areas audited received positive audit opinions. Summary details are provided below for areas where significant weaknesses were found and reported.

Main Financial Systems

- 5.3 As part of the annual audit plan Internal Audit undertakes a programme of reviews that covers the main financial systems of the Council. Internal Audit work in these areas is examined by the External Auditors who review this work and utilise it as appropriate for their own audit of the Council's annual accounts. The External Auditor for 2018/19 is Grant Thornton (previously KPMG) with whom we have worked closely with to develop effective working relationships that were in place with the KPMG.
- 5.4 We were able to give positive assurances about the control arrangements in the Council's main financial systems and around arrangements managing the risk of fraud and corruption.

Fundamental Weaknesses Arising

- 5.5 There was one area where very significant weaknesses were identified, sufficient for us to recommend inclusion in the Council's Annual Governance Statement. This was in relation to the Alarm Receiving Centre (ARC).

Review of ARC Practices

- 5.6 A review of systems and processes within the Alarm Receiving Centre (ARC) raised concerns about the efficacy and business continuity of assistive technology. A new system has been procured and is being installed. Ongoing support from within the Internal Audit team is being provided to the appointed Project consultants in progressing further phases of work in this area.

Other Significant Issues Arising

- 5.7 Other areas with limited assurance audit opinions but which, in Internal

Audit's view, are not sufficiently significant to require consideration for inclusion in the Annual Governance Statement are summarised below.

Occupational Therapy Service

5.8 A review of the adequacy of the management arrangements in respect of the Occupational Therapy Service only enabled a limited assurance opinion to be given over the existing management arrangements in place. Key issues noted were:

- The service was operating without a performance framework and a detailed Service Plan.
- The current re-engineering programme had not been completed in accordance with the required timescales.
- The Service Risk Register had not been completed in accordance with the Corporate Risk Management Procedure.
- There was a need for the increased management attention and rigour in respect of the application of HR policies and procedures in relation to managing and monitoring of attendance, flexible working arrangements and car mileage procedures. This has now been adequately addressed.
- The value of equipment which required authorisation by the Team Leader (Occupational Therapy) appeared to be relatively low at up to £500 in most instances. This naturally impacted upon the volume of requisitions that required authorisation by the "Specials Panel" and give rise to a delay in the approval process and the user being provided the necessary equipment / service.

5.9 It was acknowledged that the Service had embarked upon a fundamental review of the strategic direction and management of the Service, but that implementation of the recommendations arising from this review would inevitably take some time, especially given the number of key stakeholders impacted upon by the review e.g. the Clinical Commissioning Group (CCG). Additional management capacity was put in place all actions were progressed and monitored through a Rapid Improvement Plan overseen by the Director of People.

Bereavement Services – Sales and Stocks

5.10 A limited assurance opinion over the arrangements to ensure that income and stocks processed by Bereavement Service is correctly accounted for and is properly protected was also given. 11 recommendations were made which would improve the main issues identified below:

5.11 The team experienced resourcing issues during the year which impacted on the volume of work being completed. At the time of the audit there was a 3 month delay in raising accounts to funeral directors. This caused a delay to income received by the Council and increased the financial risk to

the Council. This has now been resolved and timely account production is now in place.

- 5.12 Bereavement Services had accepted two cash instalments totalling £10,000 for the purchase of two mausoleums without undertaking any money laundering due diligence checks. Such checks are required by Council Policy and the Money Laundering Regulations 2017 and are in place to prevent and detect potential money laundering in the UK. Any persons dealing with transactions that are later found to be money laundering face potential litigation, the consequences of which range from fines to a prison sentence.
- 5.13 Other income for the Council is generated through the leasing of memorial plaques, which are paid for in advance. At the end of the lease agreement, the team write to the leaseholder to determine whether the lease should be renewed or the plaque removed. Due to the resourcing issues within the team, there was a significant delay in this happening of up to 6 months.

Stores

- 5.14 A review to ensure that efficient and robust stock control processes are in place at North Bridge Depot has been carried out and the work is at agreement and reporting stage. A limited assurance opinion will be given due to the lack of stocktakes since the implementation of a new operating system in November 2017 and the volume of identified improvement actions identified.

Deprivation of Liberties Safeguards Update

- 5.15 There have been recent major staffing changes in the management of the service and also some resource issues which has been a major contributory factor in the delay of the implementation of the outstanding actions.
- 5.16 Consequently, there has been some slippage in the implementation of outstanding actions and these are partly due to the DoLS team being dependent on other teams to provide information or complete processes in order to complete the actions in question.
- 5.17 Satisfactory progress is still being made with these actions and it should be noted that the amount of work required and time it would take in some instances to implement the actions was underestimated by the management at the time.
- 5.18 Whilst there has been slippage from original and revised dates, we are still happy to support the removal of this area from the Annual Governance Statement as we do not consider this area to currently represent a significant governance issue or concern. The remainder of

the outstanding actions will continue to be closely monitored and any concerns escalated should they arise.

	Moderate	Significant	Major
Action date not yet due	1	2	1
Original action date passed – revised date not yet due		2	3
Original action date passed – revised date passed – extension requested from Assistant Director	1	4	1
Implemented during period (Audit are yet to review evidence)			1

6. Schools

6.1 Internal Audit completed the following work in schools in 2018/19:

- Provision of advice as requested from schools in relation to financial internal controls.
- Provision of information, advice and support to the Governors' Support Service to ensure audit and governance issues are consistently dealt with across all schools.
- Followed up agreed actions from the previous years to ensure recommendations were implemented and controls improved.

7. Responsive Work.

7.1 Approximately 208 days (18%) of Internal Audit time was used to address issues which arose during the year. This is lower than was budgeted for, and may correlate with the increase in consultancy figures.

7.2 It should be noted that, overall, the Council continues to experience relatively little reported fraudulent activity. Examples of suspected irregularities included below do not change the audit opinion that, overall, the arrangements in place for preventing and detecting fraud and corruption are satisfactory and do not have a detrimental impact on the overall control environment.

7.3 Some of the time consuming, responsive issues not referred to elsewhere in this report, that Internal Audit has addressed during 2018/19 include:

- Smart Lights Phase 2 – The conclusion and final reporting of this work, which originally commenced in November 2017 after issues were reported within the smart lights programme on ordering items (and potential surplus lamps being ordered). This was reported to the July Audit Committee.
- Schools Catering, Invoice, Ordering and Receipting Process - Advice was provided streamlining / improving processes after year end routines identified a significant number of orders that had not been receipted in the Council's payment system (P2P).
- Music Service IR35 Payments - A review of payments being made to individuals through the creditors system (P2P) from routine matches obtained from the National Fraud Initiative (NFI). Internal Audit work is complete and Human Resources are now providing ongoing support.
- Social Care Provider - This was a potential significant issue regarding cost of social care incurred either directly by the Council or through Direct Payments. There was no available evidence on which to proceed with further investigations. The case has now been closed as none of the authorities involved have any evidence to support the allegations made. Action has, however, now been taken to reassess all care needs and care actually provided and paid for. No concerns have arisen from this work and no further action is to be undertaken.
- School Governors Support Service - Support and information was provided to management in assessing clerking arrangements to help support a service review of this function
- Liquid Logic Access - Assistance from Internal Audit regarding a potential issue with access to the Liquid Logic Children's system and the Early Help module, revealed access rights were not being systematically amended / cancelled when staff left the authority or change posts.
- Doncaster East Internal Drainage Board (DEIDB) - Support was provided to the Board in finalising a governance review of a major project. Independent consultants were engaged to support this review and their findings are being assessed by the Board.
- Officer working arrangements - Management concerns raised have resulted in an investigation into a potential conflict between an officer's private work and their employment with DMBC.
- Income Management Project Support - This piece of consultancy work is to support corporate arrangements in the identification and reconciliation of income. It is an important area due to weaknesses identified in these arrangements though both audit work and in

income project work previously carried out by Financial Management.

- Data Matching, Supplier to Payroll Payments - Additional time was required to allow completion of the routine monthly checks which are proving very worthwhile in identifying anomalies that require investigating. For example, employees are being paid through both Payroll and Accounts Payable. This can identify where the employee has not informed their manager of secondary employment, potential fraudulent payments and breaches of Inland Revenue regulations (IR35)
- Invoice Fraud (IPOS) - Concerns were raised regarding an 'invoice' from Intellectual Property Organisation Service, for services that we had received and paid for. Investigation showed that the Intellectual Property Office website holds a trademark register that details all the trademarks that have been applied for and granted, with the name and address of the organisation requesting the trademark and the application number. Clearly the sender of the scam invoice has lifted the information from the website as this is freely available information. The fraudulent 'invoice' was not paid and was referred to Action Fraud for assessment. Action Fraud is the UK's national fraud reporting service. When a fraud is reported to Action Fraud, victims are given a crime reference number and their case is passed on to the National Fraud Intelligence Bureau (NFIB), which is run by the City of London's police service.
- Whistleblowing concerns re Planning Application – concerns were raised regarding the actions of members and officers within the Council which were dealt with under the Council's whistleblowing policy. The outcome of the review was that the concerns raised were considered unfounded, that there was no impropriety in the way that the application was handled either by the Planning Officer or the Council and that there was adherence to statutory requirements and the Council's policies, procedures and rules.

8. Assessment of the Council's Governance, Risk Management and Control Arrangements for the Year to 31st March 2019

Based upon the audit work undertaken it has been possible to complete an assessment on the overall adequacy and effectiveness of the Council's governance, risk management and control arrangements.

Accordingly, on the basis of this work, the Head of Internal Audit can confirm that the Council's governance, risk management and control arrangements for 2018/189 were adequate and operated satisfactorily during the year.

Peter Jackson, Head of Internal Audit
26 March 2019

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Doncaster Council

Report

Date: 11th April 2019

To the Chair and Members of the AUDIT COMMITTEE

2018-19 DRAFT ANNUAL GOVERNANCE STATEMENT (AGS)

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) 2015.
2. The council's governance arrangements in place during 2018-19 have been reviewed and an Annual Governance Statement has been drafted which shows governance compliance by:
 - Highlighting **10** key areas of improvement that have been completed and have been effectively managed to the extent that they were no longer significant. (Page 11)
 - Identifying **7** new significant issues arising from the 2018-19 review of effectiveness of the corporate governance arrangements (Pages 4-8)
 - Providing an update on the **3** key areas identified during previous years that remain an issue in 2018-19 (Pages 8-9).
3. Audit Committee members are asked to note that this document is the draft AGS and some of the key actions to mitigate the issues identified for 2018-19 will be reviewed before the production of the final AGS in June 2019 to reflect the final position.
4. The Accounts and Audit Regulations require proper practice to be followed in the production and approval of the final Statement. 'Proper practice' requires the Council Leader (in Doncaster's case, the Mayor) and the Chief Executive to sign the final 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 final statement, along with actions for tackling the issues raised. This should be done prior to the publication of the Statement of Accounts in July 2019.

EXEMPT REPORT

5. Not Applicable

RECOMMENDATIONS

The Chair and Members of the Audit Committee are asked to review and endorse the initial outline of the draft Annual Governance Statement:

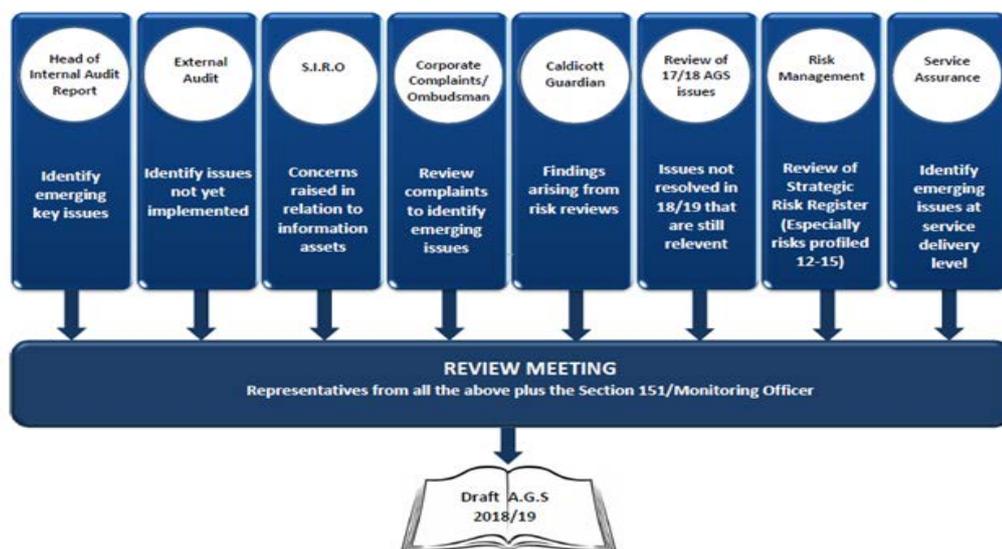
- prior to being published for consultation as part of the Draft Accounts in May 2019.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

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

BACKGROUND

7. The Council is required to prepare, approve and publish an Annual Governance Statement (AGS) in accordance with the Accounts and Audit Regulations and professional accounting practice. The Council must ensure that there is good governance and a sound system of internal controls in place.
8. This year we have reviewed and simplified the process to amalgamate a top down and bottom up approach, whilst still maintaining confidence in the process.
9. Issues on the AGS are reviewed as part of the quarterly Resource Management cycle and items that start to be a concern are raised during this process and elevated to the Governance Group. This allows the Council to react to emerging issues and possibly prevent entry onto a future AGS.
10. Pentana is used to record compliance and/or areas for development and to provide updates for the quarterly Resource Management process.
11. An AGS review meeting considers relevant information from a diverse range of internal sources, as identified in the diagram below. This meeting will facilitate the top down bottom up approach and will synthesise emerging issues to produce the 2018-19 Annual Governance Statement.



12. The timing of the production of the AGS has been aligned with the production of the Head of Internal Audit report to allow them both to be considered at the same Audit Committee meeting.

13. The AGS document is a valuable means of communication. It enables the Council to explain its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes and we recommend retaining the current format of the final public document.

OPTIONS CONSIDERED

14. Not Applicable

REASONS FOR RECOMMENDED OPTION

15. Not Applicable

IMPACT ON THE COUNCIL’S KEY OUTCOMES

16.

	Outcomes	Implications
	<p>Connected Council:</p> <ul style="list-style-type: none"> • A modern, efficient and flexible workforce • Modern, accessible customer interactions • Operating within our resources and delivering value for money • A co-ordinated, whole person, whole life focus on the needs and aspirations of residents • Building community resilience and self-reliance by connecting community assets and strengths • Working with our partners and residents to provide effective leadership and governance 	<p>The Annual Governance Statement enables the Council to ensure that there is good governance and a sound system of internal controls in place</p>

RISKS AND ASSUMPTIONS

17. 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 NC Date 6/3/19]

18. The production and publication of an Annual Governance Statement is a statutory requirement by virtue of Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, following a review of the Council’s effectiveness of internal controls in terms of the exercise of its functions, financial and operational management and management of risk. The 2015 Regulations and the Council’s Constitution also require the findings of that review to be considered by the Audit Committee.

FINANCIAL IMPLICATIONS [Officer Initials FT Date 11/03/19]

19. 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 KM Date 06/03/19]

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

TECHNOLOGY IMPLICATIONS [Officer Initials PW Date 05/03/19]

21. Technology work has been completed with the Community Safety service and the 3rd party supplier to support the implementation of the upgraded case management system used by the Alarm Receiving Centre. Further work in relation to the implementation of additional functionality (Service Manager and Field Force Management) is currently being scoped. As outlined in the Annual Governance Statement, an extensive programme of work is currently underway to implement the upgrade of all servers, systems and desktops to ensure they all continue to be supported, secure and achieve Cabinet Office Public Service Network security accreditation. There is a full plan and governance in place with extra resources being assigned, however due to the volume this work will impact on business as usual and new council wide and partner delivery requirements which will need to be carefully managed and prioritised based on the level of criticality. The implementation of the Doncaster Integrated People System (DIPS) continues to be tightly led and managed, with phase 1 scheduled to go live August 19.

HEALTH IMPLICATIONS [Officer Initials RS Date 05/03/2019]

22. 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 01/03/2019]

23. 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

24. There is consultation with Directors and seniors managers throughout this process. Nominated directorates leads 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

25. CIPFA/ SOLACE delivering good governance in Local Government Framework
Accounts and Audit Regulations (England) 2015.

REPORT AUTHORS AND CONTRIBUTIORS

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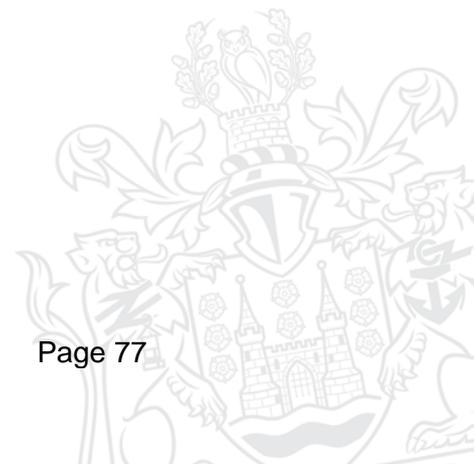
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Doncaster
Council

APPENDIX A

ANNUAL GOVERNANCE STATEMENT 2018/19 DRAFT



Scope of responsibility

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

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

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

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

The purpose of the governance framework

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

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

The report covers 1st April 2018 to 31st March 2019. 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 and is reflected in the Head of Internal Audit report.
- 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. This in turn has led to a number of AGS items now being classed as complete as a the date of the AGS

The Audit Committee produces an Annual Report which is available 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.

Grant Thornton have been appointed as external auditors to the Council for the 2018/19 audit onwards and so have not yet completed a full audit. KPMG were the previous external auditors since 2012/13. In their final annual report, presented to Audit Committee on 26th July 2018 they gave an “unqualified audit opinion” on the Council’s financial statements for 2017/18 and an unqualified Value for Money (VFM) conclusion for 2017/18. Internal Audit were able to provide a positive opinion in their annual report for 2018/19, 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 with a clear audit trail provided and responses to audit queries were provided in a timely manner.

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. An updated strategy was considered and approved by Audit Committee on 31st January 2019.

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 Strategy and Performance Unit led the Annual Governance review.

The review of effectiveness is derived from two perspective, corporate and service areas. The corporate perspective is taken from existing intelligence proved by colleagues holding key governance position within the authority including the Head of Internal Audit, the Caldicott Guardian, Senior information Risk Owner, Section 151 Officer and the monitoring Officer. The current strategic risk register and complaints received are also reviewed. The service area perspective is proved by each Head of Service via a series of governance statements in the form of a self-assessment.

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 2018/19

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 2018-19 Annual Governance Statement process:

ISSUE: MAJOR TECHNOLOGY UPGRADES REQUIREMENT

Most of our current operating and desktop software has been set an 'end of life' deadline nationally which requires both council wide and partner server, databases and systems to be upgraded to ensure they all continue to be supported, secure and achieve Cabinet Office Public Service Network security accreditation.

Also there has been a significant cost increase of Microsoft on premise licensing from 2019-20. Both these issues have initiated an extensive programme of work to move significant technology used into the Cloud so it is more cost efficient and implement the extensive upgrade of all servers, systems and desktops as required.

Actions:

Overall workload has been reviewed, extra resources have been sought and a full plan is in place. There are lots of risks and issues to overcome and a focused fortnightly Delivery Board is monitoring delivery, resolving issues and removing barriers.

This will be a very challenging year given business as usual and new council-wide and partner technology delivery requirements that will still remain but will need to be reduced based on the level of criticality.

Responsible Officer:

Julie Grant – Assistant Director of Customers, Digital & ICT

Completion Date:

31st March 2020

ISSUE: ORGANISATIONAL WORKFORCE

Within this context the council needs to ensure it has the right people, with the right skills, working in the right way, within effective roles, programmes and flexible structures. This brings a series of core behaviours and key competencies that are needed to address both capacity and capability issues within the organisation to successfully drive through performance.

As an organisation we need to systematically identify and address critical skills gaps now and for the future; develop and deploy resources to ensure services can be delivered to a high standard and are value for money.

There are already a number of current and emerging recruitment difficulties and skill shortages for certain occupational groups, in particular IT, adult social workers and occupational therapists, which need to be addressed.

Actions:

To be monitored and addressed through priority actions included in this year's workforce strategy 2019/20, specifically:

- Developing the Employee Resourcing Strategy to enable a shift from a functional approach towards a more flexible model based on behaviour and skills, supporting effective talent management
- Promoting and enabling effective succession planning across

Completion Date:

31st March 2020

<p>the organisation and with Partners</p> <ul style="list-style-type: none"> Ensuring leadership development and learning programmes meet current needs including increased horizon scanning of future skills requirements <p>Responsible Officer: Jill Parker – Assistant Director - HR, Communications & Executive Office</p>	
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ISSUE: ALARM RECEIVING CENTRE (ARC)
 Following the implementation of a new system and previous remediation work, there is still ongoing practice and service standard issues, which have highlight areas of risk which are being addressed through the implementation of a Rapid Improvement Plan

<p>Actions:</p> <ul style="list-style-type: none"> All staff within the ARC suite, HEART responders and Admin team has been supplied with full details of the procedures. A full training programme is being rolled out to all staff which includes training from the system supplier and training on the new Case Management System. A daily reassurance meeting chaired by a member of the management team is in place to review all cases into the suite from the previous 24 hrs, as well as checking all staffing rotas to ensure that there are no gaps and that the staffing ratios are sufficient. Any issues arising from this meeting will be immediately actioned and there is an escalation process in place for technical issues. Dedicated support has been allocated to the project from Doncaster Council IT, the system supplier and DMBC Audit team. Also there are three planned communication events which will emphasise the importance of adhering to procedures, updating staff about the progress of the new system upgrade, seeking feedback and reiterating the importance of the fault reporting and escalation process linked to the daily assurance meetings. Review all current activity, structures, budgets, income and expenditure for all areas of responsibility managed through the ARC suite, to better understand the capacity demand and costs. Develop and implement a more realistic, cost effective fee and charges policy that ensures sustainability, in line with other authorities and these proposals will be presented to Cabinet in spring 2019 Commission a strategic piece of work to inform how telecare will be aligned to delivering the Adult transformation going forward as well as identifying the most effective delivery model longer term. We expect this will be completed by September 2019. <p>Responsible Officers: Bill Hotchkiss - Head of Service Community Safety</p>	<p>Completion Date: March 2020</p>
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Debra Smith – Head of Service In House Provision Debbie John-Lewis – Interim Assistant Director of Communities	
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ISSUE: THE LOCAL PLAN	
The Council need to have updated policies and allocations in line with national planning policy and legislation to ensure central government do not intervene to prepare a plan on our behalf.	
<p>Actions:</p> <p>Maintain regular contact with the Planning Inspectorate (PINS) and keep them updated on the progress of the Local Plan, particularly the anticipated submission date for the Local Plan.</p> <p>Agree a delivery timeframe with the Mayor and Portfolio Holder.</p> <p>Ensure that the agreed corporate reporting timelines for the Local Plan are achieved through engaging with the Mayor, Cabinet and Chief Executive. Also, to provide professional advice in relation to the plan and where necessary seek appropriate legal advice.</p> <p>Following Full Council publish the Local Plan for at least 6 weeks ensuring that the requirements of Regulation 19 of the Town and Country Planning (Local Planning) (England) Regulations 2012 are being met.</p> <p>Submit the Local Plan to Government for its Independent Examination in Public in accordance with Regulation 22 of the Town and Country Planning (Local Planning) (England) Regulations 2012 and ensuring all the requirements of the Regulations are being met.</p> <p>Responsible Officer: Scott Cardwell – Assistant Director of Development Roy Sykes – Head of Planning</p>	<p>Completion Date: Ongoing throughout the Local Plan process up to submission date November 2019.</p>

ISSUE: DONCASTER CHILDRENS SERVICES TRUST	
Doncaster Children’s Services Trust governance model changes on the 1st April moving from a wholly owned independent company to an ALMO (Arm’s Length Management Organisation). This model was supported by the Secretary of State for Education as the preferred approach which allows operational independence whilst at the same time providing financial security. As we move into Phase 2 of the organisational maturity it’ll be important to maintain focus on its core activities to deliver better outcomes for children, young people families and ensure that the Trust remains efficient and sustainable in the medium and longer term.	
<p>Actions:</p> <ul style="list-style-type: none"> • Establishment of revised board & effective governance requirements to reflect new ALMO structure • Review service specification & commissioning expectations jointly • Review performance metrics jointly • Establish revised contract performance monitoring & reporting • Joint work on Future Needs Placement Strategy • Review of new arrangements with DfE after 6 months 	<p>Completion Date: October 2019</p>

Responsible Officers: Paul Moffat - Chief Executive Doncaster Children's Services Trust Damian Allen – Director of People (DCS/DASS)	
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ISSUE: FINANCIAL CHALLENGES WITHIN ADULTS HEALTH & WELLBEING
 Adult's services are currently facing increasing demographic and service financial pressures. This is currently underpinned & funded by short term funding sources such as Better Care Fund. Doncaster is not alone in experiencing these challenges and like many other council's we need to find effective solutions to support individuals live as well and independent life as they possibly can.

Actions: <ul style="list-style-type: none"> • Embed strength based social work practice and activity • Transform customer interactions into and between health and social care bodies. • Strengthen communities support arrangements • Commission effective community based support within the independent sector • Joint commissioning with health partners and better engagement with providers and the market • Greater use of technology to improve independence • Rigorous day to day performance & financial monitoring • Implementation of 2019-20 savings plan • Improved integrated front door 	Completion Date: March 2020
Responsible Officers: Damian Allen – Director of People (DCS/DASS) Rupert Suckling – Director of Public Health Assistant Directors within the Adults Health & Wellbeing Directorate	

ISSUE: ADULT SOCIAL CARE MARKET SUSTAINABILITY
 The potential impacts of this fragile market includes:

- Provider failure and associated disruption of care for people of Doncaster
- Lack of investment from providers to develop services and innovate together with potential contraction of existing offer
- Restricted choice of services and the providers of services for people of Doncaster

Actions: This will be a staged work stream with individual milestones to be reported against. <ul style="list-style-type: none"> • Co-produce a 'Market Position Statement' to support the market to make informed commercial and service planning decisions in order to stimulate a sustainable, diverse social care market to meet the current and future needs of the people of Doncaster. • Develop a Joint Health and Social Care Commissioning Strategy and associated delivery plans by spring 2019 and implement the Joint Health and Social Care Commissioning Strategy and associated plans 	Completion Date: March 2020
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<ul style="list-style-type: none"> • Develop and maintain an ongoing awareness of local business environment for providers, providers business models and other intelligence to inform commissioning actions • Ongoing engagement with providers through partnership arrangements, contract management and contract monitoring activity to maintain oversight of the social care market in Doncaster <p>Responsible Officer: Denise Bann – Strategic Lead Commissioning</p>	
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An update on Key Improvement Areas that were previously identified and remain an issue in 2018-19

<p>ISSUE: DATA QUALITY ARRANGEMENTS</p> <p>An improvement area has been identified around the quality of historic data, as well as resilience of current plans to embed a good data quality culture. It is important to ensure that historic data being migrated between information systems is of good quality. Proposals were approved to make resources available to address these areas.</p>	
<p>Actions:</p> <p>A task-and-finish group has been set up to undertake a six-month programme to work on improving existing data quality issues, with a focus on data being migrated to the DIPS system. An additional resource has been recruited to lead an 18-month programme aimed at building and embedding a resilient approach to improved data quality across the organisation.</p> <p>The Data Quality Working Group will evolve into a project board to oversee this progression into 2019/20.</p> <p>Responsible Officer: Lee Tillman – Assistant Director of Strategy & Performance</p>	<p>Completion Date: Ongoing</p>

<p>ISSUE: DONCASTER INTEGRATED PEOPLES SYSTEM (DIPS)</p> <p>The implementation of the new integrated technology solution for Adult and Children Social Care and Education Management highlighted in last year's statement is progressing well but due to its importance and how it will transform these services over the next year and thereafter, it is remaining as a key issue to monitor.</p>	
<p>Actions:</p> <p>The programme is being tightly led and managed with Director sponsorship and effective governance throughout with appropriate preparation across the Council and Doncaster Children's Services Trust (DCST). All areas are contributing a resource to ensure the programme has every chance of succeeding.</p> <p>A phased completion from Aug 2019 – March 2020</p> <p>Responsible Officer: Julie Grant – Assistant Director of Customers, Digital & ICT</p>	<p>Completion Date: Ongoing</p>

ISSUE: GENERAL SIGNIFICANT FINANCIAL CHALLENGES 2019/20 and 2020/21 –

The Council faces a number of significant financial challenges which if not managed carefully in 2019/20 could potentially lead to an overspend position and a reduction in the level of general reserves, these include:

- Potential shortfall on the delivery of savings which are increasingly more challenging to achieve such as the Your Life Doncaster programme which will also deliver significant service changes.
- Managing emerging budget pressures e.g. Services traded with schools, project support.

The Council also needs to produce a balanced budget plan for 2020/21, to meet the forecast budget gap estimated at circa. £13m.

Actions:

The financial position will be closely monitored; including the continued development of monthly monitoring by managers, improving the financial information provided to enable them to carry out their role.

To undertake further scenario planning for the 2020/21 funding position, identify and consult on saving proposals to meet the estimated budget gap.

Develop appropriate approach and service delivery plans to address the budget shortfall in readiness for April 2020/21

Responsible Officer:

Steve Mawson – Chief Financial Officer & Assistant Director of Finance

Completion Date:

Regular monitoring until 31st March 2020.

Draft Budget Plan 31st July 2019

August 2019

Statement of Commitment

We have been advised of the implications of the result of the 2018-19 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 2019:

Ros Jones
Mayor of Doncaster

Jo Miller
Chief Executive

DRAFT

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 2018/19. These are:

- ❖ **Alarm Receiving Centre (ARC) System** - A review of the system within the Alarm Receiving Centre (ARC) and HEART response team raised concerns about the efficacy and business continuity of assistive technology. A new system has been procured and staff training has commenced. Data reconciliation has also been completed which will enable full roll out of the new system.
- ❖ **Direct Payments** - In 2015/16 there was a high level of overpayments that had been made in paying personal budgets for direct payment recipients in adult social care. Consequently two audits were undertaken and the service have been implementing the actions from the audit with all actions either fully complete or nearing completion. Key actions and outcomes to date include; End to end review of the Direct Payment process, Refreshing the direct payment policy and procedure, All new direct payments are made via a pre-payment card, Commissioning an external money management service who will oversee the direct payment process on behalf of DMBC, Dedicated resources being identified to recover outstanding debt from overpayment of direct payments, Identification and refresher training for all staff on Direct Payments, Embedding of strength based and outcome based assessments and conversation, Increasing the number of service users in receipt of a direct payment enabling individuals to have control and independence on choosing the care they need to meet their assessed outcomes.
- ❖ **Adult, Health and Wellbeing - Contract and Commissioning Arrangements** - There has been a large number and value of ongoing contract breaches and waivers occurring within the Adults, Health and Wellbeing Directorate. Action has been taken to increase capacity in the team. There have been no breaches; and waivers granted to contract procedure rules have been minimal. The Commissioning and Procurement Plan for 18/19 is on track to re-commission the contracts due to expire during the financial year.
- ❖ **Doncaster Children's Services Trust (DCST) Overspend** - The outturn position for 2017/18 was an overspend of £4.15m. The projected position continued to increase during 2017/18. The pressures were mainly due to more children in care and the cost of more complex cases. We have continued close monitoring of the financial position during 2018/19 and monitoring reports have been improved to enable clearer financial information is provided. Also there was a Cabinet approval for a £6m contract variation on 16th October 2018. The impact of current demand on the 2019/20 budget has been considered and £6.735m additional ongoing budget is included in the budget approved by Council on 4th March 2019.

- ❖ **General Data Protection Regulation (GDPR)** - The EU General Data Protection Regulation (GDPR) came into force on 25 May 2018 and brings significant changes to the law on Data Protection. The changes implemented needed to ensure compliance with GDPR across the organisation by 25th May deadline and thereafter. All high risk areas have been addressed and further improvements to processes have been completed including privacy notices, data sharing agreements, contract variations, DPIA's for new systems and processes as well as further training for Information Asset Owners.
- ❖ **Management and stock control relating to the smart lights project** - 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. A recovery plan has been produced and was presented to Audit Committee on 25th October 2018. Monthly meetings are being held for the next 12 months to update the recovery plan as lanterns are used.
- ❖ **Devolved budgeting in Adults** - Spend and budget responsibility needs to be as close to decision making as possible to be effectively controlled. Key activity completed included establishing the most appropriate level of budget delegation for each of the commissioned services, training has been provided on the processes and system to Team Managers, Heads of Service and Assistant Directors. Devolved budgeting is in place and being reported on a monthly basis which has provided greater ownership, improved forecasting and variations are better understood collectively, leading to corrective action. This will be further strengthened through the implementation of the Doncaster Integrated Peoples Solution (DIPS) system in August 2019
- ❖ **Income Management** - Internal Audit identified weaknesses regarding compliance with the Council's procedures and for monitoring and collecting debt. The policy and guidance has been updated and is now published for staff to access and we are currently in the process of preparing to train financial management staff.
- ❖ **Learning Disability/ Supported reviews** - An improvement area was identified relating to annual reviews within the Learning Disability Team. A work stream has been ongoing to review all residents in commissioned supported living in Doncaster to ensure that outcomes are identified and being met and to ensure best value for residents and the council. A private social work agency has been contracted to undertake this work. There has for reasons beyond Doncaster Council's control, been some delay in this work being progressed as initially planned, Work has been undertaken to support the contracted provider and as of 15th Feb 2019 it is confirmed that this work has now been complete. Further work for the learning disability team to put into effect the outcomes of the reviews going forward and a plan is being put into place to set key milestones and timescales for implementation.
- ❖ **Deprivation of Liberty Safeguards (DoLs) – best interest assessments** - Internal Audit identified anomalies in relation to payments made for Best Interest assessments, which had arisen due to poor financial and administrative processes. Action has been taken to ensure compliance with the audit actions. The few remaining actions are linked to the implementation of the new DIPS/Mosaic system and are therefore reliant on the system going live.

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Doncaster Council

Internal Audit Plan 2019-20

11th April 2019

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

INTERNAL AUDIT PLAN 2019/20

EXECUTIVE SUMMARY

1. This report presents the Annual Internal Audit Plan for 2019/20 which has been created following a review of risks and Council activities (including partnership activities).
2. The plan (attached to this report) conforms to UK Public Sector Internal Audit Standards (UKPSIAS); these are the professional internal audit standards.
3. The level of audit resource is planned to rise from 7.9 FTE's in 2018/19 to 9.0 FTE's in 2019/20, as a vacant post is being recruited to.
4. Summary plan for last year and next year are as follows:

2018/19 Audit Plan

2019/20 Audit Plan

Breakdown of the Plan By Type of Work

	Days	Plan %
Assurance Work	793	58.9%
Consultancy Work	75	5.6%
Responsive Work*	370	27.5%
Followup Work	108	8.0%
<i>Total</i>	1345	100%

	Days	Plan %
Assurance Work	967	63.0%
Consultancy Work	87	5.7%
Responsive Work*	349	22.7%
Followup Work	132	8.6%
<i>Total</i>	1535	100%

*Responsive work includes time set aside to deal with in year identified issues, an allowance to give proactive advice where needed and a 10% audit plan contingency.

5. The plan continues to focus on the areas that add the most value to the organisation. The plan also continues to consider corporate priorities, along with financial, fraud, ICT and information governance risks.

6. The Internal Audit Plan is broadly comparable with previous years but has changed in the following ways:
- a. There has been an improvement in governance in 2018/19, as can be seen in the Annual Governance Statement (AGS), which is reflected in the audit plan. It is therefore anticipated that less time will be spent supporting management in improving problematic services so more resources can be diverted to assurance work. This is reflected in the increase in “Council Wide” areas of coverage rather than departmental coverage.
 - b. The plan reflects closer working arrangements with Financial Management and other appropriate teams to support a more collaborative approach and maximise the value added from each audit. Additionally, a Value for Money team has been recently established and this may influence the method of delivery of some of the areas identified within the plan.
 - c. The amount of time set aside for responsive work has been reduced due to lower levels experienced in 2018/19 than in the previous two years. The actual level of responsive work cannot be accurately predicted. Should this level of resource not be required, further planned audits will be added from a reserve list of audits.
 - d. Similar levels of time have been allowed for consultancy based work where there has been a high demand for these services and also for smaller pieces of advisory work. This is in line with the aspect of the mission statement of internal audit requiring the team to be insightful and adding value.
 - e. Less time has been allocated in 2019/20 for audits in Adults, Health and Wellbeing as a result of improvements made within the directorate during the year. This is consistent with the evaluation of improved governance, risk and control arrangements now in place.
 - f. The amount of time allocated to Corporate Resources is very slightly lower due to less coverage traditionally needed by the External Auditor, offset by development time to design more effective testing in these areas using data analytics.
 - g. A higher level of actual coverage is planned to be delivered for Regeneration and Environment with some audits being those that were slipped from the 2018/19 plan.
 - h. A higher level of actual coverage is planned to be delivered in Learning and Opportunities than last year but the relatively low level of coverage continues to reflect the diminishing audit universe here which is caused by the transfer of local authority schools to academies and less direct service.

The audit planning process includes review of all service areas and key processes across the Council. The risk assessment involved in this review culminates in the production of a long list of risks potentially subject to audit. The list has been reduced through discussions with management about items that may be given lower priority. A list of the items included in the long list but excluded from the initial audit plan is included in Appendix B within the attached report. If the risk associated with these items during the year changes (increases), they will be considered for audit coverage at that time. Otherwise, they will be considered for audit work in 2020/21.

7. As can be seen from the points above, there are many factors taken into account in formulating this plan and some of these factors, ie new and emerging risks and the level of

responsive work are largely beyond our control. The plan is regularly reviewed and adjusted to take these factors into account.

8. When these reviews result in audits being removed from the plan, this is on the basis that the risk rating on that particular area may have reduced such that other areas now take priority and are added to the plan, or there may be insufficient resources to deliver all planned work and then an assessment of risk of the remaining planned items takes place. Those items on the plan that are considered most likely, at this point in time, to be removed from the plan are indicated in Appendix 1 with an asterisk (*).
9. The plan is considered deliverable. However, should the Head of internal Audit consider that the plan becomes unachievable to the extent that he feels that he is unable to provide his annual opinion on the Council's governance, risk management and internal control arrangements, then the Council's Chief Financial Officer and Assistant Director – Finance has given his assurance that additional resources will be discussed and reviewed to avoid this situation. This support is consistent with that assured in previous years.

RECOMMENDATIONS

10. The Audit Committee is asked to support the 2019/20 Internal Audit Plan.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

11. Effective oversight of internal audit through the Audit Committee adds value to the Council by ensuring that it manages its risks in support of the key priorities and outcomes it seeks to achieve.

BACKGROUND

12. This report is produced annually for Audit Committee inspection / awareness as required under the UK Public Sector Internal Audit Standards.

OPTIONS CONSIDERED

13. Not applicable - for information only

REASONS FOR RECOMMENDED OPTION

14. Not applicable - for information only

IMPACT ON THE COUNCIL'S KEY OUTCOMES

15. Internal Audit contributes to the effective management of the Council's risks, which in turn contributes to the achievement of the Council's goals and key outcomes for Doncaster as a whole.

Outcomes	Implications
<p>Doncaster Working: 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"> • Better access to good fulfilling work • Doncaster businesses are supported to flourish 	<p>None</p>

Outcomes	Implications
<ul style="list-style-type: none"> • Inward Investment 	
<p>Doncaster Living: 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"> • The town centres are the beating heart of Doncaster • More people can live in a good quality, affordable home • Healthy and Vibrant Communities through Physical Activity and Sport • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	None
<p>Doncaster Learning: 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"> • Every child has life-changing learning experiences within and beyond school • Many more great teachers work in Doncaster Schools that are good or better • Learning in Doncaster prepares young people for the world of work 	None
<p>Doncaster Caring: Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> • Children have the best start in life • Vulnerable families and individuals have support from someone they trust • Older people can live well and independently in their own homes 	None
<p>Connected Council:</p> <ul style="list-style-type: none"> • A modern, efficient and flexible workforce • Modern, accessible customer interactions • Operating within our resources and delivering value for money • A co-ordinated, whole person, whole life focus on the needs and aspirations of residents • Building community resilience and self-reliance by connecting community assets and strengths • Working with our partners and residents to provide effective leadership and governance 	Internal Audit provide assurance that Council services are robust, well managed and properly safeguard the public purse through reviewing risk, governance and control activities covering the Council's operations and partnership working arrangements.

RISKS AND ASSUMPTIONS

16. The Council must provide an effective internal audit if it is to meet its statutory obligations.
17. Failure to direct internal audit resources to the most appropriate areas would limit the contribution the team can make to the Council. It would also limit the ability of the Head of Internal Audit to provide an opinion on the governance, risk management and internal control arrangements. These risks are managed through having an appropriate internal audit plan, supported by adequate internal audit resources.

LEGAL IMPLICATIONS [HP 2/4/19]

18. The Council must provide an adequate and effective internal audit in order to comply with the requirements of the Accounts and Audit Regulations 2015.

FINANCIAL IMPLICATIONS [AT 29/03/19]

19. The revenue budget for Internal Audit is £472k (excluding internal recharges) and is part of the Corporate Resources budget. Outside of pay inflation, the changes to the team's structure and plan have been met from the team's existing resources. The Value for Money team is an informal group of officers and there is no additional cost involved.

HUMAN RESOURCES IMPLICATIONS [KG 27/03/19]

20. There are no specific HR implications contained in this report.

TECHNOLOGY IMPLICATIONS [PW, 28/03/19]

21. The report confirms that the plan continues to focus on the areas which can add the most value to the organisation, including ICT. As such, the scope of a number of the audit projects included in the Internal Audit Annual Plan for 2019/20 include new and upgraded ICT systems. An audit of mobile devices and inventories is also included in the plan to ensure that there are sound controls over mobile devices and their usage and that council assets and data are properly safeguarded.

HEALTH IMPLICATIONS [RS 27/03/19]

22. There are no direct health implications of this report. The health implications rest with the service areas to be audited as part of the Internal Audit plan.

EQUALITY IMPLICATIONS [PRJ, 29/03/19]

22. 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 reviews covered by the plan will take into account any relevant equality implications.

CONSULTATION

23. The Chief Executive and Directors were consulted on Internal Audit's proposals.

BACKGROUND PAPERS

Accounts and Audit Regulations 2015
UK Public Sector Internal Audit Standards 2017
Council Risk Register

REPORT AUTHOR & CONTRIBUTORS

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Peter Jackson
Head of Internal Audit



Doncaster
Council

Internal Audit Plan 2019/20

1. PURPOSE

1.1 This document provides details of the Internal Audit annual plan for 2019/20 for Doncaster Council. The definition of Internal Audit is set out in the UK Public Sector Internal Audit Standards (the Standards), as:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

1.2 This plan and the construction of it are in line with the above standards.

1.3 This audit plan is important because it sets out the components of the control environment that need to be audited. These needs are identified after an assessment of risks and throughout the Council taking into account any known weaknesses or concerns, along with sources of assurance that can be relied upon to give assurance over risks in those areas.

1.4 The audit plan is dynamic and is regularly reviewed and amended to ensure that it meets the Council’s requirements and is addressing the highest priority needs. As a result this plan is revised during the year as is appropriate. Any changes to the plan will be reported to Audit Committee as required by the UK Public Sector Internal Audit Standards.

2. AUDIT REQUIREMENTS

2.1 Internal Audit is a statutory requirement as required under the Accounts and Audit Regulations 2015 which state that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”

2.2 Internal Audit also has an important role in supporting the Chief Financial Officer and Assistant Director of Finance to discharge his statutory responsibilities, which include:

- S151 Local Government Act 1972 – to ensure the proper administration of financial affairs.

- S114 Local Government Act 1988 – to ensure the Council’s expenditure is lawful.

2.3 Throughout all of our activities, we are bound by the UK Public Sector Internal Audit Standards. These are professional standards that set out the key elements of an effective internal audit team. Further detail is set out in section 8 of this report.

2.4 Further information on these standards and compliance with them (along with the results of a review of the Internal Audit function) are reported to Audit Committee separately.

3. KEY INTERNAL AUDIT AIMS

3.1 Internal Audit intends through its activities to assist the Council in achieving its key priorities, objectives and outcomes. Internal Audit contributes to these aims by helping to promote a suitably secure and robust internal control environment, including the effective management of risks that could prevent the achievement of key priorities.

3.2 In all of the work we undertake, we seek to add value by:

- Providing independent assurance on the quality and effectiveness of internal controls and processes;
- Providing timely reviews of emerging areas of risk, control or governance issues to identify / recommend ways to improve these areas, reduce risks or improve value for money;
- Examining governance processes and ethical standards and compliance with them to improve standards and transparency, and to protect the Council’s reputation;
- Preventing, detecting and pursuing fraud through our anti-fraud and data matching initiatives (and by recommending control or governance improvements where there are detected incidents to prevent them reoccurring and minimise any losses as a result);
- Stimulating risk awareness and management throughout the organisation and providing timely advice and support to manage and mitigate risks;
- Providing timely service and best practice advice during the set-up of new systems / processes or during significant changes to existing systems or processes to

ensure that internal control environments are strengthened during changes; Internal Audit’s mission statement per UK Public Sector Internal Audit Standards (UKPSIAS) is defined as “To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”. It is through the consultancy and advisory work that the team is most visibly seen as being insightful and adding value and is a well-regarded aspect of the teams work.

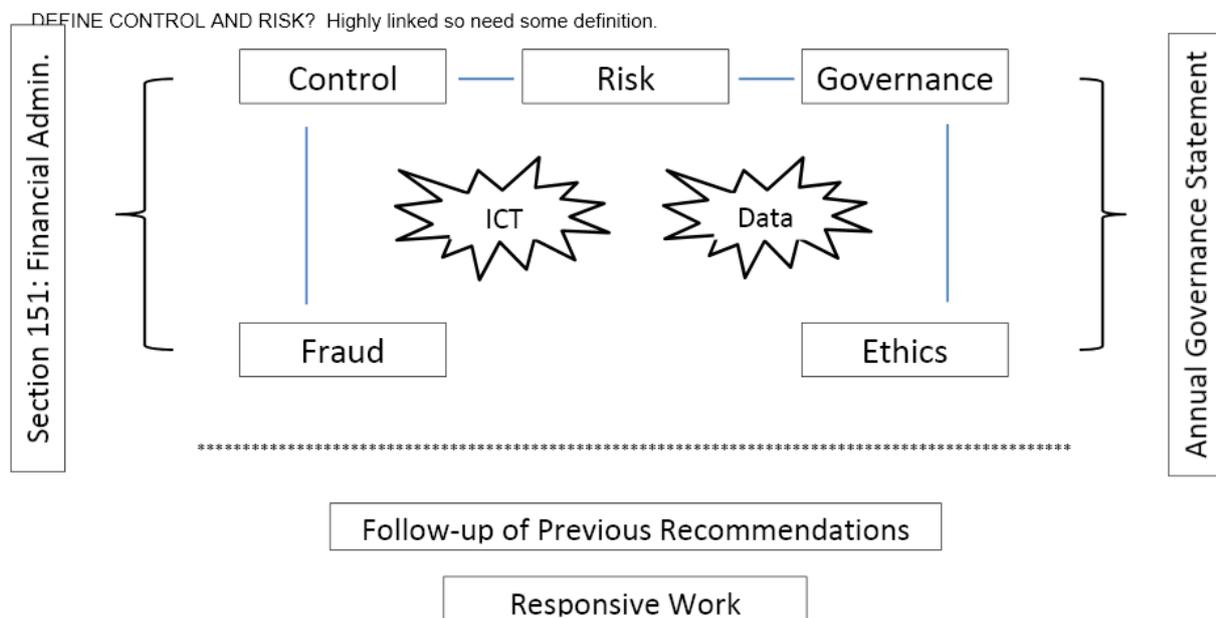
- Ensuring that agreed audit recommendations are implemented by management to address identified weaknesses (follow-up work)

4. CONSTRUCTING THE AUDIT PLAN

4.1 This plan has been prepared in line with the UK Public Sector Internal Audit Standards (UKPSIAS). It is a risk based plan that has been compiled a risk assessment of the Council’s functions and services and risk, control and governance arrangements supplemented by discussions with key officers, Assistant Directors and Directors throughout the Council. This risk assessment was then used to compile a list of audit needs.

4.2 Visually, our approach to audit planning is: -

DONCASTER MBC INTERNAL AUDIT: UK STANDARDS PLANNING MAP



4.3 Our work that we identify as an audit need falls generally into the areas of governance, risk and control. Audits that concentrate on controls generally support our audit work in providing assurance to the Council’s S151 (Chief Financial Officer) whilst audits concentrating more on

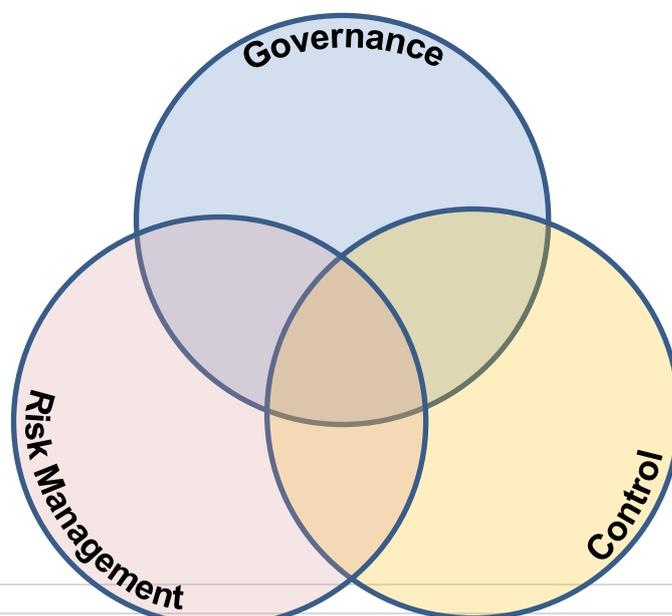
the governance elements support the Council's annual governance statement. It should be noted that our audits can and do cover more than one of these areas (governance, risk and control). Wherever we look at control work, we will consider fraud as a matter of course and will consider ethics during any of our governance work. In all of our work we seek to utilise and examine ICT and data / information management risks wherever they are applicable to our work, as ICT and data underpin all of the Council's activities.

- 4.4 The audit standards also require internal audit to consider fraud risks and ethics arrangements.
- 4.5 Our audit planning applies to all services across the Council. This is known as the audit universe. An explanation of the audit universe and planning process was provided to the Audit Committee prior to its meeting in April 2019 to enable the Committee to understand the full universe subject to risk assessment and how the plan is constructed from the risk assessment as well as allowing them the opportunity to raise areas of concern from their perspective to consider as part of the planning process.
- 4.6 Inevitably when we undertake our risk assessments, there are more needs / demands than available resources to review all the areas identified as having a certain level of residual audit risk. As a result, needs were ranked with a priority rating and those audits / projects that added lower overall value to the Council were excluded from the plan. The audits originally identified for potential audit attention and not covered in the plan are included in Appendix B.
- 4.7 A contingency has been allowed for within the plan to deal with new and emerging risks and issues and a separate allowance for the investigation of fraud or irregularities that may be referred to us or uncovered during the year. However, when all new risks emerge, they are compared to those items of need that did not make it into the final plan to ensure that we continue to concentrate on those areas where there is the greatest need and we can add the highest value from our activities. If, towards the end of the financial year, there are unused elements of either contingency, items of need from the list that did not make the final plan will be re-considered for inclusion. This has historically been an unlikely scenario.
- 4.8 The risk assessment process used to identify items for the audit plan considered:-
 - The Borough Strategy, the Corporate Plan, Doncaster Growing Together and associated outcomes and objectives;
 - The Council's Annual Governance Statement

- Risks including corporate strategic risks and service specific risks;
- Key governance and ethical frameworks that govern the Council and its activities;
- Financial and budgetary information;
- Procurement activities and items of high procurement / commissioning spend;
- Service plans and their associated risks;
- Corporate projects and known / planned technological changes;
- Information assets and business systems within service areas (or their absence);
- Data protection risks
- Legislative changes (where appropriate) and national initiatives such as the NFI;
- Fraud risks;
- Partnership risks and significant partnerships;
- Concerns or service changes as identified by key officers, Directors or Assistant Directors; and
- Areas highlighted for consideration at a regional or national level.

4.9 Internal audit activity, as defined by UKPSIAS, consists of 2 main distinct forms of activity; assurance activity and consulting activity with the majority of our work being directed at assurance activities. In line with the definition, our assurance activity work focuses on 3 main areas: improving risk management processes, improving governance processes and improving the control environment. As such, our assurance work can be subdivided into these 3 elements.

4.10 Visually this mix can be represented as follows:



4.11 Crucially, our assurance work can cover more than one of these areas.



Governance

Internal audit must assess and make appropriate recommendations for the improvement of governance processes including ethics and values within the organisation.



Risk Management

Internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.



Control

The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

4.12 When the work set out in the plan is analysed against the 3 elements of risk governance and control, it demonstrates there is coverage against all three elements on a basis reasonably consistent with previous years. The level of pure control work is below 10%. This demonstrates that only a small amount of the team's work is delivering traditional control type work which is also known as regularity or compliance work. Instead, the majority of the teams work is spent on adding value through considering risk and governance and so meeting the expectations of a modern internal audit service.

5. Audit Resources

5.1 The level of audit resource has risen from 7.9 FTEs in 2018/19 to 9.0 FTEs in 2019/20. This increase in resources is dependent upon and in anticipation of a new member of staff being recruited to the team.

5.2 Our resource calculations are broken down as follows:

	2017/18	2018/19	2019/20
Gross Days	2356	2097	2413
<i>Less:</i> Annual and statutory leave	401	336	384
Special leave (other)	12	13	20
Unpaid leave	15	15	15
Election leave	10	3	10
Available days:	1918	1731	1984
<i>Less:</i> Sickness	60	53	60
Service development and improvement	34	32	31
Professional training and CPD	71	121	199
Management and supervision	174	163	151
Attendance at Drainage Boards	2	-	-
Administration and support	15	16	18
Planned Days	1562	1345	1525*

* The increase in estimated resources is largely in anticipation of an additional member of staff being recruited to the team.

6. SUMMARY OF THE DRAFT AUDIT PLAN

6.1 The proposed audit plan can be summarised as follows:

2018/19 Audit Plan

2019/20 Audit Plan

Breakdown of the Plan By Type of Work

	Days	Plan %		Days	Plan %
Assurance Work	793	58.9%	Assurance Work	967	63.0%
Consultancy Work	75	5.6%	Consultancy Work	87	5.7%
Responsive Work*	370	27.5%	Responsive Work*	349	22.7%
Followup Work	108	8.0%	Followup Work	132	8.6%
<i>Total</i>	1345	100%	<i>Total</i>	1535	100%

*Responsive work includes time set aside to deal with in year identified issues, an allowance to give proactive advice where needed and a 10% audit plan contingency.

Breakdown of Assurance and Consultancy Work by Directorate

Days	%	Directorate	Days	%
189 Days	21.7%	Adults, Health and Wellbeing	195	18.7%
221 Days	25.6%	Corporate Resources	211	20.3%
65 Days	7.4%	Learning and Opportunities	95	9.2%
119 Days	13.7%	Regeneration and Environment	122	11.7%
274 Days	31.6%	Council Wide	419	40.2%

7. The Internal Audit Plan is broadly comparable with previous years but has changed in the following ways:

- a. There has been an improvement in governance in 2018/19, as can be seen in the Annual Governance Statement (AGS), which is reflected in the audit plan. It is therefore anticipated that less time will be spent supporting management in improving problematic services so more resources can be diverted to assurance work. This is reflected in the increase in "Council Wide" areas of coverage rather than departmental coverage.

- b. The plan reflects closer working arrangements with Financial Management and other appropriate teams to support a more collaborative approach and maximise the value added from each audit. Additionally, a Value for Money team has been recently established and this may influence the method of delivery of some of the areas identified within the plan.
- c. The amount of time set aside for responsive work has been reduced due to lower levels experienced in 2018/19 than in the previous two years. The actual level of responsive work cannot be accurately predicted. Should this level of resource not be required, further planned audits will be added from a reserve list of audits.
- d. Similar levels of time have been allowed for consultancy based work where there has been a high demand for these services and also for smaller pieces of advisory work. This is in line with the aspect of the mission statement of internal audit requiring the team to be insightful and adding value.
- e. Less time has been allocated in 2019/20 for audits in Adults, Health and Wellbeing as a result of improvements made within the directorate during the year. This is consistent with the evaluation of improved governance, risk and control arrangements now in place.
- f. The amount of time allocated to Corporate Resources is very slightly lower due to less coverage traditionally needed by the External Auditor, offset by development time to design more effective testing in these areas using data analytics.
- g. A higher level of actual coverage is planned to be delivered for Regeneration and Environment with some audits being those that were slipped from the 2018/19 plan.
- h. A higher level of actual coverage is planned to be delivered in Learning and Opportunities than last year but the relatively low level of coverage continues to reflect the diminishing audit universe here which is caused by the transfer of local authority schools to academies and less direct service.

- 7.1. The audit planning process includes review of all service areas and key processes across the Council. The risk assessment involved in this review culminates in the production of a long list of risks potentially subject to audit. The list has been reduced through discussions with management about items that may be given lower priority. A list of the items included in the long list but excluded from the initial audit plan is included in Appendix B within the attached report. If the risk associated with these items during the year changes (increases), they will be considered for audit coverage at that time. Otherwise, they will be considered for audit work in 2020/21.
- 7.2. As can be seen from the points above, there are many factors taken into account in formulating this plan and some of these factors, i.e. new and emerging risks and the level of responsive work are largely beyond our control. However, the plan is regularly reviewed and adjusted to take these factors into account.
- 7.3. When these reviews result in audits being removed from the plan, this is on the basis that the risk rating on that particular area may have reduced such that other areas now take priority and are added to the plan, or there may be insufficient resources to deliver all planned work and then an assessment of risk of the remaining planned items takes place. Those items on the plan that are considered most likely, at this point in time, to be removed from the plan are indicated in Appendix 1 with an asterisk (*).
- 7.4. The plan is considered deliverable. However, should the Head of internal Audit consider that the plan becomes unachievable to the extent that he feels that he is unable to provide his annual opinion on the Council's governance, risk management and internal control arrangements, then the Council's Chief Financial Officer and Assistant Director – Finance has given his assurance that additional resources will be discussed and reviewed to avoid this situation. This support is consistent with that assured in previous years.

8. Audit Charter and Strategy

8.1 Internal Audit maintains a Charter and Strategy which, between them, set out the mission for Internal Audit, its operating arrangements, position within the Council structure, its rights of access to all documentation and all officers and members, the service's objectives and its resources and plans for achieving the objectives. The Charter and Strategy also show how the service complies with key elements of the audit standards.

8.2 The Charter and Strategy are reviewed on an ongoing basis and formally considered each year for any revisions / updates required. This year, the formal review will be carried out in time to present an updated Charter and Strategy to the Audit Committee in June 2019 following updated guidance from CIPFA.

9. Quality Assurance and Improvement Programme (QAIP)

9.1 A public sector internal audit services are required to comply with The UK Public Sector Internal Audit Standards (the Standards / UKPSIAS). The Standards require Heads of Internal Audit to establish and carry out Quality Assurance and Improvement Programmes. Doncaster Internal Audit Service maintains appropriate ongoing quality processes designed to ensure that internal audit work is undertaken in accordance with relevant professional standards.

9.2 Specific Quality Assurance and Improvement checks are conducted as follows:

- The Head of Internal Audit maintains a self-assessment against the Standards to confirm conformance with the Standards.
- Audit files are subject to review on a sample basis by the Head of Internal Audit to confirm quality standards are being maintained. The results of the reviews are documented and any key learning points shared with the internal auditors (and the relevant audit manager) concerned. Appropriate action is then planned in response to any findings.
- From time to time Internal Audit will seek feedback from clients on the quality of the overall internal audit service. Feedback will generally be sought through the use of surveys.
- At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Audit Committee. The most recent external peer review was completed in 2017 and confirmed Internal Audit “Generally Conformed” with the Audit Standards (General Conformance is the highest level of accreditation possible).

Appendix A – The Annual Internal Audit Plan

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
Assurance Work								
Corporate Items	Audits in progress at the beginning of the year	This represents the time required to complete audits that were already in progress at the beginning of the financial year.	Not Applicable				84	1
	Annual Governance Statement	Contribution to the Annual Governance Statement as compiled by the Strategy and Performance Unit for publication as part of the Council's annual final accounts.	The Annual Governance statement is key document highlighting areas of weakness in governance arrangements. The work undertaken by Internal Audit during the year results in a substantial and well informed contribution to the report.	Y			5	1

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	Audit Planning and Relationship Management	Review of new and emerging risks during the year and any consequential plan changes. Full risk assessment for each directorate as part of the annual planning process. Ongoing and regular contact with departmental management teams updating them on audit issues	This work adds value through a thorough assessment process ensuring audit resources are targeted at areas of greatest need in terms of risk, governance and control from both an assurance and advisory perspective. Regular liaison with senior management ensures that the work of the team remains relevant to the Council	Y	Y	Y	100	All
Corporate Items	Continual Auditing Research and Development	Systems Development /research for developing continual auditing approach to financial systems audits.	This piece of work is aimed at reviewing the current financial programme coverage, researching and starting to develop continual auditing opportunities for financially based audits within corporate services. This is a longer term project designed to add value by eventually being able to replace most of the current annual financial audits with continual assurance rather than a cycle of yearly / 2 yearly audits.			Y	26	2 to 3

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	National Fraud Initiative	Participation and reporting against the National Fraud Initiative as required. This will involve the review and investigation of potential fraudulent or concerning data matches as provided by the Cabinet Office.	This piece of work aims to add value by using risk based reviews of the data matches returned by the NFI to detect, correct and investigate fraud and error.		Y	Y	60	1 to 2
	Data Matching	An allowance for data matching initiatives to detect fraud and error and/or analyse data to identify business trends. Individual projects will be developed during the year.	This work adds value by matching data sets together to detect fraud and error or identify missing income or system / data weaknesses.		Y		80	2 to 4
Corporate Items	Audit Committee Reporting	A provision of time for the servicing of the Audit Committee. This includes scheduling the Audit Committee work plan and agendas, producing routine reports from the Internal Audit team, provision of responsive reports as requested by the Committee and supporting the production of reports from other directorates and attendance at meetings	This input adds to the efficient and effective running of the Audit Committee. 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. The work undertaken by the Audit Committee improves and strengthens governance arrangements within the Council and its partners.	Y			61	ALL

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	External Audit Liaison	Liaison with the Council's external auditor as appropriate throughout the financial year.	Liaison with the external auditor ensures that they can complete their work more efficiently and both parties are better informed on relevant issues. It also avoids any possible duplication of work.	Y			3	ALL
	Continual analytics Payroll to Creditors	Continuation of a new and improved payroll to creditors matching service (in house) to detect fraud and inappropriate financial interests and identify possible IR35 breaches (where employees are paid via creditors).	This work adds value by identifying possible fraud or collusion ie criminal acts and wasted public funds as well as ensuring legislative compliance.		Y		26	ALL
Adults, Health and Wellbeing	Front door / Demand Management (Governance arrangements)* ¹	This audit will cover the governance arrangements in place for the front door initiatives. This review will consider the design and implementation plan for the front door arrangements. This will provide oversight that the plan and implementation of the front door arrangements are realistic and achievable and will have an impact on demand management.	This review aims to add value by ensuring that there are effective governance arrangements in place for the front door arrangements. Thereby having a positive impact on the overall demand management pressure	Y	Y	Y	21	1

¹ * Those items on the plan that are considered most likely, at this point in time, to be removed from the plan are indicated with an asterisk (*).

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	Steps/Positive Steps	This audit will review the Steps and Positive steps process assessing any inefficiency with the system and identify any areas that may cause delay to service users.	This review aims to add value by ensuring the system is operating efficiently, ensuring demand for intermediate care can be accommodated.	Y	Y	Y	21	2
	DIPS Payment Systems	This audit will review the control processes over the highest risk payment areas being generated though the new systems being implemented and carry out testing as required.	This review will add value by providing assurance that effective control arrangement are in place to make accurate payments for valid services provided			Y	21	1/2

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
Adults, Health and Wellbeing	Deprivation of Liberty Standards (DOLS)	This area has been previously reviewed by the Audit Team. A new system is being introduced that will complete outstanding actions on the DoLS action plan. This re-review will look at new DoLS system and processes to ensure that deprivation of liberty assessments are completed robustly and in a timely manner and that the weaknesses of the previous system have all been properly addressed.	This piece of work aims to add value by ensuring that the operation of the new system is effective and that any peripheral financial processes that cannot be dealt with inside the system (for example for the payment of DoLS assessments) are robust and ensure proper financial control is being applied.	Y	Y	Y	15	3
	Building Community Capacity	This review will assess the arrangements for building community capacity. (There is a budget of £600k available) Ensuring there are sound arrangements for the criteria used to assess the impact of the proposed bids for investment. Also to ensure there will be systems in place to assess the actual impact versus the plan.	This review aims to add value by ensuring the systems and process are set up correctly to allow for maximum community impact to be achieved.	Y	Y	Y	21	3

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	Stronger Families Grants - Evidence systems	This audit will look at transformational effects of the Governments Troubled Families Programme, looking at the extent to which whole family working has been embedded into working practices for Doncaster Council. Please note this review will not cover the extent to which partner agencies such as the Children's Trust or St Leger Homes have embedded whole family working.	This project looks to add value by demonstrating and evidencing the transformational change that has taken place as a result of the Troubled Families Programme and making further recommendations for improvement as required.	Y	Y		15	4
Adults, Health and Wellbeing	Continuing Health Care Payments*	This audit will review the revised administration of Continuing Health Care payments with the Clinical Commissioning Group process to ensure that it is being applied as prescribed and operating well.	This review aims to add value by ensuring there are sound processes in place for CHC payments.		Y	Y	10	4

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	Stronger Families Grant	Audit of the Governments Troubled Families Grant Claim (12 claims). In Doncaster, this is known as the Stronger Families Programme.	The review and certification of claims helps to ensure that the risk of claw back of funding is minimal and ensure that there is sufficient evidence available for the Council to pass any Department for Communities and Local Government Spot-Checks in this regard. Certification enables the Council to secure government grant funding.			Y	26	All
Corporate Resources	Core Financial Systems - Treasury Management	A high level review will be undertaken (as long as the previous audit opinion is satisfactory). A high level review was also completed in 18/19.	This review aims to add value by ensuring the Council's money is properly safeguarded and accounted for.		Y	Y	10	1
Corporate Resources	Departmental financial system testing	Transactional work within user departments across the Council to ensure that financial transactions are robust, accurate and free from fraud and error.	This audit aims to examine areas that are not subject to an audit review in the current year to give assurance over financial transaction processing. This maximise the value we add.			Y	26	1 to 3

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	Information Governance Review	This review will look at the central information governance arrangements that are in place to ensure they are robust in identifying and dealing with issues.	The review aims to add value by ensuring that central information governance arrangements are robust in targeting resources to effectively improve this across the Council.	Y	Y	Y	15	3-4
	Social media usage and data protection.	This audit will examine the use of social media and associated controls as well as the governance arrangements to ensure that social media use (both in terms of its use in communications and its use for debt collecting and other purposes) is lawful and complies with policies and procedures.	This work adds value by ensuring that the reputation of the Council is safeguarded in outgoing communications and in ensuring the law (RIPA) is not broken when social media is used for other purposes.	Y	Y	Y	15	2

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
Corporate Resources	Password Management and User Accounts	<p>The audit will ensure that the process and procedures that are in place for the creating, amending and deleting members of staff access are effective.</p> <p>A process called SLAM was introduced in January 2019 meaning only one form needs to be completed and this is then distributed to all relevant departments.</p>	This audit will add value by giving assurance that there will be no inappropriate access to buildings and systems.		Y	Y	5	2
	Core Financial Systems - Accounts Payable (P2P)	A full review of the Procure to Pay process. This was last covered in 2018/19 as a high level review.	This review aims to add value by ensuring that procure to pay arrangements remain robust. This audit is an annual audit required due to the large volume and value of expenditure that goes through the system.		Y	Y	15	3
	Core Financial Systems - Accounts Receivable.	A mid-level review of the accounts receivable process. This service was the subject of a full review and testing in 2018/19.	This review aims to add value by ensuring that debtor recovery arrangements remain robust. This audit is an annual audit due to the large volume and value of income that goes through the system.		Y	Y	10	3

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
Corporate Resources	Core Financial Systems - Cash Book	Reliance will be placed on departmental testing.	This review aims to add value by ensuring that the cash book processes remain robust. This audit is an annual audit due to the fact that cash is a resource that is difficult to trace and is the most risky form of income collection.		Y	Y	5	3
	Homes and Community Agency Grant	Grant audit and certification of the Homes and Communities Agency grant received on a reciprocal basis with other authorities in the area.	This is a grant audit and is part of the grant terms and conditions. Without this review, grant monies are at risk of being reclaimed.			Y	7	3
	Accounting for Lease Payments	Working in conjunction with Financial Management, this review will ensure leases are accurately accounted for in the authority's accounts and that there are appropriate controls in the system recording leases.	Provides assurance to the external auditor over lease accounting arrangements.				5	3

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
Corporate Resources	Core Financial Processes - Housing Rents	A full review of the Housing Rents processes on behalf of the Council to ensure that rents it receives (as administered by St Leger Homes) is accurate, maximised and properly accounted for. The system will change in 2019/20 and a replacement for the current Universal Housing system is being sought. Whilst transactional testing will be needed on the outgoing financial system at year end, migration and control work is necessary on the incoming system prior to its formal introduction at the end of 2019/20.	This review aims to add value by ensuring that the Council maximises its income from Housing Rents and takes action on arrears as appropriate.	Y	Y	Y	12	4
	Core Financial Systems - Payroll Processing	The audit will be a full review of the new payroll system to ensure that the appropriate controls are in place.	This audit aims to add value by ensuring that the financial system continues to operate in established limits and add value by providing upfront advice on the system replacement to ensure that it fulfils its requirements.		Y	Y	21	3 to 4

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
Corporate Resources	Core Systems -General Financial Ledger and Fixed Asset Depreciation	<p>A new fixed assets system dealing with depreciation calculations has been set up within ERP for use with the final accounts. This system represents a substantial change in processes which have been previously based on spreadsheets. This review will look at the data migration arrangements, system usage and the various depreciation calculations.</p> <p>This audit was originally on the 2018/19 plan.</p>	This audit aims to add value by ensuring that the system set up and associated calculations are appropriate and support accurate and reliable records / transactions for the year-end financial accounts.		Y	Y	21	4
	Core Financial Systems - Housing Benefits *	<p>If substantial assurance received in 2018/19 and no fundamental changes to the system then no audit will need to be completed during 2019/20.</p> <p>If this is not the case then a mid-level review will be undertaken.</p> <p>The system was subject to a full review in 2018/19.</p>	This review aims to add value by ensuring that housing benefit arrangements remain robust following current changes. This audit is an annual audit due to the large volume and value of expenditure that goes through the system.		Y	Y	10	4

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
Corporate Resources	Core Financial Systems - Council Tax Collection *	<p>If substantial assurance received in 18/19 and no fundamental changes to the system then no audit will need to be completed during 19/20.</p> <p>If this is not the case then a mid-level review will be undertaken.</p> <p>The system was subject to a mid-level review in 2018/19.</p>	This review aims to add value by ensuring that council tax arrangements remain robust. This audit is an annual audit due to the large volume and value of income that goes through the system.		Y	Y	10	4
	Mobile Devices and ICT Inventories	The audit will look at the procedures and processes that have been put in place. Controls will look at - physical location /security of in stock items, CCTV, access, delivery locations, receipts and issuing devices, recycled, rebuilt, disposed or reissued devices, destroying data, accounting for all mobile devices.	This audit aims to add value by ensuring that there are sound controls over mobile devices and their usage and that Council assets and data are properly safeguarded.		Y	Y	14	4
	Income Management Project Group	Contributing to the Income Management Project Group through attending meetings and reviewing documentation and project progress	The review aims to add value by ensuring that the Council maximises its income from all income source through ensuring all income due is properly accounted for though sound and timely reconciliation processes.		Y	Y	5	All

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
Learning and Opportunities	Fixed Penalty Notices	This piece of work will review the fixed penalty notices procedure for unauthorised absence from school. This will involve taking into account the proposal to automate the system, reasons for the delay in issuing notices, impact on attendance and the financial consequences (cost of raising FPN / collection rates etc.)	This review will aim to add value by ensuring that the fixed penalty notice procedure is operating effectively and has an impact on managing attendance.		Y	Y	10	1
	Review of Placements of Children	This audit will review the functions and effectiveness of placements teams across the partnership and the quality assurance framework.	This review aims to add value by ensuring there are effective placement processes in place with sound governance arrangements. This review will also ensure that the decisions made for service users placements are robust with outcomes clearly identified.	Y	Y	Y	10	2 to 3

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	School of concern	Undertake financial and governance review as and when required at a specified primary school.	This review will improve the financial management and governance within the school which has problems identified in this area.	Y	Y	Y	5	3
Learning and Opportunities	School Audit	This is an anti-fraud review of the cash handling arrangements in a local authority maintained primary school.	This review aims to add value by ensuring that schools (who handle substantial amounts of cash) have proper financial controls in place and that the cash is properly processed and is properly accounted for.		Y	Y	5	3

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	Review of School's Anti-Fraud Policy	This audit will review the school's anti-fraud policy to ensure that it is current and up to date.	This review aims to add value by providing schools with access to an up to date policy. This will help to ensure that the school's anti-fraud arrangements are robust enough to detect and deter fraud.		Y	Y	4	3
	School Governors Agenda	This time is to provide information, advice and support to the (school) Governors' Support Service to ensure audit and governance issues are consistently dealt with across all schools.	Improves Governance across schools.	Y		Y	8	3 to 4

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
Learning and Opportunities	Deficit Budgets (schools)*	A review of school financial deficit budgets and if there is a link to poor financial management and school performance and the implications of proposed moves to Academy status.	This review will aim to add value by ensuring that appropriate controls are in place for managing schools budgets and limiting the use of licensed deficit plans.	Y	Y	Y	10	4
	School Audit (2)	This is an anti-fraud review of the cash handling arrangements in a local authority maintained primary school.	This review aims to add value by ensuring that schools (who handle substantial amounts of cash) have proper financial controls in place and that the cash is properly processed and is properly accounted for.		Y	Y	5	4

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	Big Picture learning and social impact bond has been highlighted by procurement from a governance and financial perspective.	This will assist with the verification of the outcome evidence validation process in order for funds to be released via claims submitted.	The review and verification of the claims helps to ensure that funds are only released as per contracted outcomes.			Y	12	ALL
Regeneration and Environment	Bus Service Operators Grant (Claim 1)	Required grant sign off in order to progress the Bus Service Operators Grant (BSOG) claim.	Review and sign off of this grant is required as part of the grant terms and conditions. This work adds value by ensuring that grant monies can be claimed from the Department of Transport.			Y	4	1

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	Highways and Street Lighting Financial Systems Review	A new field based costing system SICLOPS has been brought in to replace the use of the TASK/TOTAL system in Highways. This review will look at how the system is operating in practice to ensure that project costing and monitoring and therefore the associated customer billing, is robust and accurate and that income in this area is being maximised as a result.	This audit aims to add value by ensuring that changes introduced into this area are functioning well and are contributing to increased efficiency. This audit also adds value by ensuring that all costs are promptly tracked and that income is being billed and collected efficiently.		Y	Y	21	2
Regeneration and Environment	Metroclean financial administration review	This review is intended to cover financial administration area including maximisation of income, ensuring income is all collected; ensuring anti-fraud controls are resilient for staff payments and ensuring that the ICT system feeding into payroll is robust.	This audit aims to ensure that income is collected and maximised. This audit also gives assurance on data quality and data protection.		Y	Y	15	2

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	Highways Grants - No 31/3224, No.31/3296 and No.31/2951.	A review of grant expenditure in line with the terms and conditions of the grant and the sign off and certification of expenditure in line with grant requirements. These 3 grants are inter-related and will be audited as one block.	Review and sign off of this grant is required as part of the grant terms and conditions. This work adds value by ensuring that grant monies can be claimed.			Y	6	2
Regeneration and Environment	Major Projects Programme*	A review of the overarching governance arrangements to ensure appropriateness and transparency in decision making and deliverability over the major projects programme.	Ensures that the delivery of projects supporting council objectives is appropriately managed.	Y	Y	Y	10	4

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	Bus Service Operators Grant (Claim 2)	Required grant sign off in order to progress the Bus Service Operators Grant (BSOG) claim.	Review and sign off of this grant is required as part of the grant terms and conditions. This work adds value by ensuring that grant monies can be claimed from the Department of Transport.			Y	4	3
Regeneration and Environment	Bereavement Services - Plot Box Financial System	A new system is being introduced in Bereavement Services that will deal with all aspects of funerals, including their billing and accounting. This review will look at this new system to ensure proper financial controls have been put in place to deal with the funerals, data recording and financial billing.	This review aims to add value by ensuring that financial systems that have been put in place are robust and free from material error or fraud.		Y	Y	15	3

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	ERDF / ESIF Funding*	A review of the arrangements for overseeing the identification of projects, claiming of grants and dealing with any potential clawback issues.	Ensures the council obtains the most benefit possible from available funding.		Y	Y	10	3 to 4
Regeneration and Environment	Building Control Financial Administration review	Building Control Financial Administration Review and VFM (income and performance).	Ensures all monies due to the authority are being received and that the service is performing to maximum capacity.		Y	Y	10	4

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	Trading Standards - seized goods security review	Review of security arrangements over goods seized by the Trading Standards team as part of their operations.	The review aims to ensure that no detrimental reputational issues arise in respect of goods that have been seized by Trading Standards.		Y	Y	5	4
Follow-up Work								
Regeneration and Environment	Stores Follow-up review	Stores Follow up and review of lower level inherent risk items.	Assurance over the robustness of stock control arrangements, security of stores and effectiveness in supporting the delivery of other functions such as Highways, PBM and Street Scene.		Y	Y	10	3 to 4

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
Corporate Resources	Strategic Procurement Arrangements follow-up review	<p>This follow-up review will look at the central procurement arrangements to ensure they are robust in identifying and dealing with procurement issues. Whilst procurement is ultimately the responsibility of the procuring manager, a review of central arrangements and actions taken to identify and deal with elements such as off contract spend, expiring contracts and waivers will ensure that there is a robust challenge to departments.</p> <p>The new CPRs will be in place at the end of May 2019 and these will need to be embedded into processes. This follow-up piece of work should be completed towards the end of 2019/20.</p>	<p>This review aims to add value by ensuring that central arrangements for the management of procurement are robust and are targeting resources effectively to improve procurement across the Council.</p>		Y	Y	5	4
Consultation Work								

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
Regeneration and Environment	Drainage Board Governance	Providing general or specific support as required by the Council in supporting good governance arrangements at its Internal Drainage Boards.	This support adds value in improving governance arrangements at a local, regional and national level.	Y			10	ALL
Adults, Health and Wellbeing	ARC/HEART Response Team	This work is the continuation of previous work in this area. It will provide advice for Phase 2 and 3 of the existing Telecare Upgrade Project. Internal Audit have previously given advice on Phase 1 (upgrades to the telephony and call handling systems for telecare clients). Phase 2 brings in new client and service management capabilities.	This review ensures that systems and processes are robust, safe, efficient and fit for purpose. This work will also ensure that arrangements to bill and manage clients are robust and collect the income due.		Y	Y	15	1 to 2

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	Assurance Support	The Director requested this work to provide assurance, advice and support to management within the directorate as and when required during the financial year rather than for specific known areas.	This will aim to add value by providing assurance where required.	Y			10	All
Learning and Opportunities	Children absent from school	This area is to be subject to a peer review and as such this piece of work will be split into 2 parts. The first part will involve reviewing the peer review scope and the second part will involve reviewing that the peer review has covered all areas identified on the scope and actions are then put in place to strengthen the process.	This piece of work adds value by providing an independent assurance that the peer review arrangements are effective.	Y		Y	10	1 to 2

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment			Audit Days	Quarter
				Governance	Risk Management	Control		
	Continuous Improvement Framework	This piece of work will involve working with Commissioning and Transformation to contribute to the development of the continuous improvement framework.	This piece of work adds value by helping to develop the continuous improvement framework by providing an independent analysis and ensuring the framework is robust to deliver service improvements.	Y	Y	Y	15	ALL
	Follow-Up Work						116	ALL
Responsive Work								
	Advice						90	ALL
	Fraud Investigations						120	ALL
	Contingency						139	ALL

Appendix B

The following areas were identified through the audit planning process as presenting risks to the effectiveness of the Council's governance, risk management or control arrangements. They have been excluded from the audit plan itself as they present lower risks than areas included

in the plan. If any risk assessment changes, escalating the risk assessment in any of these areas, they will be re-considered for coverage in the plan. All areas will be reconsidered for audit coverage in 2019/20:

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment		
				Governance	Risk Management	Control
Adults, Health and Wellbeing	Transformational Programme	This review will consider the efficacy of the transformational programme in order to provide assurance that the programme is on track to deliver. This will involve providing assurance that scopes, plans are in place and are effectively monitored etc.	This review will add value by providing assurance that effective arrangements are in place for the delivery of the transformational programme.		Y	Y
	Data Security & Protection Toolkit self - assessment	Audit of the Data Security & Protection Toolkit to provide assurance of the submission.	This review will provide assurance over the self-assessment submission	Y		Y
Corporate Items	Data Quality Support	Scope is to look at the areas that are not being looked at by Strategy and Performance Unit as they are currently concentrating on systems that are being moved to Doncaster Integrated Peoples Solution (DIPS)	This piece of work should add value by improving data quality and therefore improving business intelligence and the reliability of decisions made based on the Council's data.	Y	Y	

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment		
				Governance	Risk Management	Control
Corporate Items	Ethics Governance	Review of key governance policies and arrangements	This review adds value through providing assurance that key governance policies and procedures are in place and remain fit for purpose.			Y
Corporate Resources	Cyber Security / Threat Detection	Review of the arrangements to protect the authority from a cyber-attack.	This audit aims to add value by ensuring that there are sound controls around the prevention and detection of a cyber-attack.	Y	Y	Y
Regeneration and Environment	St Leger Homes Doncaster (SLHD) monitoring arrangements	A review of the effectiveness of the arrangements to monitor the SLHD SLA.	Ensures that the agreement with SLHD remains appropriate, is value for money and maximises the partnership arrangement.	Y		Y

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment		
				Governance	Risk Management	Control
Regeneration and Environment	Health and Safety Compliance audit	To review the Council's arrangements for Health and Safety Compliance.	Gives assurance on health and safety of employees and general public within public buildings by assessing the degree of departmental compliance with internal procedures.			Y
	M3 data quality audit	A review of data quality within the M3 system concentrating on areas of greatest risk.	Gives assurance over the appropriateness and accuracy of data held within one of the directorates main systems.			Y
	Street Scene Fees, Charges and Performance Review	A review of Street Scene Fees, Charges and Performance.	Ensures all monies due to the authority / service are being received and that the service is performing to maximum capacity.	Y	Y	Y

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment		
				Governance	Risk Management	Control
Regeneration and Environment	Street Lighting - Financial Administration and Purchasing Review	A review of Financial Administration and Purchasing arrangements.	Ensures all monies due to the authority / service are being received and purchasing arrangements are robust.	Y	Y	Y
	Waste Collection Contractual Payments and Recycling Rebates	A review of Waste Collection Contractual Payments and Recycling Rebates.	Gives assurance that income and expenditure is both appropriate and correct.			Y
	Fleet Management financial administration review	Financial review of purchase/sales/lease arrangements (fuel, vehicles) and associated recharging, and the safeguarding of assets.	Ensures financial probity, detects fraud and ensures counter fraud measures are robust. This audit also adds value by ensuring that customer charges are accurate.		Y	Y

Directorate	Audit Project	Suggested Scope of proposed audit	Value Added by this work	Standards Alignment		
				Governance	Risk Management	Control
Learning and opportunities	SEND	To wait for the outcome of the expected reviews and consider if Internal Audit can provide any assistance.	Wait for the outcome of the expected reviews and consider if Internal Audit can provide any assistance.	Y	Y	Y

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Doncaster Council

Report

Date: 11th April 2019

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

AUDIT COMMITTEE ANNUAL REPORT 2018/19

EXECUTIVE SUMMARY

1. The production of an annual report allows the Audit Committee to demonstrate it has fulfilled its terms of reference and share its achievements with the whole Council. The production of such a report also complies with current best practice for audit committees. This report asks Members to note and approve the draft Audit Committee Annual Report for 2018/19, attached to this report.

Particular ways in which the Audit Committee has contributed during the year include:

- Helping to maintain and improve the Council's system of internal control by reviewing internal and external audit work carried out during the year.
- Supporting improvement in the Council's control arrangements by ensuring appropriate action is taken to implement audit recommendations and calling officers to account where explanations over any lack of progress are required. This has been particularly important in monitoring the very high number of actions within the Adult, Health and Wellbeing Directorate and has eventually brought about a notable reduction in the number and significance of outstanding recommendations.
- In particular, reviewing and ensuring appropriate action is taken in response to significant weaknesses found in the management of the Safeguarding Adults Personal Assets Team (SAPAT), Deprivation of Liberty Safeguard (DOLS) Assessments, Direct Payments, Business Waste and Recycling and the Smartlight project.
- Critically assessing the Council's governance arrangements and supporting the production of an accurate Annual Governance Statement.

- Strengthening the Council's risk management policy by critically appraising the former policy and subsequently approving the revised policy.
- Supporting the maintenance of the good standards achieved in producing the Council's Statement of Accounts, while meeting shorter timescales now required.
- Supporting the Council's antifraud and corruption arrangements and noting progress in this area as set out in the annual fraud report.
- Supporting the development of the Council's Money Laundering Arrangements.
- Ensuring the Council's surveillance policies are kept up to date and reviewing surveillance carried out by the Council.

The Annual Report is a positive report which reflects the effective contribution made by the Audit Committee during the year.

EXEMPT REPORT

2. Not applicable, for information only.

RECOMMENDATION

3. **The Audit Committee is asked to make comment on and consider for approval the attached Audit Committee Annual Report 2018/19 and for it to be presented at a future meeting of full Council**

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. Effective oversight through the Audit Committee adds value to the Council's operations in managing its risks and achieving its key priorities.

BACKGROUND

5. The Audit Committee is a key part of the governance arrangements of the Council. It is appropriate that the important work of the Committee is shared with the rest of the Council and other stakeholders. The draft Annual Report of the Audit Committee, attached at **Appendix 1** to this report, sets out key aspects of the work undertaken by the Committee during 2018/19.

OPTIONS CONSIDERED

6. Not application, for information only.

REASONS FOR RECOMMENDED OPTION

7. Not applicable, for information only.

IMPACT ON THE COUNCIL’S KEY OUTCOMES

8 A key role for the Audit Committee is to oversee the effectiveness of the management of risks and internal controls, which contributes to the successful achievement of the Council’s objectives. Any improvement in the management of the risks will have a positive impact increasing the likelihood of the Council achieving these objectives and goals. The Audit Committee’s work is, therefore, relevant to all priorities but in particular the following:

	Outcomes	Implications
	<p>Doncaster Working: 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"> • Better access to good fulfilling work • Doncaster businesses are supported to flourish • Inward Investment 	
	<p>Doncaster Living: 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"> • The town centres are the beating heart of Doncaster • More people can live in a good quality, affordable home • Healthy and Vibrant Communities through Physical Activity and Sport • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	
	<p>Doncaster Learning: 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"> • Every child has life-changing learning experiences within and beyond school • Many more great teachers work in Doncaster Schools that are good or better • Learning in Doncaster prepares young people for the world of work 	
	<p>Doncaster Caring: Our vision is for a borough that cares together for its most vulnerable residents;</p>	

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

9. The Audit Committee contributes to the effective management of risks. The ways in which it does this are summarised in the attached draft report.

LEGAL IMPLICATIONS (SRF, 26/03/19)

10. The Audit Committee is a key part of the Council's control environment and the work it does contributes to the Council's overall responsibility to maintain an adequate and effective system of internal control.

FINANCIAL IMPLICATIONS (AT, 26/03/19)

11. There are no identified financial implications arising from this report.

HUMAN RESOURCES IMPLICATIONS (KM, 28/03/19)

12. There are no HR implications associated with this report.

TECHNOLOGY IMPLICATIONS (PW, 26/3/19)

13. There are no identified technology implications arising from this report.

HEALTH IMPLICATIONS (RS, 26/03/19)

14. There is no direct health implication of this report. The health implications rest with the service areas to be audited as part of Internal Audit Plan 2018/19.

EQUALITY IMPLICATIONS (PRJ, 04/03/19)

15. Whilst there are no identified equal opportunity issues within this report, all of the reports identified within the annual report would have been subject to their own relevant equalities implications assessment.

CONSULTATION

16. This report consults with the Audit Committee over the production of an Annual Report.

BACKGROUND PAPERS

17. Various Audit Committee Reports from June 2018 to April 2019 Audit Committees.

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**Annual Report of the
Audit Committee
2018/19**

Annual Report of the Audit Committee 2018/19

Foreword by Chair of the Audit Committee

I am pleased to present this report which highlights the contribution this Committee has made during 2018/19 to the achievement of good governance and internal control within the Council.

The Audit Committee oversees the production of the Council's statutory accounts, the management of risks within the Council and the operation and effectiveness of the Council's internal control arrangements. It fulfils this role by considering and approving reports from officers responsible for financial management and governance within the Council and from the Council's external auditors.

Where relevant, the Committee also makes recommendations for action to address any deficiencies identified by or reported to the Audit Committee. The Committee has requested several officers to attend Committee during the year to provide additional information on particular areas of concern.

Most notably has been the attendance during the year, of the Director of Adults Health and Wellbeing and members of his management team. They have reported on the improvements they have been able to make in their Directorate which has faced many operational challenges that have been reported to the Committee and also been included within the Annual Governance Statement. There has been a noted improvement in risk, governance and control evidenced by the reduction of the overdue management actions from Internal Audit recommendations, and the provisional removal of a number of items from the Annual Governance Statement. Improvements in contract and commissioning arrangements have been maintained resulting in a reduce number of breaches of contract procedure rules in the directorate.

There have been many further benefits from our work. Main outcomes and improvements include:

- Another positive external audit opinion on the Council's Statement of Accounts, confirming their accuracy and completeness and delivered to challenging timescales.
- Confirmation by external audit that the Council has in place the arrangements required to achieve its objectives and deliver its services economically, effectively and efficiently
- A positive Annual Governance Statement
- A positive opinion from the Head of Internal Audit in his Annual Report
- A positive Self-Assessment against best practice from CIPFA "Audit Committees / Practical Guidance for Local Authorities and Police
- We have recently appointed new External Auditors, Grant Thornton, and we look forward to working with them in the coming years

Councillor Austen White
Chair of the Audit Committee, 2018/19

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1. INTRODUCTION

This annual report on the work of the Council's Audit Committee shows:

- How the Audit Committee has fulfilled its terms of reference
- How the Council's arrangements comply with national guidance relating to audit committees
- How the Audit Committee has contributed to strengthening risk management, internal control and governance arrangements.

2. TERMS OF REFERENCE

The Terms of Reference for the Audit Committee are reviewed each year to ensure they represent current regulations and best practice as outlined within guidance for audit committees from the Chartered Institute of Public Finance and Accountability.

The core functions of the Audit Committee are:

- To oversee Internal and External Audit activity at the Council
- To ensure the Council's risk management is effective
- To ensure there is an appropriate regulatory framework that operates effectively
- To oversee the production of the Council's accounts
- To oversee the production of and approve the Council's Annual Governance Statement
- To ensure appropriate standards of ethical governance are in place and maintained.

The current Terms of Reference and more details about the responsibilities relating to Standards can be found on the Council's website. These will be subject to a comprehensive review against guidance issued by CIPFA in 2018 to incorporate changes for the annual meeting of Council in May 2019

3. COMMITTEE INFORMATION

Audit Committee Membership

The Committee has five elected members:

- Councillor Austen White(Chair)
- Councillor Richard Jones (Vice Chair)
- Councillor Iris Beech
- Councillor David Nevett
- Councillor Mark Houlbrook

The Committee has one independent co-opted member with non-voting rights serving on the Audit Committee, Kathryn Smart.

Audit Committee Meetings

The Committee has met on five occasions during the year:

- June 2018
- July 2018

- October 2018
- January 2019
- April 2019

This frequency of meetings is agreed to ensure the Audit Committee can fulfil its responsibilities in an efficient and effective way.

The July 2018 meeting of the Audit Committee was particularly important, when the Committee fulfilled its responsibility to approve the 2017/18 Statement of Accounts and to recommend the adoption of the 2017/18 Annual Governance Statement and the draft Annual Governance Statement for 2018/19.

Various other reports are fundamental to the Audit Committee, including:

- Internal and External Audit Plans for the year.
- The External Auditor's Annual Audit Letter.
- The Head of Internal Audit's Annual Report.

The Audit Committee has fulfilled its mandatory obligations during 2018/19.

4. COMMITTEE ACHIEVEMENTS

A list of the reports considered by the Audit Committee can be found in **Appendix A**. The main outcomes of the Committee's work in relation to its core functions can be summarised as follows:

Internal Audit

The Audit Committee:

- Received and considered the 2018/19 Annual Report of the Head of Internal Audit, which included his opinion on the Council's internal control environment.
- Received and considered information on the performance and effectiveness of the Internal Audit Team.
- Received and considered regular reports from the Head of Internal Audit on the Internal Audit Team's progress in delivering the planned work and summaries of reports issues and approved any necessary changes to the plan as a result of new and emerging risks or special investigations. The reports also provided monitoring information on the implementation of agreed audit recommendations.
- Continued to provide support to the Internal Audit Team to ensure management was responsive to recommendations made and agreed.
- Agreed the Internal Audit Annual Plan for 2019/20.

External Audit

The Audit Committee:

- Received and considered reports on the External Auditor's progress against the agreed plan.
- Received and considered report to Those Charged With Governance (ISA 260 Report) 2018/19 and the Annual Audit letter
- Considered fees proposals for the External Audit.
- Continued to provide support to the External Auditors to ensure management was responsive to recommendations made and agreed.

- Received and considered the External Auditor's Grants Report 2017/18.

Regulatory Framework

The Audit Committee has:

- Considered and noted the Audit Committee Prospectus, Terms of Reference and Work Programme.
- Noted and approved the Annual Report of the Audit Committee.
- Overseen the production of and recommended the adoption of the Annual Governance Statement.
- Received reports on Compliance with the Council's Financial Procedure Rules and Contract Standing Orders, including breaches and waivers of the Contract Procedure Rules.
- Received reports on risk management and its operation within the Council including the updated strategic risk register.
- Received and considered the Annual Fraud Report for the Council.
- Received regular reports on surveillance conducted by the Council under the Regulation of Investigatory Powers Act 2000.
- Considered and noted the Annual report of the Monitoring Officer.
- Approved the Money Laundering Policy

Core Function - Accounts

The Audit Committee has:

- Received reports on the Statement of Accounts and accounting policies used to prepare the accounts.
- Approved the Statement of Accounts and the amendments to the accounts following their approval by the Chief Financial Officer and Assistant Director – Finance.
- Received and considered reports from the External Auditor on the Statement of Accounts.

Other Issues

The Audit Committee also considered reports on the following specific issues which arose in the period:

- Update Report on Contract and Commissioning in Adults, Health and Wellbeing
- Street Lighting Project - Audit Report
- Deprivation of Liberty Safeguards (DOLS) Update Progress Report
- Direct Payments Update - Internal Audit Follow Up Report
- Income Management Progress Report
- Update Report on Contracts and Commissioning in Adults, Health and Wellbeing
- Preventing and Detecting Fraud and Error

Compliance With Best Practice

During 2018/19 a self assessment was carried out against checklists from the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance “Audit Committees / Practical Guidance for Local Authorities and Police 2018 Edition.”

This identified the committee was generally operating to best practice but there were areas in which they could develop the committee further. These actions are set out in an improvement plan which will be monitored during the next year.

Further training and updates were provide to the Audit Committee and other interested members throughout the year. Topics included:

- Accounts Preparations and Training/Awareness on the Statement of Accounts
- Preparation of the Annual Governance Statement
- Risk Management
- Review of guidance from CIPFA on Audit Committees
- Work of the Strategic Procurement Team
- Self-assessment against best practice for audit committees
- Internal Audit Planning

AUDIT COMMITTEE ACTIVITY – 2018/19

Appendix A

Function / Issue	Jun 2018	July 2018	Oct 2018	Jan 2019	Apr 2019
Audit Committee Actions Log	Received				
Monitoring Officer Annual Whistleblowing and Standards Report	Received				
Covert Surveillance – Regulation of Investigatory Powers Act 2000 (RIPA) Update	Received				
Audit Committee Prospectus, Terms of Reference and Work programme 2018/19	Received				
Unaudited Statement of Accounts 2017/18	Received				
Draft Annual Governance Statement 2017/18	Received				
Audit Committee Actions Log		Received			
Update Report on Contracts and Commissioning in Adults, Health and Wellbeing.		Received			
2017/18 Annual Governance Statement		Received			
Audited Statement of Accounts 2017/18 and KPMG Report to Those Charged With Governance (ISA 260 Report) 2017/18		Received			
Internal Audit Report for the period: April 2018 to June 2018		Received			
Money Laundering Arrangements		Received			
Street Lighting Project - Audit Report		Received			
Audit Committee Actions Log			Received		
Breaches and Waivers to the Financial and Contract Procedural Rules			Received		
Deprivation of Liberty Safeguards (DoLS) - Update - Progress Report			Received		
Direct Payments Update - Internal Audit Follow Up Report			Received		
External Auditor (KMPG) Annual Audit Letter 2017/18.			Received		
Internal Audit Progress Report for the period: July to October 2018			Received		
Preventing and Detecting Fraud and Error - October 2017 to September 2018.			Received		
Income Management Progress Report			Received		
Risk Management Strategy Review			Received		
2017-18 Annual Governance Statement - Progress Update			Received		
Grant Thornton - 2018/19 Progress Report and Sector Update			Received		
Audit Committee Actions Log				Received	
Covert Surveillance - Regulation of Investigatory Powers Act 2000 (RIPA) Update.				Received	
Update Report on Contracts and Commissioning in Adults, Health and Wellbeing				Received	
Risk Management Strategy				Received	
Internal Audit Progress Report for the Period: October 2018 to December 2018				Received	
External Auditor (Grant Thornton) Audit Plan 2018/19 and Arrangements for the preparation of the 2018/19 Accounts				Received	

Audit Committee Actions Log					Received
Internal Audit Report – Direct Payments follow up report					Received
Report on any non-compliance with Financial Procedure Rules and Contract Procedure Rules					Received
Annual Report of the Head of Internal Audit 2018/19					Received
Draft Annual Governance Statement 2018/19					Received
Internal Audit Plan 2019/20					Received
Audit Committee Annual Report					Received
Grant Thornton Audit Committee Progress Report and Sector Update					Received

Audit Progress Report and Sector Update

Doncaster Metropolitan Borough Council

Year ending 31 March 2019

26 March 2019



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Introduction

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either Paul or Perminder.

Progress as at 26 March 2019

Financial Statements Audit

We have started planning for the 2018/19 financial statements audit and have issued a detailed Audit Plan which was presented to the January Audit Committee. The Audit Plan sets out our proposed approach to the audit of the Council's 2018/19 financial statements.

Our interim audit visit commenced in February with a further visit during March 2019. Our interim fieldwork visit included:

- Reviewing the Council's control environment
- Documenting our understanding of key financial systems
- Reviewing Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing.

The work completed and findings from our interim audit visit are set out on pages 6 and 7.

The statutory deadline for the issue of the 2018/19 opinion is 31 July 2019. The final accounts audit is due to begin on the 3 June with findings reported to you in the Audit Findings Report by the deadline of 31 July 2019.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach were included in our Audit Plan presented to the Audit Committee in January 2019.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

Other areas

Meetings

We continue to meet with senior officers including the Chief Financial Officer & Assistant Director of Finance as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for officers and members in addition to publications to support the Council. Key finance staff attended our annual accounts workshop on 5 February, and more recently, a number of members from the Audit Committee attended a workshop on the roles and responsibilities of audit committees including governance issues, accounting developments and value for money arrangements.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2018-19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018-19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts Audit Plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	January 2019	Complete. This was presented to the Audit Committee on 31 January 2019.
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	April 2019	Our findings to date are set out on pages 6 and 7.
Audit Findings (ISA260) Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statements, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due

Results of Interim Audit Work

The findings of our interim audit work completed to date, and the impact of our findings on the accounts audit approach, are summarised in the table below:

Audit area	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices. 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>
Review of information technology controls	<p>Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. Our work confirmed that IT (information technology) controls were implemented in accordance with our documented understanding.</p> <p>However, one issue was identified in relation to the number of users with administrative privileges on the e5 Finance system. Our work identified that there were fifteen users on the system with administrative privileges. Two of the users were members of the IT Department and this level of access was not commensurate with their job roles and responsibilities.</p> <p>Following our work, management has disabled the two IT users (one was a test user and the other was temporary support in the team). We understand the 13 other members of staff that have the "system admin role" require this to do their jobs as they require access to the full datasets and the ability to maintain, add, amend and disable reference data. These users do not have the facility to delete records.</p>	<p>Other than the issue relating to administrative privileges on the e5 Finance system, our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

Audit area	Work performed	Conclusions and recommendations
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. This includes operating expenditure, other income and journals and we will complete walkthroughs of PPE revaluations and the Pension liability later in the year. In addition, we have held discussions with members of staff to obtain an understanding of the business processes and controls for other significant areas of the financial statements including PPE (across all elements of PPE), investment properties, heritage assets, treasury, cash and cash equivalents, collection fund revenues, HRA rents, grant revenues (capital and revenue), other material revenue streams, housing benefit expenditure and payroll.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. Our work has not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have selected a sample for testing "unusual" journal entries. Once we have received all of the sample selected, we will complete our testing of these journals.</p>	<p>No issues have been identified to date from our work in reviewing the Council's journal entry policies and procedures. We will report to you the results of testing undertaken at the next Audit Committee.</p>
Early substantive testing	<p>As part of our initial interim audit visit in February 2019, we selected samples for testing to month 9 (December 2018) including operating expenditure, grant income and other income. We will complete our substantive testing in these areas during our final accounts visit as well as review:</p> <ul style="list-style-type: none"> - payroll analytical review - starters and leavers testing - depreciation testing - existence and rights and obligations of Property, Plant and Equipment - existence and rights and obligations of heritage assets. 	<p>No issues have been identified from our work to date. We will report the results of testing undertaken to the next Audit Committee meeting.</p> <p>The Council currently values Land and Buildings on 1 April as opposed to the year end, 31 March. We understand consideration is currently being given to changing the valuation date towards 31 March although this is unlikely until 2019/20. As part of our work in this area, we will consider the arrangements management has used to ensure the valuation as at 1 April 2018, remains appropriate at 31 March 2019.</p>

Group audit update

As group auditor, we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework (ISA (UK) 600).

In our audit plan we had initially identified the consolidation of St Leger Homes of Doncaster Ltd as a full scope audit. Following review, we consider it more effective to undertake a targeted approach of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements. Accordingly, we have revised our approach to focus on the net pension liability, total income and cost of sales which are the more significant account balances at St Leger Homes of Doncaster Ltd.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
Doncaster Metropolitan Borough Council	Yes		<ul style="list-style-type: none"> Incomplete or incorrect consolidation 	Full scope UK statutory audit performed by Grant Thornton UK LLP
St Leger Homes of Doncaster Ltd	Yes		<ul style="list-style-type: none"> Incomplete or incorrect consolidation 	<p>Audit of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements.</p> <p>We are currently liaising with Beever and Struthers, the external auditors of St Leger Homes of Doncaster Ltd, to agree appropriate audit procedures.</p>

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:



Public Sector



Local
government

Public Sector Audit Appointments – Report on the results of auditors’ work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors’ work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors’ local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts.

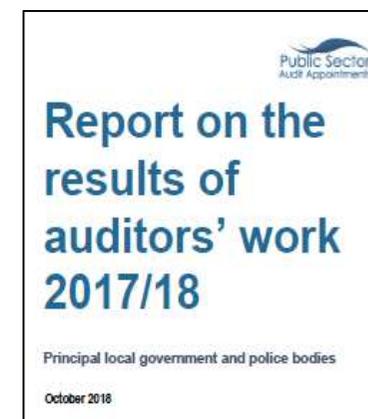
The report is available on the PSAA website:

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

PSAA Report

Challenge question:

Has your Authority identified improvements to be made to the 2018/19 financial statements audit and Value for Money Conclusion?



National Audit Office – Local auditor reporting in England 2018

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the Comptroller & Auditor General (C&AG) took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors.

Given increasing financial and demand pressures on local bodies, they need strong arrangements to manage finances and secure value for money. External auditors have a key role in determining whether these arrangements are strong enough. The fact that only three of the bodies (5%) the NAO contacted in connection with this study were able to confirm that they had fully implemented their plans to address the weaknesses reported suggests that while auditors are increasingly raising red flags, some of these are met with inadequate or complacent responses.

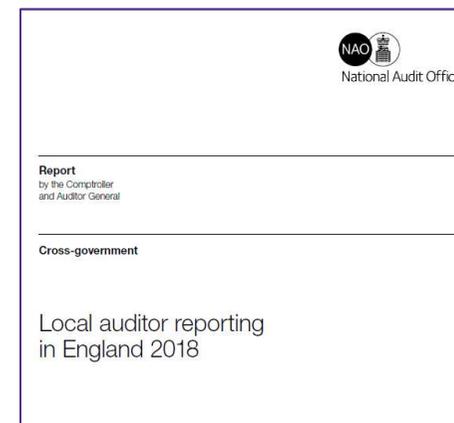
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 17 December 2018, auditors have yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18.

The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high. This is a risk to public money and undermines confidence in how well local services are managed. Local bodies need to demonstrate to the wider public that they are managing their organisations effectively, and take local auditor reports seriously. Those charged with governance need to hold their executives to account for taking prompt and effective action. Local public bodies need to do more to strengthen their arrangements and improve their performance.

Local auditors need to exercise the full range of their additional reporting powers, where this is the most effective way of highlighting concerns, especially where they consider that local bodies are not taking sufficient action. Departments need to continue monitoring the level and nature of non-standard reporting, and formalise their processes where informal arrangements are in place. The current situation is serious, with trend lines pointing downwards.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>



NAO Report

Challenge question:

Has your Authority responded appropriately to any concerns or issues raised in the External Auditor's report for 2017/18?



National Audit Office – Local authority governance

The report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

Local government has faced considerable funding and demand challenges since 2010-11. This raises questions as to whether the local government governance system remains effective. As demonstrated by Northamptonshire County Council, poor governance can make the difference between coping and not coping with financial and service pressures. The Department (Ministry of Housing, Communities and Local Government) places great weight on local arrangements in relation to value for money and financial sustainability, with limited engagement expected from government. For this to be effective, the Department needs to know that the governance arrangements that support local decision-making function as intended. In order to mitigate the growing risks to value for money in the sector the Department needs to improve its system-wide oversight, be more transparent in its engagement with the sector, and adopt a stronger leadership role across the governance network

Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities need to:

maintain tight budgetary control and scrutiny to ensure overall financial sustainability at a time when potentially contentious savings decisions have to be taken and resources for corporate support are more limited; and

- ensure that they have robust risk management arrangements in place when making commercial investments to generate new income, and that oversight and accountability is clear when entering into shared service or outsourced arrangements in order to deliver savings.

Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures. Local authorities have seen a real-terms reduction in spending power (government grant and council tax) of 28.6% between 2010-11 and 2017-18. Demand in key service areas has also increased, including a 15.1% increase in the number of looked after children from 2010-11 to 2017-18. These pressures create risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations. Furthermore, to mitigate these fundamental risks, many authorities have pursued strategies such as large-scale transformations or commercial investments that in themselves carry a risk of failure or under-performance.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-authority-governance-2/>

NAO Report

Challenge question:

Has your Authority got appropriate governance and risk management arrangements in place to address the risks and challenges identified in the NAO report?



ICAEW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICAEW) has published a paper on the 'expectation gap' in the external audit of public bodies.

Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

What's the problem?

• Short-term solvency vs. Longer-term value:

- LG & NHS: Facing financial pressures, oversight & governance pressures

• Limited usefulness of auditors reports:

'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'

• Other powers and duties:

implementing public interest reports in addition to VFM

• Restricted role of questions and objections:

Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.

• Audit qualification not always acted on by those charged with governance:

'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'

• Audit committees not consistently effective:

Local government struggles to recruit external members for their audit committees, they do not always have the required competencies and independence.

• Decreased audit fees:

firms choose not to participate because considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.

• Impact of audit independence rules:

new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role

• Other stakeholders expectations not aligned with audit standards

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

Future financial viability of local public bodies

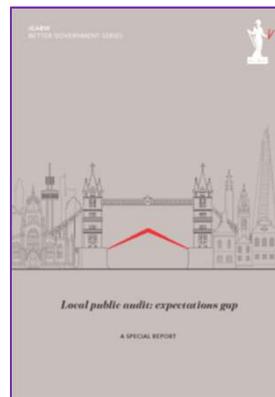
Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

The ICAEW puts forward two solutions:

Solution a) If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

Solution b) Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

More information can be found in the link below (click on the cover page)



The expectations gap

Challenge question:

How effectively is the audit meeting client expectations?



Financial Foresight: Our sustainable solution for cash-strapped councils

Grant Thornton's new Financial Foresight platform helps provide local councils with financial sustainability.

Launched in early January, Financial Foresight is a unique platform that can help us provide financial sustainability to under-pressure local councils, using a combination of data, statistics and our expertise.

In December 2018, the Chartered Institute of Public Finance and Accountancy (CIPFA) estimated that 15% of councils are showing signs of financial distress. If the rate at which these councils are dipping into their financial reserves continues, the National Audit Office estimates that 10% of councils will have depleted their reserves by 2021. The latest figures from our Insights and Analytics team suggest this could be closer to 20%.

Alarm bells started to chime at Somerset, Surrey, Lancashire and Birmingham councils last year. Yet it was the catastrophic near-collapse of Northamptonshire County Council - after it chose for five years not to raise council tax to cover its spiralling costs - that shone the spotlight on this widespread problem.

Unless local councils can get to grips with the situation, we'll all feel the effects of deeper cutbacks in public spending.

What's causing the problem?

After eight years of government austerity which followed the financial crash of 2008, many councils are now digging deep into their financial reserves in order to provide public services to their communities – from social care to fixing potholes in the road.

Pressure on funding is further impacted by rapidly rising costs – especially for demand-led services as populations grow and age. Within just a few years, many councils will not have any reserves left to fall back on, and some have already said they will be unable to provide any non-statutory services at this time. Overlay Brexit onto this situation, along with the anticipated financial pressures this will bring, and the outlook for local authorities is extremely challenging.

How can we help?

The investments we have made in analytics coupled with the commercial success of our CFO Insights tool has enabled us to develop credible financial forecasts for every local authority in the country. From this platform we developed Financial Foresight; a unique, forward-looking financial analytics and forecasting platform designed to support financial sustainability in local government.

Financial Foresight takes account of factors such as population growth, development forecasts and demand drivers to project local authority spend, income and operating costs. It provides a baseline view on the financial sustainability of every local authority in England and allows leaders in each authority to benchmark their own outlook against others. This will help councils move on from resilience – or just getting by – to financial sustainability.

Head of Local Government Paul Dossett said: "Through Financial Foresight and our associated strategy workshops, we can support local authorities to test and appraise a range of financial strategies and levers to develop a plan for a sustainable future. The critical importance of authorities understanding their financial resilience is only going to increase, so we're proud to be leading the market with this offering."

For more information, follow the links below:

<https://www.grantthornton.co.uk/en/insights/councils-are-at-risk-but-do-they-really-know-why/>

<https://www.grantthornton.co.uk/en/insights/from-resilience-to-financial-sustainability/>

National Audit Office – The health and social care interface

The NAO has published its latest ‘think piece on the barriers that prevent health and social care services working together effectively, examples of joint working in a ‘whole system’ sense and the move towards services centred on the needs of the individual. The report aims to inform the ongoing debate about the future of health and social care in England. It anticipates the upcoming green paper on the future funding of adult social care, and the planned 2019 Spending Review, which will set out the funding needs of both local government and the NHS.

The report discusses 16 challenges to improved joint working. It also highlights some of the work being carried out nationally and locally to overcome these challenges and the progress that has been made. The NAO draw out the risks presented by inherent differences between the health and social care systems and how national and local bodies are managing these.

Financial challenges – include financial pressures, future funding uncertainties, focus on short-term funding issues in the acute sector, the accountability of individual organisations to balance the books, and differing eligibility criteria for access to health and social care services.

Culture and structure – include organisational boundaries impacting on service management and regulation, poor understanding between the NHS and local government of their respective decision-making frameworks, complex governance arrangements hindering decision-making, problems with local leadership holding back improvements or de-stabilising joint working, a lack of co-terminus geographic areas over which health and local government services are planned and delivered, problems with sharing data across health and social care, and difficulties developing person-centred care.

Strategic issues – include differences in national influence and status contributing to social care not being as well represented as the NHS, strategic misalignment of organisations across local systems inhibiting joint local planning, and central government’s unrealistic expectations of the pace at which the required change in working practices can progress..

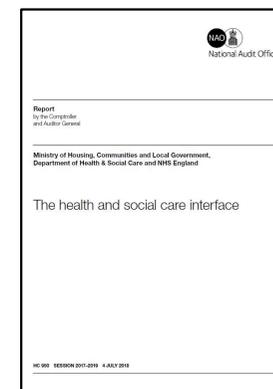
This ‘think piece’ draws on the NAO’s past work and draws on recent research and reviews by other organisations, most notably the Care Quality Commission’s review of health and social care systems in 20 local authority areas, which it carried out between August 2017 and May 2018. The NAO note that there is a lot of good work being done nationally and locally to overcome the barriers to joint working, but often this is not happening at the scale and pace needed.

The report is available to download from the NAO’s website at:
<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

The health and social care interface

Challenge question:

Has the Corporate Governance and Audit Committee considered the 16 challenges to joint working and what can be done to mitigate these?



A Caring Society – bringing together innovative thinking, people and practice

The Adult Social Care sector is at a crossroads. We have yet to find a sustainable system of care that is truly fit for purpose and for people. Our Caring Society programme takes a step back and creates a space to think, explore new ideas and draw on the most powerful and fresh influences we can find, as well as accelerate the innovative social care work already taking place.

We are bringing together a community of influencers, academics, investors, private care providers, charities and social housing providers and individuals who are committed to shaping the future of adult social care.

At the heart of the community are adult social care directors and this programme aims to provide them with space to think about, and design, a care system that meets the needs of the 21st Century, taking into account ethics, technology, governance and funding.

We are doing this by:

- hosting a 'scoping sprint' to determine the specific themes we should focus on
- running three sprints focused on the themes affecting the future of care provision
- publishing a series of articles drawing on opinion, innovative best practices and research to stimulate fresh thinking.

Our aim is to reach a consensus, that transcends party politics, about what future care should be for the good of society and for the individual. This will be presented to directors of adult social care in Spring 2019, to decide how to take forward the resulting recommendations and policy changes.

Scoping Sprint (Oct 2018)

Following opening remarks by Hilary Cottam (social entrepreneur and author of Radical Help) and Cllr Georgia Gould (Leader of Camden Council) the subsequent debate identified three themes for Grant Thornton to take forward:

1. Ethics and philosophy: What is meant by care? Should the state love?

2. Care in a place: Where should the power lie? How are local power relationships different in a local place?
3. Promoting and upscaling effective programmes and innovation

Sprint 1 – What do we really mean by 'Care'? (Dec 2018)

Julia Unwin, Chair of the Civil Societies Futures Project, and Sam Newman of Partners4Change sparked debate on why we need society to be brave enough to talk about care and the different levels at which 'care' can be applied to create a Caring Society.

Sprint 2 – A new role for the state? (7 Feb 2019)

Donna Hall, CEO of Wigan Council and Andrew of Reform, will start the debate on how can the state – nationally and locally – develop and adapt itself to be in service to a caring society.

To find out more or get involved:

- Join the conversation at #acaringssociety
- [Why we need to create a caring society](#)
- [Creating a caring society – the start of the debate](#) – the key themes from our first round table
- [Social care must take the starring role in its own story](#) – why the definition of social care is so important if the system is to change
- [Markets, trust & governance](#) – how social care can evolve to become a driver of local care economies
- [The future care leader](#) – Fiona Connolly, director of adult social care at Lambeth, discusses the importance of local care leaders working across the entire health system

Challenge question:

How is your authority engaging in the debate about the future of social care?



Care Homes for the Elderly – Where are we now?

It is a pivotal moment for the UK care homes market. In the next few months the government is to reveal the contents of its much-vaunted plans for the long-term funding of care for older people.

Our latest Grant Thornton report draws together the most recent and relevant research, including our own sizeable market knowledge and expertise, to determine where the sector is now and understand where it is heading in the future. We have spoken to investors, providers and market consultants to showcase the diversity and innovation that care homes can offer.

Flourishing communities are not a 'nice to have' but an essential part of our purpose of shaping a vibrant economy. Growth simply cannot happen sustainably if business is disconnected from society. That is why social care needs a positive growth framing. Far from being a burden, the sector employs more people than the NHS, is a crucible for technological innovation, and is a vital connector in community life. We need to think about social care as an asset and invest and nurture it accordingly.

There are opportunities to further invest to create innovative solutions that deliver improved tailored care packages to meet the needs of our ageing population.

The report considers a number of aspects in the social care agenda

- market structure, sustainability, quality and evolution
- future funding changes and the political agenda
- the investment, capital and financing landscape
- new funds and methods of finance
- future outlook.

The decline in the number of public-sector focused care home beds is a trend that looks set to continue in the medium-term. However, it cannot continue indefinitely as Grant Thornton's research points to a significant rise in demand for elderly care beds over the coming decade and beyond.

A strategic approach will also be needed to recruit and retain the large number of workers needed to care for the ageing population in the future. Efforts have already begun through education programmes such as Skills for Care's 'Care Ambassadors' to promote social care as an attractive profession. But with the number of nurses falling across the NHS as well, the Government will need to address the current crisis.

But the most important conversation that needs to be had is with the public around what kind of care services they would like to have and, crucially, how much they would be prepared to pay for them. Most solutions for sustainable funding for social care point towards increased taxation, which will generate significant political and public debate. With Brexit dominating the political agenda, and the government holding a precarious position in Parliament, shorter-term funding interventions by government over the medium-term look more likely than a root-and-branch reform of the current system. The sector, however, needs to know what choices politicians, and society as a whole, are prepared to make in order to plan for the future.

Copies of our report can be requested on our website



Grant Thornton

Challenge question:

How effective is the Council's engagement with the social care sector?



In good company: Latest trends in local authority trading companies

Our recent report looks at trends in LATC's (Local Government Authority Trading Companies). These deliver a wide range of services across the country and range from wholly owned companies to joint ventures, all within the public and private sector.

Outsourcing versus local authority trading companies

The rise of trading companies is, in part, due to the decline in popularity of outsourcing. The majority of outsourced contracts operate successfully, and continue to deliver significant savings. But recent high profile failures, problems with inflexible contracts and poor contract management mean that outsourcing has fallen out of favour. The days of large scale outsourcing of council services has gone.

Advantages of local authority trading companies

- Authorities can keep direct control over their providers
- Opportunities for any profits to be returned to the council
- Provides suitable opportunity to change the local authority terms and conditions, particularly with regard to pensions, can also bring significant reductions in the cost base of the service
- Having a separate company allows the authority to move away from the constraints of the councils decision making processes, becoming more agile and responsive to changes in demand or funding
- Wider powers to trade through the Localism act provide the company with the opportunity to win contracts elsewhere

Choosing the right company model

The most common company models adopted by councils are:

Wholly
owned

Joint
Ventures

Social
Enterprise

Wholly owned companies are common because they allow local authorities to retain the risk and reward. And governance is less complicated. Direct labour organisations such as Cormac and Oxford Direct Services have both transferred out in this way.

JVs have become increasingly popular as a means of leveraging growth. Pioneered by Norse, Corserv and Vertas organisations are developing the model. Alternatively, if there is a social motive rather than a profit one, the social enterprise model is the best option, as it can enable access to grant funding to drive growth.

Getting it right through effective governance

While there are pitfalls in establishing these companies, those that have got it right are: seizing the advantages of a more commercial mind-set, generating revenue, driving efficiencies and improving the quality of services. By developing effective governance they can be more flexible and grow business without micromanagement from the council.

LATC's need to adapt for the future

- LATC's must adapt to developments in the external environment
 - These include possible changes to the public procurement rules after Brexit and new local authority structures. Also responding to an increasingly crowded and competitive market where there could be more mergers and insolvencies.
- Authorities need to be open to different ways of doing things, driving further developments of new trading companies. Relieving pressures on councils to find the most efficient ways of doing more with less in today's austere climate.

Overall, joint ventures can be a viable alternative delivery model for local authorities. Our research indicates that the numbers of joint ventures will continue to rise, and in particular we expect to see others follow examples of successful public-public partnerships.



[Download the report here](#)

Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<https://www.grantthornton.co.uk/en/insights/a-caring-society/>

<https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/>

<https://www.grantthornton.co.uk/en/insights/the-rise-of-local-authority-trading-companies/>

National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-authority-governance-2/>

Ministry of Housing, Communities and Local Government links

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

Public Sector Audit Appointments

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

