



# Doncaster Council

## Agenda

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To all Members of the

# AUDIT COMMITTEE

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

**Venue:** Council Chamber, Floor 2, Civic Office, Waterdale, Doncaster DN1 3BU

**Date:** Wednesday, 24th July, 2019

**Time:** 10.00 am

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**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 19th June, 2019 1 - 6
- A. Reports where the public and press may not be excluded.**

**Damian Allen**  
**Chief Executive**

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Issued on: Tuesday, 16 July 2019

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

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

5.	Audit Committee Action Log	7 - 12
6.	Internal Audit Strategy and Charter.	13 - 38
7.	Internal Audit Progress Report.	39 - 66
8.	Statement Of Accounts and Annual Governance Statement 2018/19 - ISA 260 Report To Those Charged With Governance.	67 - 120

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

Chair – Councillor Austen White

Vice-Chair – Councillor Richard A Jones

Councillor Charlie Hogarth, Tosh McDonald and David Nevett

**Co-opted Member:** Kathryn Smart

# Agenda Item 4

## DONCASTER METROPOLITAN BOROUGH COUNCIL

### AUDIT COMMITTEE

WEDNESDAY, 19TH JUNE, 2019

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER - CIVIC OFFICE on WEDNESDAY, 19TH JUNE, 2019, at 10.00 am.

#### PRESENT:

Chair - Councillor Austen White

Councillors Charlie Hogarth, Tosh McDonald, David Nevett and Kathryn Smart

#### APOLOGIES:

An apology for absence was received from the Vice-Chair, Councillor R. Allan Jones.

#### 1 DECLARATIONS OF INTEREST, IF ANY

There were no declarations made at the meeting.

#### 2 MINUTES OF THE MEETING HELD ON 11TH APRIL, 2019

RESOLVED that the minutes of the meeting of the Audit Committee held on 11 April, 2019 be approved as a correct record and signed by the Chair.

#### 3 AUDIT COMMITTEE ACTION LOG

The Committee considered the Action Log which updated Members on any actions agreed at the previous meeting of the Audit Committee. Officers reported that all actions were progressing well, and the four remaining actions that on the log were on target to be completed and removed in the course of future meetings.

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

#### 4 DAY OPPORTUNITIES FOR PEOPLE WITH LEARNING DISABILITIES AND HIGHLY COMPLEX NEEDS.

The Committee considered a report which provided an update with regard to recommendations in relation to current and future commissioning arrangements with Rotherham, Doncaster & South Humber NHS Foundation Trust (RDaSH) regarding day opportunities at the Solar Centre.

Reports had been received on a regular basis by the Audit Committee following the first notification of the circumstances regarding the future of the Solar Centre in April 2017.

Services have continued to be provided by the Council after the end of the contract, despite no contract having been set up. However, a decision has now been taken by the Cabinet at its meeting on 4 June, 2019, which provided a way forward with the following decision taken:-

- Authority was delegated to the Director of People or their deputy in consultation with the portfolio holder for adult social care to agree and sign off a 3 year Section 76 Agreement from 1 January, 2020 between the Council and the CCG; and
- Note the Contract extension of the current arrangements with the Solar Centre for a further period of up to nine months to provide continuity for those transitioning from RDaSH residential care to supported living.

Members raised a few questions with regard to the report and the future in terms of the decision made, with concerns voiced that the Contract Procedure Rules would be flexible to work alongside other partners to ensure that the same objective was achieved. Members were assured that this would be the case and they would work closely to ensure a successful outcome.

Queries were also raised with regard to the possibility of bringing services in-house and whether this would be a viable option. However, the Committee were informed that the services currently provided by RDaSH as they were able to support the individuals with extremely complex needs. Whilst the authority had explored the possibility of bringing some services in-house, the cost to do so would have been too much for this to be a viable option and therefore wasn't an option, as well as the fact that by leaving the services currently provided in place, it would ensure continuity for the service users.

Members asked how risks were being mitigated as this moved forward. The Committee was assured that a project plan was in place, and officers would be happy to bring a further report to the Committee, advising of progress made.

RESOLVED that the Audit Committee note the report.

## 5 ANNUAL REPORT OF THE MONITORING OFFICER.

Members considered a report that provided information on the work of the Monitoring Officer undertaken in the preceding 12 months. Appendix 1 of the Report, contained a summary that detailed all the formal complaints that had been dealt with since the last Annual Report.

The Monitoring Officer was responsible for 42 Town and Parish Councils across Doncaster, which encompassed 304 Councillors. Members could therefore see that when measured against those numbers, the number of formal complaints received was small.

Members noted from the report that one Council, Hatfield Town Council, has had continuing problems and earlier in the year those issues were brought to the Audit Hearings Sub-Committee. However, as reported previously, the sanctions available to the Committee to deal with such issues remained inadequate. Monitoring Officers have continued to press the Government to reintroduce the sanctions of suspension and exclusion in the most serious cases as the sanctions available currently were inadequate to address matters of significant bad behaviour.

With regard to the issue of sanctions, Members expressed some concern, as to what changes would possibly be made to these given that they were accountable and

appointed by the electorate and as to whether these changes would be appropriate. However, the Committee was assured that any changes would be brought to the Committee primarily and guidance would be issued as to what would be suitable for what case. Additionally, it was not solely the decision of the Monitoring Officer and the Independent Person, but also that of the Sub-Committee as to what sanction was imposed and this would always be the case.

The Monitoring Officer reported that one Whistleblowing incident was raised with the Monitoring Officer during 2018/19, which was detailed within the report.

The Chair queried whether the number of whistleblowing cases could be perceived as low and if people were actually reluctant to report anything, or if it was reflective of good practices undertaken within the Council. The Monitoring Officer felt that it was reflective of the work undertaken across the Council, and good communications had been and would be carried out again in the near future with regard to the reporting of this and the ways in which issues were dealt with in order to avoid the escalation of a problem.

RESOLVED that

- 1) The Committee note the Monitoring Officer's annual report on complaint handling activity for 2018/19;
- 2) The whistleblowing return for 2018/19 be noted; and
- 3) The nil money laundering report for 2018/19 be noted.

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

Members received the Annual report, reviewing the Council's use of RIPA (Regulation of Investigatory Powers Act

The report informed Members that since the last 6 monthly update on 31 January 2019, the Council had three directed surveillance applications authorised under RIPA. Information was provided in detail on these applications within the body of the report.

Additionally, it was reported that since the last meeting of the Audit Committee, there had been an inspection by the Investigatory Powers Commissioner's Office. The inspection report was positive, and concluded by stating that 'The Council deserves considerable credit for attaining high standards of compliance'. It went on to state that following the 2016 inspection, all recommendations had been discharged, and an extensive training programme undertaken. Only two recommendations had come out of the inspection, which was positive and had been well received by the Council. These were detailed as follows:-

- Amend the RIPA Procedures Document
- Ensure Proper consideration should be given to collateral intrusion at reviews

Both of these recommendations had been addressed with further information provided within the body of the report.

On behalf of the Committee, the Chair passed on their thanks for all the good work undertaken by officers and the progress that the Council had made reflected their efforts.

RESOLVED that:

- 1) The Audit Committee note that the Council has had 3 directed surveillance applications authorised under RIPA since the last report to the Audit Committee on 31st January, 2019; and
- 2) The Audit Committee note the positive outcome and recommendations of the Investigatory Powers Commissioners Inspection of Doncaster Council on 25th March, 2019.

## 7 UNAUDITED STATEMENT OF ACCOUNTS 2018/19.

Members considered the Council's unaudited Statement of Accounts for the 2018/19 financial year, which highlighted the overall financial position of the Council for the year.

Whilst there was a requirement to obtain certification of the accounts by 31st July from the Chief Financial Officer, there was no longer the necessity to present them to Members at this stage. However, the Council continued the presentation of the unaudited accounts to the Committee in favour of it being good practice. The final Statement of Accounts however, would be considered at the meeting in July prior to sign off and publication.

The accounts would be subject to external audit from 1 to 28 June and it was expected that the final audit opinion would be finalised by 12 July 2019 and would be available for public scrutiny from 1 June to 12 July, 2019 and were placed on the Council's website from this date in line with the Government's policy of increased transparency.

Members were invited to make any comments or ask any questions of the Officers in relation to the report and concerns were voiced that they felt it was a very lengthy and complex report that members of the public with no knowledge of the subject would struggle to understand. It was however felt to be a good report, but just needed some greater clarity in the narrative.

Members felt there was a lot of information to include within one report but they were advised that a lot was also filtered through the four quarterly monitoring reports received by OSMC and Cabinet, which provided relevant information and updates throughout the financial year. However, officers acknowledged the points being made by Members and would try to reflect this in future narratives.

Additional comments and questions were raised in relation to making savings in the future, with queries on bringing services in-house, environmental vehicles and the use of more modern technology to save on officer time. Members were assured that the budgets were closely monitored and now worked more closely alongside the

Children's Trust in order to keep a tighter hold on financial problems. The arrangements were proving to be working well.

The external auditor concluded by stating that as far as the Councils accounts were concerned, Doncaster Council was doing well, and it was acknowledged that their accounts were clearer than most, and the production of them ran smoothly and good progress continued to be made. He stated that they were used as examples of best practice elsewhere, e.g. for disclosures to the accounts. However, one issue that needed to be kept in sight was that of the 'McLeod judgement', which might have future impact on budgets. Grant Thornton had spoken to the Assistant Director of Finance with regard to this and further actuarial advice would be sought on this. The Chair advised that once this had been received the Committee would be updated further with regard to this.

RESOLVED that Members of the Audit Committee note the 2018/19 Unaudited Statement of Accounts.

8 AUDIT COMMITTEE PROSPECTUS, TERMS OF REFERENCE AND WORK PROGRAMME 2019/20.

The Committee considered a report that set out the formal Terms of Reference for the Audit Committee for 2019/20. These had been formally approved by Council at its annual meeting in May, and were now presented to the Committee for information.

Also contained within the report, was a Prospectus and draft work programme, which set out how the Audit Committee would fulfil its Terms of Reference throughout the Municipal Year.

The Head of Internal Audit informed Members that there had been some changes made to the Terms of Reference, which were largely in order that they were in line with CIPFA guidance.

Members were also informed that the Work plan was fluid and was in order to give an indicative guide of what they faced in the year ahead, but could change if additional pieces of work came in.

RESOLVED that:-

- 1) The Audit Committee note the Terms of Reference for the Audit Committee for the 2019/20 Municipal Year; and
- 2) The Audit Committee agreed the Prospectus, which set out the Committee's scope and standards along with its work plan for the 2019/2020 Municipal Year.

9 GRANT THORNTON - AUDIT PROGRESS REPORT AND SECTOR UPDATE.

Paul Dossett, from Grant Thornton, the Council's external Auditor was in attendance at the meeting and presented the report to the Committee. He stated that the final version of the report would be considered at the meeting in July, but the outcomes currently were positive.

The Chair thanked officers from the Councils Finance Team for all their hard work as the report commended the Council's approach to its finances and accounts

RESOLVED that the Audit Committee note the report.

10 ANNOUNCEMENT BY CHAIR

Prior to the formal closure of the meeting, the Chair brought the Committee's attention to the fact that it would be the last meeting of Steve Mawson, Chief Financial Officer and Assistant Director of Finance before he moved onto pastures new as Director of Corporate Services at Gloucestershire County Council. On behalf of the Committee, the Chair conveyed his thanks to Steve for all his hard work and effort throughout the years he had been at Doncaster Council and wished him well for the future.

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

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



## Doncaster Council

### Report

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24<sup>th</sup> July 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 4 actions requested in the October 2018, January 2019 and April 2019 meetings. There are no actions outstanding from earlier meetings. Of these:
  - All 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><b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> <li>• Better access to good fulfilling work</li> <li>• Doncaster businesses are supported to flourish</li> <li>• Inward Investment</li> </ul>	
	<p><b>Doncaster Living:</b> Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> <li>• The town centres are the beating heart of Doncaster</li> <li>• More people can live in a good quality, affordable home</li> <li>• Healthy and Vibrant Communities through Physical Activity and Sport</li> <li>• Everyone takes responsibility for keeping Doncaster Clean</li> <li>• Building on our cultural, artistic and sporting heritage</li> </ul>	
	<p><b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> <li>• Every child has life-changing learning experiences within and beyond school</li> <li>• Many more great teachers work in</li> </ul>	

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

## RISKS AND ASSUMPTIONS

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 02/07/19)

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 [ST 05/07/19]

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

## HUMAN RESOURCES IMPLICATIONS [KG 02/07/19]

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

### **TECHNOLOGY IMPLICATIONS [PW 04/07/19]**

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

### **EQUALITY IMPLICATIONS [PJ 02/07/19]**

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 [SH 02/07/19]**

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**

Peter Jackson, Head of Internal Audit

Tel 01302 862938, Email: peter.jackson@doncaster.gov.uk

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

APPENDIX 1

**AUDIT COMMITTEE ACTION LOG – JULY 2019**

Follow-up actions from previous meetings:-

Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
<b>Meeting April 2019</b>			
<b>Breaches and Waivers</b> Future reports detail the previous number of breaches and waivers for comparative purposes	Scheduled for 24 <sup>th</sup> October 2019 Audit Committee	Holly Wilson	In Progress – for completion by October 2019 Audit Committee
<b>Breaches and Waivers</b> Progress in implementing the training programme and its outcomes be reported in Octobers progress report	Scheduled for 24 <sup>th</sup> October 2019 Audit Committee	Holly Wilson	In Progress – for completion by October 2019 Audit Committee
<b>Meeting January 2019</b>			
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
<b>Meeting October 2018</b>			
<b>Income Management</b> Committee requested an update from officers 12 months after the last report in October 2018	An update is scheduled for October 2019 Audit Committee	Chief Financial Officer	In Progress for completion October 2019 Audit Committee

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## Doncaster Council

### Report

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24<sup>th</sup> July 2019

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

#### **INTERNAL AUDIT STRATEGY AND INTERNAL AUDIT CHARTER**

##### **EXECUTIVE SUMMARY**

1. The Committee is asked to consider the attached Internal Audit Strategy and the terms of reference for Internal Audit, which are set out in the Internal Audit Charter. The Committee has responsibility for considering the Internal Audit terms of reference.
2. The Strategy and Charter were last reviewed in July 2017 in order to take into account the significant changes to Internal Audit Standards and recommendations made in the peer review carried out by Kirkless Council in 2017. The documents have been reviewed and updated annually to take into account changes required, primarily through the latest guidance issued in the form of an Application Note from CIPFA and to set the strategy for the period 2019-2022.

##### **EXEMPT REPORT**

3. The report does not contain exempt information.

##### **RECOMMENDATIONS**

4. The Committee is asked to;
  - Approve the Internal Audit Strategy for the period 2019-2022.
  - Approve the minor revisions to the Internal Audit Charter.

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

5. Regular reviews of the Internal Audit Charter and Strategy ensures the service has considered the service it is offering to the Council and is operating to best current professional practice. The work undertaken by Internal Audit improves

and strengthens governance arrangements within the Council and its partners which add value to the authority and citizens of Doncaster.

## **BACKGROUND**

6. The overall strategic direction of the Council's Internal Audit Service for 2019/22 is set out within the Internal Audit Strategy. This medium to long term perspective is required to give some indication of how the service will assess and review the Council's key risk areas during the strategy period
7. The Internal Audit Charter sets out the Terms of Reference for the Internal Audit Service. The Internal Audit Charter must comply with the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) and be consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for Professional Practice of Internal Auditing, the Code of Ethics and the Definition of Internal Auditing). The Charter also confirms the authority and responsibility conferred by the Council on its Internal Audit Section with respect to carrying out its agreed functions.

## **INTERNAL AUDIT STRATEGY**

8. The Strategy has been reviewed in line with the requirements of the UK Public Sector Internal Audit Standards and current best practice and has been updated to reflect current practices. No key changes were required to the Strategy due to the changes previously made in 2017 that were required in order to comply with the 2017 Standard changes. The overall strategy for the Council's Internal Audit Service for the period 2019 to 2022 has been reviewed and is largely unchanged.

## **INTERNAL AUDIT CHARTER**

9. The terms of reference for Internal Audit comply with the UKPSIAS requirements. The Charter remains largely unchanged and only minor amendments and terminology changes have been made to ensure that it is consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework.

## **OPTIONS CONSIDERED**

10. Not Applicable – for information only

## **REASONS FOR RECOMMENDED OPTIONS**

11. Not Applicable – for information only

## IMPACT ON THE COUNCIL'S KEY OUTCOMES

12. The Head of Internal Audit has considered the environment in which the internal audit service operates as well as regulatory requirements on and for the internal audit service in the Council. These have been incorporated into the documents presented to the Committee for consideration and recommendation.

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

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

## **RISKS AND ASSUMPTIONS**

13. The operation of an effective internal audit service provides assurance on the effective management of risks and internal controls. The adherence to an appropriate service strategy with the right terms of reference allows the service to fulfil this assurance role as well as contribute to other Council outcomes.

## **LEGAL IMPLICATIONS (SF 15/07/19)**

14. 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 [ST 15/07/19]**

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

## **HUMAN RESOURCES IMPLICATIONS [KG 12/07/19]**

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

### **TECHNOLOGY IMPLICATIONS [PW 15/7/19]**

17. There are no direct technology implications associated with this report. However, the strategy confirms that Internal Audit will seek to examine ICT and data/information management risks wherever applicable to their work, as ICT and data underpin all of the Council's activities.

### **EQUALITY IMPLICATIONS [PJ 02/07/19]**

18. 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 16/07/19]**

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

### **CONSULTATION**

20. This report consults with members of the Audit Committee over the Internal Audit Strategy and Internal Audit Charter for the period 2015 -2018.

### **BACKGROUND PAPERS**

21. The United Kingdom Public Sector Internal Audit Standards.

### **REPORT AUTHOR & CONTRIBUTORS**

Peter Jackson, Head of Internal Audit  
Tel 01302 862938, Email: peter.jackson@doncaster.gov.uk

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

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# **DONCASTER COUNCIL, INTERNAL AUDIT SERVICES - INTERNAL AUDIT STRATEGY 2019 to 2022**

## **1. Introduction**

- 1.1 This document sets out the overall strategy for the Council's Internal Audit Service for the period 2019 – 2022.
- 1.2 This medium to long term perspective is required to give some indication of how the service will assess and review the Council's key risk areas during the strategy period.

## **2. Main Drivers in Direction Setting**

- 2.1 The work of the internal audit team responds to a number of needs, some of a statutory nature, some related to supporting others, and some arising from within the Council itself. In summary, the main service drivers are:
  - a) The corporate responsibilities for Section 151 of the 1972 Local Government Act and the requirement to provide assurance and support to the appointed Section 151 Officer.
  - b) The Accounts and Audit (England) Regulations 2015.
  - c) The requirement to meet the service scope and standards set out in the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) which came into force on the 1<sup>st</sup> April 2013 and as updated in March 2016 and March 2017.
  - d) The dependencies of the External Auditor on the internal audit function.
  - e) The desire to contribute to the achievement of the Council's goals, targets and objectives.
  - f) The desire and need to meet the needs of the organisation and internal and external customers.
  - g) The contributory role in assisting in the embedding and informing of risk management across the Council.
  - h) Seeking to be more efficient and effective in service provision in accordance with good practice and Council policy.
  - i) The need for the council to maintain both an effective counter-fraud culture and counter-fraud and corruption arrangements.

The Accounts and Audit Regulations 2015 include a requirement for local authorities to:

“...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” Reg 5 (1) and

“conduct a review of the effectiveness of the system of internal control ...” Reg 6 (1) (a).

The UKPSIAS now provides a Mission Statement for Internal Audit which

articulates what internal audit aspires to accomplish within an organisation

***“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”***

2.2 The UKPSIAS provides a new definition of Internal Audit:

***“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”.***

2.4 Further, UKPSIAS set out “Core Principles for the Professional Practice of Internal Auditing” and these are achieved through individual auditors and the audit function working to the defined standards set out within UKPSIAS. The Core Principles are:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

Standards state “For an internal audit function to be considered effective, all Principles should be present and operating effectively but failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit’s mission”

2.5 This Mission Statement and definition encourages a collaborative style of audit review which focuses on adding value and improving an organisation’s operations evaluating and improving the effectiveness of risk, control and governance processes and therefore goes beyond basic compliance. The Internal Audit Service continues to face a challenging agenda to deliver the services the Authority requires and to ensure it does so by providing added value. The Service needs to be able to react and adapt to the rapid pace of change which is taking place both locally and nationally. Accordingly, the Charter has been extended to include the aspirations of the Internal Audit Service, which are to:

- Understand the whole Authority, its needs and objectives
- Understand its position with respect to the Authority’s other sources

of assurance and plan its work accordingly.

- Be seen as a catalyst for change at the heart of the Authority
- Add value and assist the Authority in achieving its objectives
- Be forward looking – knowing where the Authority wishes to be and aware of the national agenda and its impact
- Be innovative and challenging
- Help to shape the ethics, governance and standards of the Authority
- Ensure the right resources are available, recognising that the skills mix, capacity, specialisms, qualifications and experience requirements all change constantly
- Share best practice with other auditors
- Seek opportunities for joint working with other authorities' auditors.

2.6 The UKPSIAS sets out certain terms which require definition and application within Doncaster Council and its internal Audit Service

- For the purposes of Internal Audit activity, the term “board” refers to the Audit Committee.
- The term “senior management” refers to the Statutory Officers, ie the Chief Executive, Chief Finance Officer and the Monitoring Officer and the Directors.
- The UKPSIAS refers to the officer responsible for the Internal Audit function as the Chief Audit Executive. This role is undertaken by the Head of Internal Audit (HoIA). Section 151 of the Local Government Act requires the Authority (through the Chief Financial Officer) to ensure the proper administration of the its financial affairs. The work of the internal audit function supports the appointed S151 Officer in this, as the internal audit function assists managers to administer the Authority’s finances in a sound manner related to the associated risks, and it provides information and assurance to the Chief Financial Officer (Section 151) on the extent of proper administration.

2.7 The External Auditor seeks to place reliance on the work of the internal audit function in discharging his legal responsibilities, although the level of work reviewed by the External Auditor has fallen since the external auditors have changed the scope and approach to their work. With internal and external audit still working in a coordinated manner, the Council receives a more efficient, effective and economic audit. The External Auditor, whilst still undertaking risk based audits of their own, will place reliance on work done by Internal Audit Services where appropriate

2.8 The service will continue to strive to be responsive to customers and their individual needs and to add value to the organisation. It largely does this through acting as a control assurance function providing

assurance, to managers and to the organisation as a whole, on the state of its internal control arrangements. It also adds value by pointing out inefficiencies and by supporting managers in the management of risk, governance and control increasing the overall likelihood of successful, joined up and customer responsive Council services.

- 2.9 Advice - Internal audit staff continuously provide advice on risk, governance and control, as experts in these areas. They do this when in the field on matters not part of their designated audit, or in response to direct approaches to Internal Audit by clients seeking help and support. This helps to ensure the sound and effective control of business, strategic and operational risks within the Council.
- 2.10 Investigations – The Council’s has an Anti-Fraud, Bribery and Corruption Framework and Financial Procedure Rules that managers can refer to for the process and protocols to be followed and roles and responsibilities for the relevant parties.
- 2.11 Senior managers require assistance and support with investigations where they cannot themselves undertake a sufficiently adequate and independent investigation. The team will endeavour to respond to situations where:
- there are risks to council assets and interests where Internal Audit are best placed to investigate or where it is more appropriate that they do so rather than line managers
  - there is a possibility that criminal or civil action will be required either during or at the conclusion of an investigation
  - the investigation requires the use of investigative powers under the law for which specialist knowledge is required
- 2.12 The team will endeavour to provide effective support to managers so that they themselves can deliver effective investigations into irregularities where the Head of Internal Audit deems that it is appropriate that local managers or an independent investigator undertake this role. Internal Audit Services will also provide advice and practical support, as much as they are able to, where the local manager undertakes this investigative role.
- 2.13 Counter fraud culture - the work of internal audit through testing for and preventing and detecting fraud contributes to the corporate counter fraud culture. The service will also contribute to the Anti-Fraud Bribery and Corruption Framework and will participate in activities as identified in the Internal Audit Plan and periodic assessments of best practice as released by the Government and professional bodies.

### **3. What This Means We Need To Do**

- 3.1 In meeting these drivers and organisational needs, the Council’s Internal Audit Service will:
- Provide an assurance on the Council’s internal control systems. This includes the audit of areas of financial risk, non-financial risk and

reviews of key governance areas and systems.

- Internal Audit services are designed to add value and insight to the organisation by providing a risk based and objective assurance and providing advice.
- Audit the main financial systems and other systems related to possible material mis-statements, regardless of comparative risk.
- Deliver risk based assurance on those controls that manage significant risks.
- Fully comply with the mandatory United Kingdom Public Sector Internal Audit Standards.
- Better Integrate the outcomes and other information gathered as part of the internal audit process, with the risk management processes of the Council.
- Maintain ongoing effective relationships with the External Auditor and deliver complimentary plans of work so as to deliver an efficient audit service collectively, for the Council.
- Ensure that appropriate resources, suitably experienced, and with skills to deliver the whole plan of work are maintained within the Internal Audit Team.
- Improve the efficiency and effectiveness of operations of the Internal Audit Service and of the services that it audits.
- Promote good corporate governance and control practices and contribute to a good governance culture.
- Work in a positive manner alongside clients, supporting them in the effective management of risk and service delivery.
- Provide support to managers in the undertaking of investigations into irregularities whether they be proven or suspected.
- Support and develop an anti-fraud culture within the Council and its partners.
- Provide audit services to schools and partner organisations (such as the audit of St Leger Homes and schools if required).
- Support good governance and good risk management in the monitoring of strategic partnerships and strategic contracts.
- Share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service provider to ensure proper coverage and minimise duplication of efforts.
- Ensuring Auditors are proactive with evaluations, offering new insights and consider future impact will ensure the credibility and value of Internal Audit is enhanced.

#### **4. How We Will Do This**

4.1 **Review of the Council's Governance, Risk Management and Control Arrangements** - We will deliver a comprehensive plan of work such that the key elements of the Council's Governance, Risk Management and Control Arrangements are covered. This coverage will be on a risk basis and will take into account:

- risk management arrangements
- the Council's strategic and, where available, operational risk registers
- the Council's risk appetite
- financial information from key financial systems
- other sources of assurance on which reliance can be placed
- consultations with the Council's Directors and Assistant Directors
- known upcoming significant changes to internal control environments or changes in key systems and key governance arrangements
- known upcoming changes to the law or external environment
- external demand for services (including requirements to audit and sign off of grant claims for the government)
- the development of best practice from regulatory or other bodies
- work requested by the Council's External Auditor.

This will be evidenced through our audit plans which will change throughout the year to reflect changes in the level of perceived risk to ensure that we concentrate limited resources on the right areas. We will use this evidence to deliver an annual opinion on the internal control environment.

4.2 **Review of Main Financial & Material Systems** - As part of our joint working protocol with the External Auditor we will deliver the review of controls in the Council's main financial systems. This forms part of the audit plan on an annual basis.

4.3 **A system of Risk-Based Auditing** - is fundamental to our ability to comply with the assurance framework requirements that must be in place to comply with professional standards. We will continue to develop our risk based approach so as to ensure it is effective in providing assurance to managers within the Council and to members.

4.4 **Compliance with Best Practice** – we have developed a methodology to measure our achievement of compliance with mandatory United Kingdom Public Sector Internal Audit Standards. We will monitor ourselves against these professional standards and rectify any gaps that are within our control.

4.5 **Relationship with Risk Management** – Internal Audit is not responsible for the management of the Council's risks; this is the responsibility of managers. However, all of our audits consider risk and report on risks to

managers. Issues and recommendations are risk assessed according to the Risk Management Framework to give comparative implementation priorities to managers and so that they can be taken into account in their risk management activities. These risk assessments form the basis of the audit opinion given at the end of an audit. We will continue to emphasise the importance of risk management to all managers in the Council as part of the delivery of our service.

- 4.6 We recognise that through our work we are assisting managers to better understand risk management. This is an important educational / informative role that adds value to the organisation. We will submit information through our routine audit and from all other forms of work on risks to risk owners for inclusion on the Council's risk registers.
- 4.7 **Relationship with External Auditor** – we will endeavour always to work with the External Auditor and share plans so as to deliver an effective corporate assurance service to the Council. We will maintain a process of regular liaison meetings with the External auditor.
- 4.8 **Efficiency Improvements** – Internal Audit uses an electronic audit package to improve efficiency of both individual audits and for the management of the service. This includes all aspects from audit planning to carrying out audits to tracking the implementation of agreed management actions. Internal Audit also make use of assistive technologies, specifically computer based auditing techniques to analyse raw data to inform our audits. These techniques and packages allow us to analyse and give opinions using large volumes of data which is statistically more significant than opinions based on traditional audit sampling techniques. We continue to develop our application of this and other technologies to save on administration, management and audit time and hence deliver as much resource as possible to front line audit work.
- 4.9 We will seek to minimise the time spent on audits whilst at the same time delivering effective audits. We also aim wherever possible to arrange our audit work to minimise disruption and distraction to our clients' normal service delivery, by carrying out work at convenient times and by specifying in advance our information needs.
- 4.10 We will comment on the efficient, economic and effective use of resources, where appropriate, in our internal audit work.
- 4.11 **Promoting Good Corporate Governance** – in all we do we will seek to promote good corporate governance, including in the giving of advice and the assessment of internal controls. We review the Council's Corporate Governance Framework as part of our audit planning process and provide coverage of elements of corporate governance within our annual audit plan, improving governance is an integral aspect of many reviews we undertake. We will also contribute to both the Council's counter fraud culture. How we will deliver this is covered in the Council's Anti-Fraud, Bribery and Corruption Framework. Audits applicable to the prevention and detection

of fraud and error and the improvement of the Council's counter fraud culture will continue to be part of the Internal Audit Plan. We will promote this culture via our work, on our intranet site, in coordination with the External Auditor and also through our contribution to the Council's Governance Group.

- 4.12 **Provide Training and Support** - We will provide continue to provide training as required on the Council's Anti-Fraud, Bribery and Corruption Arrangements and Fraud Awareness. We will also develop training on promoting good corporate governance

## **5. Other Work**

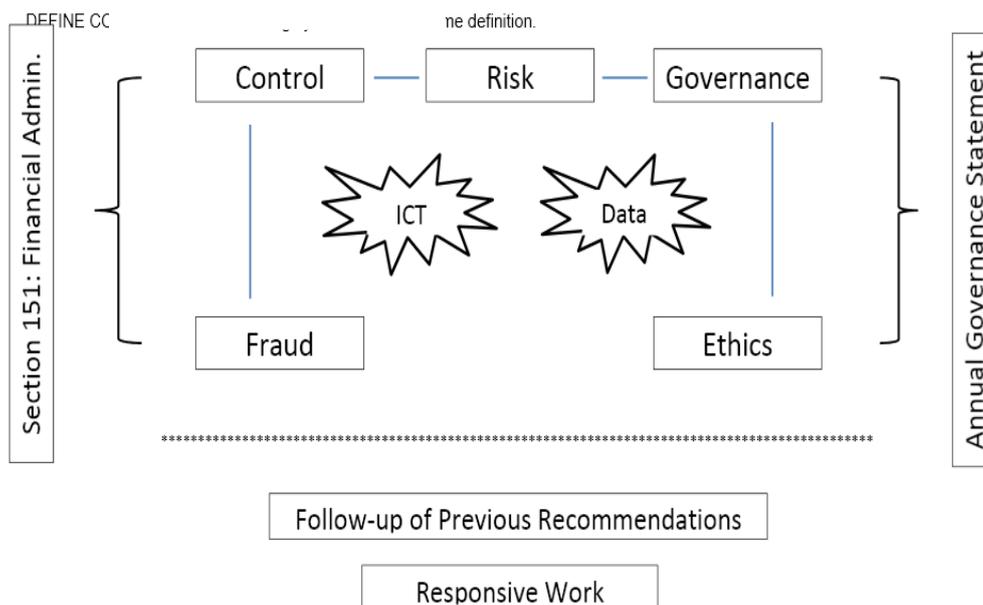
- 5.1 The business of local authorities is becoming increasingly diverse, with a broader range of delivery methods, increasingly relying on partnership working. Internal Audit aims to help the Council safeguard its interests by carrying out work as appropriate where various delivery methods are employed. Examples might include joint working with the Health Service and Police. Whilst considerable support has been provided to key partners of the Council including well established arrangements with St Leger Homes it has also supported other partners such as Internal Drainage Boards based within the Borough where the Council appoint persons to their Boards.
- 5.2 A similar, although more autonomous, arrangement relates to the provision of housing related services which, in Doncaster, have been devolved to St Leger Homes; a 100% owned subsidiary company. St Leger Homes could appoint its own internal auditor, but has so far chosen to use the services of the Council's Internal Audit Team. This is helpful to the Council as it enables joint pieces of work, for example on housing strategy or joint governance arrangements, to be commissioned from the Council's Internal Audit team.
- 5.3 Internal Audit also carries out audit of schools within the LEA. Many schools have achieved academy status with the remainder to follow. Such academies make their own arrangements for Internal Audit, although, Council audit functions are promoted and available should any academy request it.

## **6. Resources and Prioritisation**

- 6.1 Internal Audit will endeavour to maintain an effective number of staff to undertake the required workload and will be supported by effective systems of operation. We will deploy staff in the most effective way in accordance with their experience and skills and in accordance with the UKPSIAS.
- 6.2 Internal Audits annual planning process has evolved and been updated in line with changes in the UKPSIAS professional standards
- 6.3 Internal audit work is identified following a full assessment of risks across the Council (the audit universe) and after taking into account other forms of assurance available to oversee and mitigate some risks identified (for example external audit work or improvement board activities). These considerations were identified in paragraph 4.1.

- 6.4 The methodology for 2019/20 incorporates the recent changes in the standards. It is a risk based plan that has been compiled following 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.
- 6.5 Visually, our approach to audit planning is: -

**DONCASTER MBC INTERNAL AUDIT: UK STANDARDS PLANNING MAP**



- 6.6 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 Officer (the 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 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.
- 6.7 Where there are any deficiencies arising in resources at any stage, the Head of Internal Audit and Chief Financial Officer (Section 151) will firstly try to provide additional audit support to the section. Where resources are limited it may be necessary to limit the work undertaken for external parties, risk related work or responsive work as necessary to ensure that resources are

focused on mandatory activities.

- 6.8 Internal Audit annually carries out a review of the skills within the team and any development needs as linked to operational requirements. This is undertaken as part of the PDR (appraisal) process. Training and development needs are prioritised to reflect the needs of the service and individual auditor needs. This enables the service to maintain appropriate expertise for the delivery of the audit plan and strategy and to continuously adapt to new developments. These arrangements are being enhanced through the production of a formalised Team Development Plan which identifies development areas at both an individual and team level.

**Peter Jackson,  
Head of Internal Audit.  
July 2019**

# INTERNAL AUDIT CHARTER

## 1. THE CHARTER

- 1.1 This charter, updated in line with the United Kingdom Public Sector Internal Audit Standards, and is consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The Charter confirms the authority and responsibility conferred by the Council on its Internal Audit Section with respect to the carrying out of its agreed functions.
- 1.2 This charter covers the following areas relating to the nature, activity and scope of internal audit within Doncaster Council.
- Role and objectives
  - Independence
  - Authority
  - Responsibilities
  - Scope of work
  - Plans
  - Reports
  - Standards
  - Relationships
  - Ethical standards
  - Contribution to Corporate Objectives
- 1.3 This charter should be read in conjunction with the Internal Audit Strategy and Anti-Fraud, Bribery and Corruption Strategy which both give details about how the responsibilities within this charter are discharged.

## 2. MISSION, ROLES AND OBJECTIVES OF INTERNAL AUDIT

- 2.1 Internal Audit's mission statement per UKPSIAS is defined as "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight." Clearly Internal Audit's achievement of its mission will help the organisation achieve its objectives.
- 2.2 As defined by is the United Kingdom Public Sector Internal Audit Standards (UKPSIAS): "*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*".
- 2.3 The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the

organisation whether these arrangements are in place and operating properly and efficiently. The annual internal audit opinion, which informs the annual governance statement, both emphasises and reflects the importance of this aspect of internal audit work. The organisation's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

2.4 To provide optimum benefit to the organisation, internal audit should work in partnership with management to improve the control environment and assist the organisation in achieving its objectives. This partnership must operate in such a way as to ensure that legal requirements and those of the UKPSIAS are met.

2.5 Internal audit provides an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. It may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.

2.6 Internal Audit may provide assurance services where it has previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement

2.7 The attainment of the overall objective will normally involve: -

- Reviewing and appraising risks related to the achievement of objectives and business goals and evaluating the adequacy and effectiveness of the system of internal control related to those risks.
- Appraising the relevance, reliability and integrity of information.
- Reviewing compliance with those policies, plans, procedures, statutory requirements and regulations which could have a significant impact on the achievement of the Council's objectives and business operations.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Appraising the economy, efficiency and effectiveness with which resources are employed and the delivery of services in a best value manner.
- Reviewing operations or projects to ascertain whether results are consistent with the Council's established objectives and goals and whether the operations or projects are being carried out as planned and with due regard to the management of risk.
- Maintaining a program of review and assessment to enhance the integrity and usefulness of the Council's risk management processes.

- Conducting special assignments and investigations into any matter or activity affecting the interests of the Council. It should be noted that it is normally management's responsibility to undertake such investigations and Internal Audit's involvement is governed by UKPSIAS and the Council's financial rules.
  - Reviewing the Council's corporate governance arrangements with appropriate input from other professional services including HR and Legal.
- 2.8 Section 6 of the Internal Audit Strategy identifies the approach to internal audit planning and the way in which Internal Audit resource requirements are considered and managed in response to emerging needs and priorities.

### **3. INDEPENDENCE**

- 3.1 The Council's Internal Audit Services are an appraisal and advisory function having independent status within the Council. These arrangements have been reviewed and assessed against (UKPSIAS) audit standards and are considered to be compliant with these standards
- The Head of Internal Audit: -  
Shall have direct access to the Mayor, Deputy Mayor, Chief Executive, Chief Financial Officer (Section 151), the Monitoring Officer and any other officer or member or external body, including the External Auditor, as the Head of Internal Audit shall determine.
  - Shall have access to the Chair and Vice-Chair of the Council's Audit Committee.
  - Shall not be involved in the day-to-day operations of the Council.
  - Shall be able to make appropriate provisions for the undertaking of an objective assessment of the resource requirements of Internal Audit Services.

### **4. AUTHORITY**

- 4.1 The authority of the Head of Internal Audit is derived from the Council, the, Chief Financial Officer (Section 151) the Monitoring Officer and the Council's Financial Procedure Rules. It is based on what is required to discharge the statutory obligations of the Council through the establishment of an effective internal audit function.
- 4.2 The Head of Internal Audit and his audit staff shall: -
- Have access at all reasonable times to the records, assets, personnel and premises of the Council including accounting records, documents, invoices, vouchers, correspondence and other data, whether held manually or electronically, of the Council which are necessary for the proper performance of internal audit duties.
  - Have the right at all reasonable times to enter any premises of the Council to request any employee to furnish all information and explanation deemed necessary for them to form an opinion on the

adequacy of systems and/or controls or to complete required investigations. The employee concerned shall respond promptly to such enquiries.

- Shall have rights of access to those items listed above where held by partner organisations as they affect the business of Doncaster Council or its control environment.
- 4.3 The Council's employees and members shall render every assistance to the auditors in carrying out their audit duties.
- 4.4 Managers shall respond promptly to internal audit reports and requests for information relating to the implementation of recommendations. Responses will normally be required within two weeks of the date of receipt of the report and by the date requested for any other information sought.

## **5. RESPONSIBILITIES**

- 5.1 The Head of Internal Audit shall be responsible for the functional control of audit activities in relation to: -
- Development, implementation and oversight of internal audit methods and procedures;
  - Development and control of an effective internal audit plan and including those for which there are partnership arrangements;
  - Scope and boundaries of audits;
  - Fulfilling the objectives of internal auditing;
  - Utilising designated audit resources to maximise the efficiency and effectiveness of the internal audit function;
  - Maintenance of the appropriate auditing standards, currently those defined by the United Kingdom Public Sector Internal Audit Standards (UKPSIAS).
- 5.2 It should be noted that internal audit is not responsible for control or control functions within the Council; these responsibilities rest with management. Internal audit should never be regarded as a substitute for good management.

## **6. SCOPE OF INTERNAL AUDIT WORK**

- 6.1 The scope of internal audit work shall be sufficiently comprehensive to meet the needs of management, the Council and the United Kingdom Public Sector Internal Audit Standards. Work areas for review will derive through a risk-based process based upon a risk assessment, which will be derived from the Council's risk registers where available and will be compatible with the Council's Risk Management arrangements.
- 6.2 Where the risk management processes are mature enough, the Head of Internal Audit will seek to use the results of these processes to

inform the scope of internal audit work to be undertaken. Where the registers are not judged to be of sufficient quality or scope to allow their use, then the scope of Internal Audit work shall be based upon a risk assessment undertaken by the Head of Internal Audit and his staff.

- 6.3 Internal audit coverage will embrace the control environment of the Council and will extend to all areas of the Council and its controlled / related entities.
- 6.4 Particular attention will be given to any aspects of the control environment affected by significant changes to the Council's risk environment.

## **7. AUDIT PLAN**

- 7.1 An audit plan providing for the review of significant operations of the Council, based on an assessment of risk pertaining to the achievement of Council objectives, shall be prepared for the approval of the respective Director and the Council's Audit Committee.
- 7.2 As appropriate, the plan will take account of the role and objectives of internal audit and shall provide for the work of the internal audit team on an annual basis, based upon an assessment of risk. The plan will be prepared in consultation with management to obtain an understanding of the organisation's strategies, key business objectives, and associated risks and risk management processes, for the approval of the Audit Committee. As is consistent with professional practice, the plan will have an annual dimension but may also reflect an intention to review risks over a longer time period. The plan will be reviewed on a regular basis during the year and adjusted as necessary in response to changes in the Authority, risks, operations, programmes, systems and controls.

## **8. AUDIT REPORTS**

- 8.1 Reports on individual audit activity will be made on a timely basis. Reports on areas reviewed by Internal Audit, containing feedback to managers shall be issued promptly at the end of each audit review.
- 8.2 Reports will also be submitted to the respective director and as appropriate to the Chief Financial Officer (Section 151) and to the Audit Committee, in summary form, by the Head of Internal Audit. They will report on significant findings and issues arising from the internal audit work plan.
- 8.3 The Head of Internal Audit will submit an annual report to the Audit Committee timed to support the Annual Governance Statement which includes:-
  - a. An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control

framework (i.e. the control environment).

- b. A summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies).
- and
- c. A statement on conformance with UKPSIAS and the results of the Internal Audit Quality and Assurance and Improvement Programme (see below).

## 9. AUDIT STANDARDS

9.1 Internal auditing standards shall be consistent with the United Kingdom Public Sector Internal Audit Standards. These standards define how the “Core Principles for the Professional Practice of Internal Auditing” are delivered which ultimately contribute to the function delivering to the Mission Statement of Internal Audit which is “To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”

9.2 Compliance with these will be assessed through a “Quality Assurance and Improvement Programme”. (QAIP) The QAIP is an aid to evaluate conformance with the Code of Ethics and the Standards

Internal Audit maintains appropriate ongoing quality processes designed to ensure that internal audit work is undertaken in accordance with relevant professional standards. These arrangements include:

- The maintenance of detailed audit procedures
- Auditors work to a Code of Ethics and complete a Declaration of Interest to ensure any conflicts can be managed
- Detailed job descriptions for each internal audit post
- Regular performance appraisals
- Regular 1:2:1 meetings to monitor progress with audit engagements
- Training plans and associated training activities
- Agreement of the objectives, scope and expected timescales for each audit engagement with clients before detailed work commences (audit specification)
- The results of all audit testing work documented using the Service’s automated working paper system (Teammate)
- File review by supervising officer and sign-off of each stage of the audit process
- A debrief is carried out for each piece of completed work. This identifies any means of improving future reviews of that or similar

areas in the future and also any development opportunities for the auditors

- Final sign-off of each job by a Principal Auditor, Audit Manager or Head of Internal Audit
- Post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- Performance against agreed targets reported to the Audit Committee on a regular basis
- As part of the annual appraisal process, each internal auditor is also required to assess their current skills and knowledge. Where necessary, training and/or support will be provided to address any development needs
- Team meetings are held frequently and away days are held involving review of factors affecting the future of internal audit. Strategic actions required are noted and built into team development & service plans as appropriate
- Head of Internal Audit and the Internal Audit manager are also members of various professional networks and obtain information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

### 9.3 Ongoing quality assurance and improvement checks

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

- The Head of Internal Audit will maintain 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 QA 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 and conformance with the Code of Ethics and the Standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Audit Committee. Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

- 9.4 In February 2017, the service had its external assessment undertaken. The assessment has confirmed that Doncaster's Internal Audit Service meets the highest of the three possible ratings within the standards, i.e. that the service "Generally Conforms" with the standards. 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 also provides stakeholders with the reassurance that they can place reliance on the quality of the work that Internal Audit delivers. The report was presented to the Audit Committee at its April 2017 meeting.
- 9.5 The external assessment report identifies seven observations noted either by the reviewers themselves, or by Members and officers interviewed by the reviewers. The observations, and actions emanating from them, were incorporated into the Service's Quality Assurance Improvement Plan, and their full completion was reported to the Audit Committee.
- 9.6 The results of the Quality Assurance and Improvement Programme are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in a Team Development Plan. Specific actions may also be included in Internal Audit's Service plan and/or individual personal development action plans. The outcomes from this exercise, including details of the Team Development Plan, are used to evaluate overall conformance with the Standards, the results of which are reported to senior management and the Audit Committee as part of the annual report of the Head of Internal Audit.

## **10. RELATIONSHIPS**

- 10.1 The internal audit function, as part of an effective process of service delivery, shall maintain good and effective working relationships with its customers and with those charged with responsibility for partner organisations.
- 10.2 It shall also maintain effective working relationships with the Audit Committee, the Chief Executive, Chief Financial Officer (Section 151), the Monitoring Officer, the External Auditor, other inspection and agency teams, the Council's members, management and employees.
- Where the Council has partnership arrangements, the Head of Internal Audit will ensure that there is an effective and efficient control environment which takes account of the governance, risk and control framework of the partner body and that the risks associated with such an arrangement are subject to internal audit review. Suitable protocols will be set in place where these safeguard the Council's interests for effective internal audit.
- 10.3 Where there are incidents of fraud the Head of Internal Audit will advise or intervene as appropriate in ensuring that there is suitable involvement with

the Police, or other agencies, and will seek to maintain an effective working relationship with them. This will include, where appropriate, the Benefits Investigation team.

## **11. ETHICAL STANDARDS**

- 11.1 Internal Auditors will behave at all times in accordance with the highest ethical standards and shall comply with the Council's Code of Conduct and declarations policy where there is a need to declare interests.
- 11.2 Where there are possible conflicts of interests in its undertaking of any individual audit or series of audits, individual auditors should bring such matters to the attention of their line manager in accordance with good practice.
- 11.3 Internal Auditors shall at all times fully comply with the requirement of the UKPSIAS in respect the ethical standards within it and a declaration of compliance is completed by all auditors on an annual basis.

## **12. CONTRIBUTIONS TO ACHIEVING CORPORATE OBJECTIVES**

- 12.1 To provide optimum benefit to the organisation, internal audit should work in partnership with management to improve the control environment and assist the organisation in achieving its objectives. Internal Audit's mission statement per UKPSIAS is defined as, "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight". Clearly Internal Audit's achievement of its mission will help the organisation achieve its objectives.
- 12.2 This partnership must operate in such a way as to ensure that legal requirements and those of the UKPSIAS are met.
- 12.3 Internal audit provides 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. Any consultancy services and investigative reviews are undertaken subject to there being no impact on the core assurance work and the availability of skills and resources.

## **13. ASSURANCE SERVICES PROVIDED TO EXTERNAL ORGANISATIONS**

- 13.1 Internal Audit provides an audit service to St Leger Homes and supports other partners such as the Internal Drainage Board based within the Borough, where the Council appoint persons to their Boards.

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## Doncaster Council

### Report

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Date: 24<sup>th</sup> July 2019

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

**INTERNAL AUDIT REPORT FOR THE PERIOD: APRIL TO JUNE 2019**

Relevant Cabinet Member(s)	Wards Affected	Key Decision
		No

#### **EXECUTIVE SUMMARY**

1. The report attached at **Appendix 1** updates the Audit Committee on the work undertaken by Internal Audit for the period April to June 2019, and shows this in the context of the audit plan for the year. The report includes details on the implementation of internal audit recommendations and the Internal Audit Teams performance information.
2. The attached report is in four sections:  
Section 1. The Audit Plan / Revisions to the Plan  
Section 2. Audit Work Undertaken During the Period  
Section 3. Implementation of Audit Recommendations  
Section 4. Internal Audit Performance
3. A summary of the main points from each of the sections is provided in the following paragraphs:

#### **Section 1: The Audit Plan / Revisions to the Plan**

4. Section 1 of the attached update report shows that 7 new jobs have been added to the plan or have substantially increased in scope due to anomalies identified. The changes are in response to emerging risks and concerns.

5. Some planned work has been removed from the plan to help accommodate this. Current progress in delivering the audit plan is commented in more detail within Section 2 of this report.

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

6. Details of the work being carried out in this area are included in Section 2 of this report.
7. The audit work done continues to confirm the Council generally has appropriate controls in place and that the controls are operating effectively. More details are provided in paragraph 2.4 and Appendix A of the attached report.
8. Internal Audit continues to deliver unplanned work, either in response to requests from management or contingency work identified by Internal Audit. This work is important as it helps to address weaknesses and potential errors and/or irregularities, and Internal Audit's support is generally highly regarded in these circumstances.
9. Considerable resources continue to be applied in working with Management in the implementation of audit recommendations and further detail is set out in the following section.

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

10. There are now 8 overdue major recommendations; 7 fall within Adults, Health and Wellbeing and 1 in Regeneration and Environment. Although this is an increase from the number outstanding reported last period of 4 (all within Adults), progress is still being made in all cases.
11. The current number of audit recommendations outstanding overall is now 76 (69 reported last period), of which 49 (50 reported last period) of these have passed their original agreed implementation date. Further information is set out in Section 3 of this report.

## **Section 4: Performance Information**

12. Performance on four out of the service's six key performance indicators are on or above target. The percentage of planned audit work completed at 20% is slightly below target due to several factors including:-

Issues within customer directorates

- High levels of responsive work experienced by the team in the first quarter.
- 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 sickness than budgeted for
  - Higher levels of training than budgeted for.
13. The plan for the remainder of the Financial Year has been assessed and the Head of Internal Audit considers that sufficient work will be delivered to be able to provide his opinion on the Council's, risk governance and control arrangements. Should delivery of this programme of work become a problem, then additional resources will be put into the team in line with existing assurances to the Audit Committee and past actions by the Chief Financial Officer.
14. The percentage of jobs completed within 110% of the time allowed is below target at 80% against the target of 90%. Results relating to major recommendations and customer satisfaction remain very positive, with 100% of critical or major recommendations agreed and 100% of Customer Satisfaction Surveys rated Satisfactory or above.
15. Issuing draft reports within 15 days of fieldwork completion is exceeding target at 91% against a target of 90% as is issuing final reports within 5 days of client feedback on the draft report at 100% against a target of 90%.

## **RECOMMENDATIONS**

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

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

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

## **BACKGROUND**

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

## **OPTIONS CONSIDERED**

19. Not applicable - for information only

## **REASONS FOR RECOMMENDED OPTION**

20. Not applicable - for information only

## IMPACT ON THE COUNCIL'S KEY OUTCOMES

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

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

<p><b>Connected Council:</b></p> <ul style="list-style-type: none"> <li>• A modern, efficient and flexible workforce</li> <li>• Modern, accessible customer interactions</li> <li>• Operating within our resources and delivering value for money</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of residents</li> <li>• Building community resilience and self-reliance by connecting community assets and strengths</li> <li>• Working with our partners and residents to provide effective leadership and governance</li> </ul>	<p>Effective oversight through the Audit Committee adds value to the Council operations in managing its risks and achieving its key priorities of improving services provided to the citizens of the borough</p> <p>The work undertaken by the Audit Committee improves and strengthens governance arrangements within the Council and its partners.</p>
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## **RISKS AND ASSUMPTIONS**

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

## **LEGAL IMPLICATIONS [SRF 04/07/19]**

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

Legal advice can be provided on individual items on the work plan as required.

## **FINANCIAL IMPLICATIONS [ST 05/07/19]**

24. There are no specific financial implications associated with this report. Internal Audit's budget forms part of the monthly monitoring process and is not reporting any significant issues.

## **HUMAN RESOURCE IMPLICATIONS [KG 04/07/19]**

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

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

26. There are no specific technology implications associated with this report. As outlined in Appendix A, a protocol for the assessment of cloud services and an associated security matrix that is intended to be completed as part of any appropriate Council procurement process are being developed. These will also align with the Technology Governance Board process. The

overdue recommendation relating to Contract Monitoring Review – Supported Living is being addressed as part of the implementation of the Doncaster Integrated People Solution (DIPS), as outlined in Appendix B.

### **EQUALITY IMPLICATIONS [PJ 04/07/19]**

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

### **HEALTH IMPLICATIONS [SH 04/07/19]**

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

### **CONSULTATION**

29. There is consultation with managers at the outset, throughout and at the conclusion of individual audits in order to ensure that the work undertaken and findings are relevant to the risks identified and are accurate. Regular meetings are held with Senior Management to ensure there is effective and relevant Internal Audit coverage provided.

### **BACKGROUND PAPERS**

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

### **REPORT AUTHOR & CONTRIBUTORS**

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

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

### **Appendices Attached**

Appendix 1 - Internal Audit Progress Report April to June 2019



**Doncaster  
Council**

**Appendix 1**

**Doncaster Council**

**Internal Audit Progress Report**

**April to June 2019**

## Section 1: Revisions to the Audit Plan

- 1.1. The 2019/20 Audit Plan was approved by the Audit Committee on 11<sup>th</sup> April 2019. As the audit year progresses, the plan is reviewed to take into account new and emerging risks and any responsive work arising. Additional work undertaken / added to the plan is resourced by the deletion or deferral of the assessed lowest risk current plan items. Significant amendments to the plan, this quarter, are set out below.
- 1.2. The following jobs have been added to the plan, or significantly increased in scope:
  - Troubled Families Grant
  - North Bridge Stores
  - DL (DoLS) Tribunal Case
  - Planning Committee Peer Review Follow Up
  - Adult Social Care Debt Meetings
  - DoLS follow up review
  - Trading Standards and Food and Animal Safety Review
- 1.3. The following jobs have been deleted from the plan or deferred to be undertaken / considered for inclusion in future years plans, or have been significantly reduced:
  - Deprivation of Liberties - New System Review (deferred to 2020/21)
  - Housing Rents - Data Migration Review (no migration due)
  - School Anti-Fraud and Corruption policy (deferred to 2020/21 pending national guidance being issued)
  - ERDF / SCRIF Funding (cancelled as assurance to be gained from work delivered by Financial Management Team)
  - Homes and Communities Agency Grant (HCA) (HCA not subjecting Authorities to review this year so no audit required)

## Section 2: Audit Work Undertaken During the Period

### Internal Audit Opinion

- 2.1 Internal Audit provides an opinion on the control environment for all systems, services or functions which are subject to planned audit review. The opinions given are taken into account when forming our overall annual opinion on the adequacy and satisfactory operation of the Council's governance, risk management and internal control arrangements at the end of the year.
- 2.2 A "*substantial*" opinion is given where there are no or low levels of concern. A "*partial*" opinion is given where there are issues of concern

that need to be addressed but represent a reasonable level of assurance. A '*limited*' opinion is given in any area under examination where one or more concerns of a 'fundamental' nature are identified or where there are a considerable number of issues of concern arising which need addressing. A '*no assurance*' opinion is given where the area under review is considered to be fundamentally exposed to critical risks, although '*no assurance*' opinions are extremely rare.

## Summary of Findings from Audit Reviews

2.3 Summary conclusions on all significant audit work completed April to June 2019, are set out in **Appendix A**.

### Audits providing '*limited*' assurance opinions

2.4 Our work concluded that the control environment was inadequate in 2 audits completed during the period, leading to the issuing of a limited assurance opinion in these areas, as detailed below:

#### Strategic Asset Management – Income Management Review Follow Up

A limited opinion was given as a full reconciliation between the rent / lease recording system and Accounts Receivable to ensure that all income is being collected has not yet been finalised. This action should be fully implemented shortly.

#### North Bridge Stores

The limited assurance opinion is based on the number of weaknesses which have been identified as part of this stores audit. In addition to this, the limited scale of regular stock takes and subsequent review of discrepancies identified (variances), which have been undertaken since the introduction of the new inventory management system (November 2017), give rise to concern over the timely identification of any possible losses through fraud or error.

As a result of the audit work completed 26 recommendations have been made. It should be noted that 4 of the actions identified are not the responsibility or sole responsibility of the Stores Team, however, these are required in order to ensure that the service / process as a whole improves.

Weaknesses / improvements identified included:

- Limited stock takes had been undertaken since the implementation of the new system in November 2017. A full stock take commenced December 2018 and is now complete, however the results of the

stock take revealed that 35% of stock item types have a variance (either a loss or gain) and the results have not yet been signed off as acceptable by management. Due to the number of issues arising within this report, it is envisaged that the extent of stock take variances currently identified should decrease as the identified process improvements are rolled out.

- Written procedures covering the Inventory Management system were drafted as a support by the Financial Systems Development Officer during the system implementation and handed over to the Stores Manager to review/finalise. These have not been reviewed by Stores staff to ensure that they work on the ground. Nor have additional procedures been written to document the “stores only” processes that are in operation around the Inventory Management system.
- Once further familiarisation is made with the Inventory Management system, current stock monitoring processes will be reviewed and exception reporting will be developed to ensure that the service is operating as efficiently and effectively as possible and any potential anomalies are identified on a timely basis for investigating or correcting.

### **Responsive Audit Work and Investigations**

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

Audit Area	Update
Review of ARC Practices	A new system has been procured and the processes for launch are currently being designed. Internal Audit are working with the project consultants to review the proposals and ensure that the processes being designed are robust and sufficient to ensure that key processes and well managed. These cover:- monitoring contracts, charging for services, installing equipment, monitoring stock levels and stock usage, managing referral processes from the Council and other partner organisations and responding to calls from service users.
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

Audit Area	Update
	<p>DMBC.</p> <p>The work is complete and the results have informed management action undertaken.</p>
Income Management Project Support	<p>The piece of additional work is to support corporate arrangements in the identification and reconciliation of income. It is an important area due to weaknesses identified in this area though in both audit work and income project work previously carried out by Financial Management.</p>
Doncaster East Internal Drainage Board (DEIDB)	<p>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 assessed by the Board.</p> <p>Ongoing support and advice to Portfolio Holder and Chair of Board regarding residual matters still to be resolved.</p>
Data Matching - Supplier to Payroll Payments	<p>Additional time 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 which may be in breach of Inland Revenue regulations (IR35) or where the employee has not informed their manager of secondary employment.</p>
Trading Standards and Food and Animal Safety Review	<p>A full review of the workings of this service is being undertaken at the request of senior / statutory officers after complaints have been received.</p> <p>The fieldwork of this review is nearing completion.</p>
Early Years Service Payments	<p>A fraud issue raised by management within the Early Years' Service that provides (and audits) funding for nursery places across Doncaster, identified that false claims for payments had been made.</p> <p>The money is being paid back and appropriate action has been taken.</p>

### Section 3: Implementation of Audit Recommendations

3.1 Following the completion of audit work, improvement plans are produced in consultation with service management containing details

of actions and dates agreed by management for their implementation. Final reports, incorporating agreed improvement plans, are then formally issued to the appropriate Director, Assistant Director and Head of Service.

- 3.2 Internal Audit subsequently seeks assurance that agreed actions arising from audit work have actually been implemented. This involves contacting the officer allocated to complete the action to obtain evidence that agreed actions have been implemented or, where they have not, that appropriate progress is being made. Where fundamental weaknesses in internal control arrangements have been identified, more detailed follow up work is undertaken.
- 3.3 Any major recommendations that are not implemented in line with agreed timescales are reported as part of the Council's Quarterly Resource Management processes and consequently monitored through that process. The total number of overdue recommendations, in addition to major ones, is now being reported. Additionally, Assistant Directors are provided each month with details of all actions outstanding in their area and these are then reviewed with Internal Audit and the Director and their management teams each quarter. Major recommendations outstanding are reported routinely by Internal Audit to the Audit Committee.
- 3.4 A summary of overdue major recommendations is provided in **Appendix B**. The number of both major and lower level recommendations that are currently overdue for completion is distributed as follows:

Directorate	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 09/07/19	At 02/07/18	At 15/01/19	At 19/03/19	At 09/07/19
Adults, Health and Wellbeing	16	10	4	7	53	29	30	13
Regeneration & Environment	0	0	0	1	11	7	9	18
Corporate Resources	0	0	0	0	22	1	3	5
Learning & Opportunities (Children & Young People)	0	0	0	0	10	2	3	2
Council Wide	0	0	0	0	2	1	0	0
<b>TOTAL</b>	<b>16</b>	<b>10</b>	<b>4</b>	<b>8</b>	<b>98</b>	<b>40</b>	<b>45</b>	<b>38</b>

- 3.5 The majority of the Adults, Health and Wellbeing overdue recommendations listed above are in respect of the audit of the

Deprivation of Liberties Safeguards. The Regeneration and Environment overdue actions are in relation to Bereavement Services and North Bridge Stores. Further information in respect of these is detailed below.

Deprivation of Liberties Safeguards – 14 actions remain outstanding, of which 4 are overdue major recommendations and 6 are overdue lower level recommendations

Only one lower rated action has been implemented this period. There has been progress demonstrated on some of the other actions, with evidence provided in relation to the implementation of 3 of these actions requiring further clarification.

Bereavement Services – in total, 9 actions are outstanding, of which 8 are overdue lower level recommendations

Implementation of actions is progressing satisfactorily in this area, as allowance need to be made for ongoing resourcing issues.

North Bridge Stores – 19 actions are outstanding, of which 12 are overdue lower level recommendations

Actions in this area have only recently become overdue (end June). It should be noted that a monitoring & commitment schedule was agreed by the Trading and Property Services Assistant Director in response to the Stores Audit report, in May. This details the management overview and ongoing monitoring of action implementation arrangements that have now been put in place. Bi weekly update meetings between the Head of Service and Stores staff commenced mid-June. Additionally, the first coaching sessions on specified aspects of the electronic system, Inventory Management, between Stores and Financial Development occurred at the beginning of July. This should clarify problematic areas and add efficiencies

- 3.6 The number of major level recommendations overdue has increased this period from 4 to 8, however outstanding lower level recommendations has decreased slightly. Internal Audit will continue to rigorously pursue their implementation with senior management.
- 3.7 The number of audit recommendations currently awaiting implementation is 73 (85 reported last period) of which 46 (50 reported last period) have passed their original agreed implementation date. The above noted Deprivation of Liberties Safeguards and North Bridge Stores audits account for nearly half of the recommendations currently awaiting implementation. Internal Audit are working closely with these sections to promote the timely implementation of these recommended actions.

3.8 In this period, extensive work has again been undertaken on implementing long overdue outstanding recommendations. The spread of recommendations still awaiting implementation is shown below:

Directorate	Number of rec's at April 2019	Plus New rec's in year	Less Rec's implemented	Number rec's at 3rd June 2019
Adults, Health and Wellbeing	37	+5	-20	22
Regeneration & Environment	17	+26	-9	34
Corporate Resources	7	+9	-4	12
Learning & Opportunities (Children & Young People)	8	+1	-4	5
<b>TOTAL</b>	<b>69</b>	<b>+41</b>	<b>-37</b>	<b>73</b>

3.9 The number of actions currently awaiting implementation has risen slightly. This is due to the significant number of actions recently reported for North Bridge Stores. Progress has been demonstrated, so far, in addressing these actions and Internal Audit are actively monitoring the situation.

## Section 4: Internal Audit Performance

### Performance Indicators

4.1 The Audit Committee has previously agreed the key performance indicators that should be reported to it relating to the performance of the Internal Audit service. The indicators are shown below along with current performance for the period April to June 2019:

Performance Indicator	Target	April to June 2019	Variance (positive is good)
Percentage of planned audit work completed	23%	20%	-3%
Draft reports issued within 15 days of field work being completed	90%	91%	+1%
Final reports issued within 5 days of customer response	90%	100%	+10%
% of critical or major recommendations agreed	100%	100%	0%
Percentage of Customer Satisfaction Surveys rated Satisfactory or above	90%	100%	+10%

Percentage of jobs completed within 110% of budget	90%	80%	-10%
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4.2 The percentage of planned audit work completed at 20% is slightly below target due to several factors including:-

Issues within customer directorates

- High levels of responsive work experienced by the team in the first quarter.
- 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 sickness than budgeted for
- Higher levels of training than budgeted for.

4.3 The plan for the remainder of the Financial Year has been assessed and the Head of Internal Audit considers that sufficient work will be delivered to be able to provide his opinion on the Council's, risk governance and control arrangements. Should delivery of this programme of work become a problem, then additional resources will be put into the team in line with existing assurances to the Audit Committee and past actions by the Chief Financial Officer.

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

4.5 Issuing draft reports within 15 days of fieldwork completion is at 91% and issuing final reports within 5 days of client feedback on the draft report is at 100% which is good performance in this area.

4.6 The percentage of jobs completed within 110% of the budget is below target. Ongoing scrutiny in relation to this performance indicator is in place.

## Planned Audit Work Completed in Period / Not Previously Reported

## APPENDIX A

Audit Area	Assurance Objective	Final Report to Mgmt.	Overall Audit Opinion	Summary of Significant Issues
<b>LEARNING AND OPPORTUNITIES:CYP</b>				
School Governance Agenda	Ongoing work throughout 2018/19 to help improve governance overall.	31/03/19	n/a, support work only	None
Museum Inventory Arrangements Follow Up	Ensures previously reported risks identified are now being managed effectively.	09/05/19	n/a, follow up work only	The Museum Inventory has been out of date since 2015, although work has been done bringing it up to date. A plan has now been devised to do a full update and maintain the inventory.
<b>CORPORATE RESOURCES</b>				
Accounts Receivable	Ensure that accurate and timely billing takes place for goods and services that have been provided and that there are sound arrangements to maximise collections.	16/01/19	Partial Assurance	Promotion of responsibility in the Service Areas is to be developed to improve debt recovery and identify further areas for payment in advance. Business continuity arrangements to be tested in full.
Corporate Procurement Arrangements	Ensure that the central procurement and commissioning arrangements, where they are the responsibility of the Strategic Procurement Team, are robust in identifying and dealing with procurement issues.	18/03/19	Partial Assurance	Procurement documentation and advice given was found not to be standard across the board. Departmental training and the publication of statutory information was found to be undertaken ad hoc.

Audit Area	Assurance Objective	Final Report to Mgmt.	Overall Audit Opinion	Summary of Significant Issues
Business Rates	That the right rates / taxes are collected from the right payees at the right time.	26/03/19	Substantial Assurance	None
External Cloud Security (None Hosted Systems)	Overview of the arrangements in place to ensure that the Council's data is kept secure when hosted by external cloud suppliers.	10/04/19	Position statement only as arrangements are in their infancy.	A protocol for the assessment of cloud services and an associated security matrix that is intended to be completed as part of any appropriate Council procurement process are to be developed.
Council Tax	Examine the extent to which the operational risks and operational processes are effectively managed within the Council Tax system to ensure that the correct tax is calculated for the right people at the right time and that collections are maximised.	17/04/19	Substantial Assurance	None
<b>REGENERATION AND ENVIRONMENT</b>				
Property Investment Fund	Assess the processes involved in acquiring investments using money from the Property Investment Fund to ensure that returns are maximised.	07/03/19	Substantial Assurance	None
Strategic Asset Management – Income Management Review Follow Up	Ensures previously reported risks identified are now being managed effectively.	07/03/19	Limited Assurance	A full reconciliation between TF Cloud and Accounts Receivable to ensure that all income is being collected has not yet been finalised.

Audit Area	Assurance Objective	Final Report to Mgmt.	Overall Audit Opinion	Summary of Significant Issues
North Bridge Stores	Ensure that an efficient and robust stock control system is in operation at North Bridge Stores.	30/05/19	Limited Assurance	The limited scale of regular stock takes and subsequent review of discrepancies identified, which have been undertaken since the introduction of the new inventory management system (November 2017), give rise to concern over the timely identification of any possible losses through fraud or error.
<b>ADULTS AND COMMUNITIES</b>				
Troubled Families Grant (December to March)	Grant certification. Confirm expenditure and that it is in keeping with the conditions of the grant.	31/03/19	No report, grant certification only	None
Adult Payments Systems – Day Care	Assess the financial arrangements in place ensuring that day services payments are made only for goods and services received.	21/01/09	Substantial Assurance	None
Adult Payment Systems – Residential Care	Ensure that only legitimate payments are made and the right amount is paid to the right suppliers at the right time.	14/06/19	Partial Assurance	There is a high level of outstanding self-funder debt; this is also not reported within performance information.
Doncaster Integrated People Solution (DIPS) Advisory	Ongoing advice throughout 2018/19 regarding financial payment controls.	31/03/19	n/a, advisory work only	

Audit Area	Assurance Objective	Final Report to Mgmt.	Overall Audit Opinion	Summary of Significant Issues
AHW – Risk Development	Advice and support with risk identification and development of risk registers for the Directorate.	31/13/19	n/a, advisory work only	
AHW - Governance Development	Ongoing work throughout 2018/19 to help improve governance within the Directorate.	31/03/19	n/a, advisory work only	

# Overdue Major Recommendations

# APPENDIX B

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
<b>ADULTS AND COMMUNITIES</b>						
Solar Centre	The DMBC / RDaSH contract for the provision of services at the Solar Centre ended March 2013 with a CPR Waiver to extend for 1 year. However, actual service provision is still ongoing which is a breach of CPR's.	Penalties for non compliance with EU Procurement Regulations.  Best value is not obtained.	Allocate responsibility; produce a clear project plan with timescales, report to and challenge by each DLT.	30/06/18	30/11/18	<p><b>Complete</b></p> <p>Assistant Director responsibility and a Project Lead are in place. A Joint Project Board (Senior Leadership Team and all partners) meets regularly and is responsible for monitoring the project plan and unblocking problems.</p> <p>A revised plan was agreed at Cabinet 04/06/19 and reported to Audit Committee 19/06/19. This item will remain on the Audit Committee Action Log.</p>
Contract Monitoring Review - Supported Living	The CareFirst system is not currently capable of being used to record service delivery and associated payment.	Changes to client related data may not be updated on a timely basis by both the	As part of the scope of the CareFirst project the intention is to move all elements of care packages onto	31/05/18	31/07/19	A decision was taken in March 2018 that due to a number of issues linked in the main to data quality and the implementation of the DIPs system, that it would not be

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
	A project is currently being progressed under the Council's Digital Transformation Programme, which should address this issue.	Council and the CCG. This issue is reinforced as at the 21st July 2017, circa £2.4M of debt was in the process of being recovered from the CCG, of which circa £1.3M related to Supported Living.	CareFirst which will include Service Provider payment processes.  Progression of the project will be closely monitored in order to ensure that project deliverables are met including improved payment processes.			possible to move the care packages onto CareFirst. The Board agreed that all elements of care packages, including the service provider payment process would now be included in the new IT system which was procured in June 2018 with a revised implementation date of March 2020.  Interim arrangements continue to be reviewed.
Direct Payments / Personalised Budgets Follow-up	There are limited procedures documented for the social care workers to follow when completing an assessment or review of a service user. It is also acknowledged by management that there are different systems and	Inappropriate and ineffective practices may be being followed.	Procedures will be documented for all the systems and processes in operation to ensure that all staff are consistent in their work.  A subsequent exercise will be	31/03/18	28/02/19	<b>Complete</b>  Training has been provided to all staff and they have been reminded to follow procedures following the training. However, the new DIPS system will document the processes and all other outside system processes will need to be documented for all staff also. This is now not due

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
	processes potentially operating within the different areas as well as for different staff.		completed for staff feedback on what is actually working in practice. This will then be incorporated into the wider review for the processes moving forward with the new systems to be established.			to be implemented until February 2020.
Direct Payments / Personalised Budgets Follow up Review	There is still a backlog of care plan reviews to be undertaken to ensure all existing service users have been reviewed within the year. The backlog figure as at December 2017 was 242 reviews overdue out of 760 current Direct Payment service users.	The service user may not be getting the care they require and incorrect payments may be being made.	The Programme Management Office team will work with area teams to reduce the backlog figure and ensure these are as up-to-date as possible.	30/06/18	31/03/19	Extensive work has been undertaken with the locality teams to reduce the number of outstanding DP reviews. This is now being managed at the monthly performance clinic, weekly senior leadership teams and manager's one to ones.
Direct Payments / Personalised	A post has previously been in place within Adult Social Care	Lower cost care plans may be set up	Management should review the debt management	30/06/18	30/06/19	<b>Complete</b> The Homecare Project Board

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
Budgets Follow up Review	which has provided a vital link between Finance and Adult Social Care. The role has helped to reduce packages on review, avoided future debt arising and contributed to the collection / reduction of outstanding debt. If cases are reviewed which are considered higher financial risk these can help prevent further debts being raised and ensure appropriate care is provided.	and debt may increase due to the lack of debt management in place.	arrangements taking into account a holistic view of the costs and benefits for the Council.  This will be included within the Direct Payment Project Board agenda for future developments.			now has an action plan for all projects and a monthly highlight report is completed for all projects. Evidence of debt management arrangements are in place for Direct Payments.
Direct payment follow up review	Whilst there has been a positive increase in Direct Payment uptake of 91%, there is however a concerning increase of 22% in the average cost of a Direct Payment.	Inconsistency of decisions for service users and therefore inappropriate plans may be agreed. Budgetary pressures on	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	31/12/18	31/04/19	Average weekly costs of Direct Payment packages has risen from £274.84 at 2/4/18 to £288.63 at 28/1/19. The above averages do not include 1 off Direct Payments. When Direct Payment panel came into effect (1/10/18) the average weekly cost of a package was £293.30 and

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
		Adult Social Care.	reasonable and appropriate plans are in place for service users care needs.			that figure has not been breached in any week from that point. Whilst the action has been closed DP's will continue to be monitored via the homecare project board, the monthly ASC and Support Clinics, weekly SLT meetings and during staff one to ones to ensure we are assured that we have oversight of Direct Payments going forward.
DoLS	The DoLS team have not determined a series of specific exception reports that they require to provide management information on the processes carried out by the team. These would help inform them of any part of the process taking longer than expected, any cases stuck at particular stages, parts of the process not being completed or data quality errors	Management information is not available to enable performance monitoring ensuring key targets are met.  Data quality and processes issues cannot be detected and corrected.	The DoLS team will determine what their exception reporting requirements are and arrange for the Strategy and Performance Team to develop the appropriate reports.	30/06/18	30/04/19	The reports were being developed using a new system, PowerBI, for which DoLS were part of a pilot scheme, however SPU have now withdrawn their support due to resource issues. The reports in PowerBI are in the final stages of development although adjustments are still required for the more complicated data and support is required. Enquiries are being made to request further support to finalise the reports.

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
	that require correction.					
DoLS	The DoLS team have not determined a series of specific exception reports that they require to provide management information on the processes carried out by the team. These would help inform them of any part of the process taking longer than expected, any cases stuck at particular stages, parts of the process not being completed or data quality errors that require correction.	Management information is not available to enable performance monitoring ensuring key targets are met.  Data quality and processes issues cannot be detected and corrected.		31/08/18	31/01/19	This cannot be actioned until the exception reports are in place. The reports were being developed using a new system, PowerBI, for which DoLS were part of a pilot scheme, however SPU have now withdrawn their support due to resource issues. The reports in PowerBI are in final stages of development although adjustments are still required for the more complicated data and support is required. Enquiries are being made to request further support to finalise the reports.
DoLS	The transfer of sensitive personal information between the DoLS team and external assessors is not carried out using	Breach of the Data Protection Act  Inefficient	The Framework Contract for DoLS external assessors that is currently being procured will	30/09/18	18/02/19	A decision has been made to use the recruitment agency Reed to manage our framework of assessors. Data protection rules and requirements will be included

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
	<p>a secure method.</p> <p>External assessors have not been made aware of data protection rules and requirements and have therefore not agreed to adhere to them.</p> <p>Whilst the individuals contracted to do the assessments are not part of the Council, they are in fact data processors for the Council. It is the Council that retains overall liability for any data protection breach, whether this is caused by the Council or by the independent assessor.</p>	<p>manual intervention is needed to take the assessment information into CareFirst.</p>	<p>include in its terms and conditions the data protection rules and requirements. All assessors will be required to read and agree to these terms and conditions. This will include the external assessors responsibilities regarding data protection and also the consequences of a breach occurring and reporting arrangements.</p>			<p>in the framework contract with Reed which is due to become live in February 2019.</p>
DoLS	<p>Data quality within the DoLS element of the CareFirst system is poor.</p>	<p>Data quality issues may affect the annual return</p>	<p>Management will ensure that data quality issues within the Carefirst system</p>	30/06/18	18/02/19	<p>Weekly and monthly monitoring actions and checks are carried out which have had a positive impact on staff</p>

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
	<p>A monitoring exercise was carried out during the audit on cases that had already been validated by the allocated admin worker and issues were found on every case checked which raises serious concerns over the data quality of the information contained in the CareFirst system and consequently the information reported to Audit Committee and the Annual Report. It would be difficult for the team to produce an accurate data response in the event of a Data Subject Access Request.</p>	<p>to Government.</p> <p>Poor data quality may lead to inappropriate service decisions and an inability to answer any litigation brought against the Council.</p> <p>Breach of the Data Protection Act (Principle 4 - Accuracy).</p>	<p>for 2018/19 cases are investigated and rectified.</p> <p>Once other actions resulting from this audit have been implemented the number of data quality problems should decrease, thereby reducing the number of corrections required.</p>			<p>morale, output and data quality.</p> <p>Weekly validation work is underway to ensure the data is ready for the 2019 annual return submission.</p> <p>This work is ongoing and is on track to be completed by the time the annual return is due.</p>
Strategic Asset	There are 2 recommendations	Income may be lost as	A full end of year reconciliation	31/05/19		All 1956 entries held on the TF cloud download of all

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
Management – Income Management Review Follow Up	that still require implementation from a review completed in 2017. The most significant of these requires the Assets Team to conduct a full reconciliation between the lease / rent recording system, TF Cloud and Accounts Receivable to ensure that all income is being collected. Although this has been started, it has not been completed.	errors may have occurred resulting in income not being collected and this would not be routinely identified for correction.	between TF Cloud and Accounts Receivable will be completed to ensure that all income is being collected.			<p>lettings (leases, licenses etc.) have now been matched to a download from the AR system (full year).</p> <p>Further work is now being undertaken to demonstrate on the reconciliation spreadsheet the income due per TF Cloud records to income billed per AR records and to show whether or not income billed was more/less/same as recorded on TF Cloud.</p>



## Doncaster Council

### Report

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Date: 24<sup>th</sup> July, 2019

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

### **STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2018/19 – ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE**

#### **EXECUTIVE SUMMARY**

##### Statement of Accounts

1. In accordance with International Standard on Auditing (ISA) 260, the Council's external auditor is required to issue a report detailing the findings from the 2018/19 audit and the key issues that the Committee should consider before the external auditor issues their opinion on the financial statements.
2. The 'Communication with those charged with governance' report (ISA 260 report attached as Appendix A) has to be considered by 'those charged with governance' before the external auditor can sign the accounts which legally has to be done by 31<sup>st</sup> July.
3. The external auditor (Grant Thornton) expects to issue an unqualified audit opinion on the Council's financial statements for 2018/19; subject to all outstanding queries being resolved to their satisfaction.
4. Grant Thornton also expects to issue an unqualified Value For Money (VfM) conclusion for 2018/19.
5. Overall the ISA 260 report is a positive one, with five adjusted misstatements.
6. Attached to this report is the draft ISA 260 report. A final version of the ISA 260 report will be presented at the Audit Committee along with any relevant verbal updates.
7. The Deputy Section 151 Officer, as the responsible financial officer, re-confirms on behalf of the Council that she is satisfied that the statement of accounts presents a true and fair view of: -
  - a. the financial position of the Council at the end of the 2018/19 financial year; and
  - b. the Council's income and expenditure for the 2018/19 financial year.

## Annual Governance Statement

8. 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's governance arrangements in place during 2018-19 have been reviewed in line with the guidance and an Annual Governance Statement has been produced. This document demonstrates our governance compliance by: -
  - a. 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);
  - b. Identifying 7 new significant issues arising from the 2018-19 review of effectiveness of the corporate governance arrangements (Pages 4-8); and
  - c. Providing an update on the 3 key areas identified during previous years that remain an issue in 2018-19 (Pages 8-9).
9. Since the draft AGS was presented at Audit Committee in April, there have been no further significant issues identified and we have reviewed the current issues contained within the AGS to reflect the latest position.

## **EXEMPT REPORT**

10. Not applicable.

## **RECOMMENDATIONS**

11. It is recommended that the Audit Committee: -
  - a. Note the contents of the external audit ISA 260 report;
  - b. Consider the Letter of Representation and endorse its contents;
  - c. Approve the Statement of Accounts 2018/19; and
  - d. Approve the Annual Governance Statement 2018/19.

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

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

## **BACKGROUND**

### Preparation of the Accounts

13. The Council's 2018/19 accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and the appropriate accounting codes of practice. They were approved by the Council's responsible financial officer (Chief Financial Officer & Assistant Director – Finance) and published on the Council's website on the 31<sup>st</sup> May. This was

in line with the statutory deadline of 31<sup>st</sup> May.

14. The draft accounts were presented to this Committee for information on 19<sup>th</sup> June 2019. Grant Thornton were presented with these draft accounts on 31<sup>st</sup> May 2019.

#### Outcomes of the Audit

15. The external audit began on 3<sup>rd</sup> June and included examination of evidence relevant to the amounts and disclosures in the financial statements and related disclosure notes. It also included an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements and related notes and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed. This has resulted in the findings and conclusions contained in the ISA 260 report.
16. Throughout the audit process the Council's Financial Management team have responded promptly to audit queries which have contributed positively to the audit's satisfactory conclusion. Key finance officers take a proactive role in identifying potential risks so that a dialogue can take place with Grant Thornton at an early stage to discuss and seek agreement on significant and often highly complex, accounting issues affecting the year's accounts.
17. There were five adjusted misstatements relating to depreciation on Schools and Children's Centres, the valuation of the CAST Theatre, valuation of Council Dwellings, impairment of Council Dwellings and the impact of the McCloud judgement on pensions. These are detailed in the ISA 260 report pages 24 to 25.
18. There were four misclassification and disclosure changes regarding group accounts explanation, critical judgments for non-current schools, inventories and property, plant and equipment. These are detailed in the ISA 260 report page 26.
19. Grant Thornton have made three recommendations this year: all Medium priority. These relate to assessments of valuation changes during the year, valuations of leased assets and capital additions. These are detailed in the ISA 260 report page 23.
20. The accounts were made available for public inspection for 30 working days (in accordance with the Accounts and Audit (England) Regulations 2015) on Monday, 3<sup>rd</sup> June 2019, during which, members of the general public were able to inspect the accounts and raise questions on the financial statements and the associated disclosure notes. During this period no inspection visits were made.
21. Grant Thornton intends to issue an unqualified Value for Money (VfM) conclusion stating that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Grant Thornton performed detailed work on two identified risks – Financial Standing and Brexit. This follows on from the positive conclusion obtained last year and is recognition of the work undertaken to embed robust financial and governance arrangements within the Council.

22. The Letter of Representation requires endorsement by the Committee as an important final stage in the audit of the Council's 2018/19 Statement of Accounts. The letter is from the Deputy Section 151 Officer to Grant Thornton and is an assurance from management that the accounts have been prepared correctly and to bring to the auditors' attention any further matters that need to be taken into account prior to their opinion being issued. The letter will be presented at the Audit Committee along with any relevant verbal updates.

### OPTIONS CONSIDERED

23. Not applicable.

### REASONS FOR RECOMMENDED OPTION

24. The Council is subject to statutory external audit and performance evaluation by Grant Thornton and must prepare annual accounts.

### IMPACT ON THE COUNCIL'S KEY OUTCOMES

25. These are detailed in the table below: -

	Outcomes	Implications
	<p><b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> <li>• Better access to good fulfilling work</li> <li>• Doncaster businesses are supported to flourish</li> <li>• Inward Investment</li> </ul>	<p>The audited Statement of Accounts provides information on all Council priorities incorporating income and expenditure for all Council services.</p> <p>An unqualified audit opinion from Grant Thornton on the financial statements and supporting disclosure notes, together with an unqualified VfM conclusion assists with the positive reputation of the Council and ensures that strong governance is in place.</p>
	<p><b>Doncaster Living:</b> Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> <li>• The town centres are the beating heart of Doncaster</li> <li>• More people can live in a good quality, affordable home</li> <li>• Healthy and Vibrant Communities through Physical Activity and Sport</li> <li>• Everyone takes responsibility for keeping Doncaster Clean</li> <li>• Building on our cultural, artistic and sporting heritage</li> </ul>	
	<p><b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p>	

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

## RISKS AND ASSUMPTIONS

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

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

#### **LEGAL IMPLICATIONS [Officer Initials...KDW...Date...15.07.19]**

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

#### **FINANCIAL IMPLICATIONS [Officer Initials...RI... Date...15.07.19]**

28. The Council's Statement of Accounts are prepared in line with the Accounts and Audit Regulations 2015 and International Financial Reporting Standards.
29. The audit fee budget is managed by the Director of Corporate Resources and this review is included in the planned expenditure for the 2018/19 audit.

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

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

#### **TECHNOLOGY IMPLICATIONS [Officer Initials...PW...Date...15.07.19]**

31. There are no specific technology implications relating to the contents of this report.

#### **HEALTH IMPLICATIONS [Officer Initials...RS...Date...16.07.19]**

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

#### **EQUALITY IMPLICATIONS**

33. This report has no specific equality implications.

#### **CONSULTATION**

34. Not applicable.

#### **BACKGROUND PAPERS**

35. Following background papers: -
- Unaudited Statement of Accounts 2018/19 published on the Council website: - <http://www.doncaster.gov.uk/services/the-council-democracy/statement-of-accounts>
  - Accounts and Audit Regulations 2015
  - The Code of Practice on Local Authority Accounting 2018/19 ('The Code') - based on IFRS

## **REPORT AUTHOR & CONTRIBUTORS**

Robert Isaac, Financial Planning & Control Manager

☎ 01302 737983

✉ [robert.isaac@doncaster.gov.uk](mailto:robert.isaac@doncaster.gov.uk)

**Faye Tyas**  
**Head of Financial Management**  
**Deputy Section 151 Officer**

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# The Audit Findings for Doncaster Metropolitan Borough Council

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Year ended 31 March 2019  
16 July 2019



# Contents



Your key Grant Thornton team members are:

**Paul Dossett**

**Partner**

020 7728 3180

[paul.dossett@uk.gt.com](mailto:paul.dossett@uk.gt.com)

**Perminder Sethi**

**Senior Audit Manager**

0113 200 2547

[perminder.sethi@uk.gt.com](mailto:perminder.sethi@uk.gt.com)

**Chris Hurt**

**Audit In-charge**

0113 200 2569

[chris.hurt@uk.gt.com](mailto:chris.hurt@uk.gt.com)

Page 76

## Section

1. Headlines
2. Financial statements
4. Value for money
5. Independence and ethics

## Page

- 3
- 5
- 17
- 22

## Appendices

- A. Action plan
- B. Audit adjustments
- C. Fees
- D. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Doncaster Metropolitan Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2019 for those charged with governance.

## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements:

- give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed on site during June and July. Our findings are summarised on pages 5 to 16. We have identified five adjustments to the financial statements:

- an undercharge of depreciation relating to Schools and Children's Centres of £5.7m;
- an impairment of £17.5m relating to the valuation of the CAST Theatre which relates to 2013/14 and requires a Prior Period Adjustment (PPA);
- an increase to the value of Council housing of £6.4m resulting from the valuation not being uplifted from 1 April 2018 to 31 March 2019 **{awaiting supporting evidence from the valuer}**;
- an impairment of £14.5m to Council housing resulting from capital spending not adding value to Council housing;
- an increase in the Council's pension fund liabilities of £14.5m relating to the McCloud judgement.

None of the above adjustments impact on the Council's General Fund position. Further details of the audit adjustments are included on pages 7 to 9 and at Appendix B. We have also raised three recommendations for management as a result of our audit work at Appendix A.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix D), or material changes to the financial statements, subject to the following outstanding matters:

- completing our work on the financial instruments, employee remuneration, PPE, Pension fund assets and liabilities, group accounts, capital expenditure and financing and cash flow;
- procedures for Whole of Government Accounts;
- reviewing the final version of the financial statements;
- obtaining and reviewing the management letter of representation; and
- updating our post balance sheet events review, to the date of signing the opinion.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

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# Headlines – continued

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## Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk based review of the Council's value for money arrangements. We have concluded that Doncaster Metropolitan Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore anticipate issuing an unqualified value for money conclusion, as detailed at Appendix D. Our findings are summarised on pages 17 to 21.

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## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- To certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

---

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

# Summary

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- an evaluation of the Council's internal controls environment, including its IT systems and controls;

- an evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of each component and to determine the planned audit response. From this evaluation we determined that a targeted approach was required as part of our audit of St Leger Homes of Doncaster Ltd; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our audit plan, as communicated to you on 11 January 2019.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 24 July 2019, as detailed at Appendix D. These outstanding areas are listed on page 3.

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Materiality calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for Doncaster Metropolitan Borough Council.

Page 179	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	12,075k	12,000k	Materiality has been based on 1.5% of the Authority's gross expenditure
Performance materiality	7,849k	7,800k	Our performance materiality has been set at 65% of our overall materiality
Trivial matters	604k	600k	This is set at 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties.
Materiality for specific transactions, balances or disclosures.	-	15k	The senior officer remuneration disclosure in the Statement of Accounts has been identified as an area requiring a lower materiality due to its sensitive nature

# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p><b>1</b> <b>The revenue cycle includes fraudulent transactions (rebutted)</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p><b>Auditor commentary</b></p> <p>We rebutted the risk at the planning stage of our audit. No circumstances arose that indicated we would need to reconsider this judgement.</p> <p><b>Findings</b></p> <p>There are no issues to bring to your attention.</p>
<p><b>2</b> <b>Management over-ride of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management over-ride of controls as a risk requiring special audit consideration.</p>	<p><b>Auditor commentary</b></p> <p>We have:</p> <ul style="list-style-type: none"> <li>– evaluated the design effectiveness of management controls over journals;</li> <li>– analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li> <li>– tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>– gained an understanding of accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence; and</li> <li>– evaluated the rationale for any significant changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p><b>Findings</b></p> <p>There are no issues to bring to your attention.</p>

# Significant findings – audit risks

## Risks identified in our Audit Plan

## Commentary

3

### Valuation of land and buildings (rolling revaluation) including the Council's 3 PFI schemes in the first year of audit

The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (over £1 billion) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

### Auditor commentary

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation experts;
- discussed with the valuers the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding;
- tested revaluations made during the year to see if they had been input correctly into the Authority's asset register;
- considered how management has confirmed assets valued at 1 April 2018 have not significantly changed in value by the year end, 31 March 2019;
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end; and
- reviewed the Authority's 3 PFI schemes to consider the appropriateness of the accounting entries.

### Findings

Our audit work to date has not identified any issues except for:

- Schools and Children's Centres have been valued as at 1st April 2018 and then again as at 31 March 2019. The approximate valuation as at 31 March 2019 is £220m. No depreciation has been charged on these assets for 2018/19 and the net cost of services is consequently understated and the revaluation reserve overstated by £5.7m. Management has agreed to amend the accounts for this error;
- The valuation of the CAST Theatre was previously undertaken in 2013 and prior to a 23 year lease being granted at a peppercorn rent later in the same year. The Theatre has not been valued since 2013 other than this year as part of the five yearly valuation. The current year valuation recognises the Theatre is subject to a lease at a peppercorn rent and has resulted in a downward revaluation of £17.5m reflecting the leasehold nature of the facility. The Theatre should properly have been valued on a leasehold basis in 2013, at which time, the impairment resulting in the downward revaluation should have been recorded in the 2013/14 financial statements. To correctly account for this impairment, a Prior Period Adjustment is required impacting on the Authority's opening balances. Management has agreed to amend the accounts for this error;
- Council Dwellings have been revalued as at 1st April 2018 using the Beacon methodology. The District Valuer Services (DVS), has stated that there was no impairment in Beacon values to 31 March 2019. DVS initially did not provide an indication of whether Beacon values had increased. Further correspondence with DVS indicates Beacon Values have increased between 0% and 2%. The Council consider the midpoint, 1%, is an appropriate increase in asset values which equates to £6.4m. Management has agreed to amend the accounts for this error and also include a disclosure note in the financial statements to explain the increase;
- Capital additions to Council housing total £22m for 2018/19 of which the Council had impaired £6m as adding no value. Following audit work, management has undertaken a further review of capital additions which indicates an additional impairment to the CIES is required of £14.5m. Management has agreed to amend the accounts for this error.

# Significant findings – audit risks

## Risks identified in our Audit Plan

4

### Valuation of the pension fund net liability

The pension fund net liability, as reflected in the Authority balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

## Commentary

### Auditor commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls (refer also to our detailed review of estimation process in key judgements and estimates section on page 12);
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary PwC (as auditor's expert) and performing additional procedures suggested within the report. This has included:
  - review of the scope of the actuary's work;
  - review of the source data provided to the actuary to confirm its validity and completeness;
  - performed checks on accounting policy disclosures in relation to IAS 19;
  - reviewed the duration of liabilities of the Council to ensure assumptions used are appropriate to the asset and liability profile of the authority;
  - reviewed if there are any departures from the actuary's recommended assumptions; and
  - performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over roll-forward valuation.

### Findings

Our audit work identified that the Council used the figures for its pension fund net liability of £457.1m, issued by its actuary in April 2019. The figures provided by the actuary were based on asset valuations as at 28 February 2019 and projected to 31 March 2019. Following audit work, we asked the Council to obtain an updated asset valuation as at 31 March 2019 to identify any material difference in pension fund asset values between the projected figures used by the actuary for the last month of the year and the actual position at the year end. The Council's actuary has confirmed the difference between their estimate of asset values at 31 March 2019 based on a projection for the final month of the year, and the actual outturn is a difference of £235,000. Given the difference is not material, the Council are not proposing any amendments to the financial statements. We are content with this approach.

In the 'Significant findings – other issues' on page 9 we set out the potential impact of the McCloud judgement on the pension fund net liability.

# Significant findings - other issues

Issue	Commentary	Auditor view
<p><b>Potential impact of the McCloud judgement</b></p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £14.5m, and an increase in service costs for the 2019/20 year of £2.5m.</p> <p>Management's view is that the impact of this change is material. The Council is awaiting the updated IAS19 Report from Mercers and will incorporate the changes into the 2018/19 financial statements.</p>	<p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p> <p>Given the change in liability resulting from the McCloud judgement, management has agreed to process the adjustment of £14.5m on receipt of the updated IAS19 report. We consider this an appropriate adjustment to the Council's financial statements.</p> <p>We have included this as an adjusted misstatements.</p>

# Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
<b>Provisions for NNDR appeals - £5.1m</b>	The Council is responsible for repaying a proportion of successful rateable value appeals. Management calculates the level of provision required and is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. There has been an increase in provision of £936k during the year.	<ul style="list-style-type: none"> <li>the underlying information used to determine the estimate appears appropriate;</li> <li>the calculation of the NNDR provision is consistent with the approach taken last year;</li> <li>an appropriate accounting policy is included in Note 2 of the Statement of Accounts.</li> </ul>	 <b>Green</b>
<b>Land and Buildings – Council Housing - £637.1m</b>	The Council is required to revalue its Council housing in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged its valuer, District Valuer Services (DVS), to complete the valuation of these properties. The valuation was at 1 April 2018 and valued Council Housing at £637.1m, a net decrease of £8.6m from 2017/18 (£645.7m).	<ul style="list-style-type: none"> <li>The Council's valuer DVS last valued the entire housing stock on 1 April 2018 using the beacon methodology. DVS confirmed that there has been no impairment in Beacon values to 31 March 2019, and based on their assessment, Beacon Values have increased between 0% and 2% in Doncaster for the year to 31 March 2019. The Council had previously not processed an increase in value to Council housing but consider a 1% increase, the midpoint of the valuers estimate, is an appropriate increase across its stock. The impact of this adjustment equates to an increase in asset values of £6.4m. Management has agreed to amend the accounts for this error and also include a disclosure note in the financial statements to explain the increase;</li> <li>Capital additions to Council housing total £22m for 2018/19 of which the Council had impaired £6m as adding no value. Following audit work, management has undertaken a further review of capital additions which indicates an additional impairment to the CIES is required of £14.5m. Management has agreed to amend the accounts for this error.</li> <li>We have assessed the Council's valuer, District Valuer Services, to be competent, capable and objective;</li> <li>We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report;</li> <li>The valuation method remains consistent with the prior year;</li> <li>We have agreed the HRA valuation report to the Statement of Accounts.</li> </ul> <p>Our 'Red Assessment' was based on the Council's draft accounts. Management has agreed the amendments identified and the position is now considered satisfactory.</p>	 <b>Red</b>

## Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key judgements and estimates

	Summary of management’s policy	Audit Comments	Assessment
<p><b>Land and Buildings – Other - £716.1m</b></p>	<p>Other land and buildings comprises £462.4m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£253.7m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its inhouse valuer to complete the valuation of properties as at 1 April 2018 on a five yearly cyclical basis. 67% of total assets were revalued during 2018/19.</p> <p>Management has considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 1 April 2018, based on the market review provided by the valuer as at 31 March 2019, to determine whether there has been a material change in the total value of these properties. Management’s assessment of assets not revalued has identified no material change to the properties value.</p>	<ul style="list-style-type: none"> <li>We have assessed the Council’s in-house valuer, to be competent, capable and objective;</li> <li>We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report;</li> <li>The valuation method remains consistent with the prior year;</li> <li>We confirm consistency of the estimate against the Gerald Eve report, and reasonableness of the increase in the estimate;</li> <li>We have agreed the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts.</li> </ul> <p>As set out on page 7, our audit work identified:</p> <ul style="list-style-type: none"> <li>Schools and Children’s Centres have been valued as at 1st April 2018 and then again as at 31 March 2019. The approximate valuation as at 31 March 2019 is £220m. No depreciation has been charged on these assets for 2018/19 and the net cost of services is consequently understated and the revaluation reserve overstated by £5.7m. Management has agreed to amend the accounts for this error;</li> <li>The valuation of the CAST Theatre was previously undertaken in 2013 and prior to a 23 year lease being granted at a peppercorn rent later in the same year. The Theatre has not been valued since other than this year as part of the five yearly valuation. The current year valuation recognises the Theatre is subject to a lease at a peppercorn rent and has resulted in a downward revaluation of £17.5m reflecting the leasehold nature of the facility. The Theatre should properly have been valued on a leasehold basis in 2013, at which time, the impairment resulting in the downward revaluation should have been recorded in the 2013/14 financial statements. To correctly account for this impairment, a Prior Period Adjustment is required impacting on the Authority’s opening balances. Management has agreed to amend the accounts for this error.</li> </ul> <p>Our ‘Red Assessment’ was based on the Council’s draft accounts. Management has agreed the amendments identified and the position is now considered satisfactory.</p>	 <p><b>Red</b></p>

**Assessment**

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# Significant findings – key judgements and estimates

	Summary of management’s policy	Audit Comments	Assessment																								
<p><b>Net pension liability – £918.7m</b></p>	<p>The Council’s net pension liability at 31 March 2019 is £918.7m (PY £841.8m) comprising the South Yorkshire Local Government Pension Scheme. The Council uses Mercers to provide actuarial valuations of the Council’s assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £80.8m net actuarial loss during 2018/19.</p>	<ul style="list-style-type: none"> <li>We have assessed the Council’s actuary, Mercers, to be competent, capable and objective.</li> <li>We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2018/19 roll forward calculation carried out by the actuary and have no issues to raise.</li> <li>We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:</li> </ul>																									
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #4a4a8a; color: white;">Assumption</th> <th style="background-color: #4a4a8a; color: white;">Actuary Value</th> <th style="background-color: #4a4a8a; color: white;">PwC comments</th> <th style="background-color: #4a4a8a; color: white;">Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.40% - 2.5%</td> <td>Assumption appears reasonable.</td> <td style="text-align: center;">● Green</td> </tr> <tr> <td>Pension increase rate</td> <td>2.30% - 2.20%</td> <td>Assumption appears reasonable and methodology appropriate.</td> <td style="text-align: center;">● Green</td> </tr> <tr> <td>Salary growth</td> <td>3.35% - 3.45%</td> <td>Lies within the 3.1% to 4.35% range.</td> <td style="text-align: center;">● Green</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>Pensioners: 23.1 Non-pensioners: 25.3</td> <td>Overall mortality assumptions appear reasonable.</td> <td style="text-align: center;">● Green</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>Pensioners: 25.9 Non-pensioners: 28.3</td> <td>Overall mortality assumptions appear reasonable.</td> <td style="text-align: center;">● Green</td> </tr> </tbody> </table>				Assumption	Actuary Value	PwC comments	Assessment	Discount rate	2.40% - 2.5%	Assumption appears reasonable.	● Green	Pension increase rate	2.30% - 2.20%	Assumption appears reasonable and methodology appropriate.	● Green	Salary growth	3.35% - 3.45%	Lies within the 3.1% to 4.35% range.	● Green	Life expectancy – Males currently aged 45 / 65	Pensioners: 23.1 Non-pensioners: 25.3	Overall mortality assumptions appear reasonable.	● Green	Life expectancy – Females currently aged 45 / 65	Pensioners: 25.9 Non-pensioners: 28.3	Overall mortality assumptions appear reasonable.	● Green
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# Significant findings – key judgements and estimates

Summary of management’s policy	Audit Comments	Assessment
<p><b>Net pension liability – continued</b></p>	<ul style="list-style-type: none"> <li>• We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.</li> <li>• We have confirmed there were no significant changes in 2018/19 to the valuation method.</li> <li>• Reasonableness of increase in estimate – following the McCloud ruling, as detailed on page 9, the Council has agreed to revise its estimate and increase the pension liability by £14.5m;</li> <li>• The disclosure of the IAS 19 estimate in the Statement of Accounts will be revised to the final position issued by the actuary in July 2019.</li> </ul>	

**Assessment**

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
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- We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – Going concern

## Going concern commentary

### Management's assessment process

Management has an established process in place and prepare a detailed budget each year which is approved by Members. The budget is developed based on a number of assumptions including funding from Government, cost improvement programmes required to be delivered and the pressures facing the Council. To ensure effective management, the budget is broken down by service area and routinely monitored on a monthly basis with performance reported to Cabinet. Cash flow is also routinely monitored as part of the Council's treasury management arrangements.

The Council has in place a three year Medium Term Financial Strategy to 2020/21 to allow it to effectively plan its finances ahead and ensure it is able to effectively manage its financial position.

In assessing its going concern position, management look ahead twelve months from its reporting date and have regard to its future cash flow position including whether current spending is in accordance with budget.

### Work performed

We considered management's going concern assessment including the assumptions used.

## Auditor commentary

- Following its review of going concern, management has concluded it remains a going concern and it is appropriate to continue to prepare its accounts on a going concern basis;
- The Council has delivered its in year savings target and has managed the financial pressures faced to ensure expenditure remains within the approved budget. The Council delivered an underspend of £2.1m for 2018/19 and increased general fund balances at the year end;
- We have considered management's assessment of going concern as a basis for compiling the financial statements. The arrangements management has in place appear appropriate;
- The budget setting processes used to prepare the annual budget and the monitoring arrangements in place are considered appropriate and adequate;
- The Chief Financial Officer and Assistant Director of Finance routinely monitors the Council's financial position and reports regularly to Members.

- Our work confirmed the management's arrangements for assessing going concern are adequate and management's use of the going concern basis of preparation is reasonable.
- We have not identified any material uncertainties that may cast significant doubt on the Authority's ability to continue as a going concern for the foreseeable future.

## Concluding comments

- On the basis of our work, it is appropriate to issue an unmodified audit opinion on going concern.

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
① <b>Matters in relation to fraud</b>	We have discussed the risk of fraud with the Chief Financial Officer and Assistant Director of Finance and have also written to the Chair of the Audit Committee. We have not been made aware of any material incidents in the year and no other issues have been identified during the course of our audit.
② <b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
③ <b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ <b>Written representations</b>	A letter of representation has been requested from the Council which is included in the Audit Committee papers.
⑤ <b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to the Council's bank (Lloyds). This permission was granted and the confirmation has been received, however the confirmation excludes short term investments and we have requested this information be provided. We also requested permission to send direct confirmations for investments held by the Council, these were issued earlier in the year and a large number have been received but three remain outstanding. In addition, three loan confirmations also remain outstanding.
⑥ <b>Disclosures</b>	Our review found no material omissions in the financial statements.
⑦ <b>Audit evidence and explanations/significant difficulties</b>	All information and explanations requested from management was provided.

# Other responsibilities under the Code

Issue	Commentary
<p>1 <b>Other information</b></p>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix D.</p>
<p>2 <b>Matters on which we report by exception</b></p>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit; and/or</li> <li>• If we have applied any of our statutory powers or duties.</li> </ul> <p>We have nothing to report on these matters.</p>
<p>3 <b>Specified procedures for Whole of Government Accounts</b></p>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. Our work in this area is in progress and will be complete in line with the national deadline.</p>
<p>4 <b>Certification of the closure of the audit</b></p>	<p>We intend to certify the closure of the 2018/19 audit of Doncaster Metropolitan Borough Council in the audit opinion, as detailed at Appendix E.</p>

# Value for Money

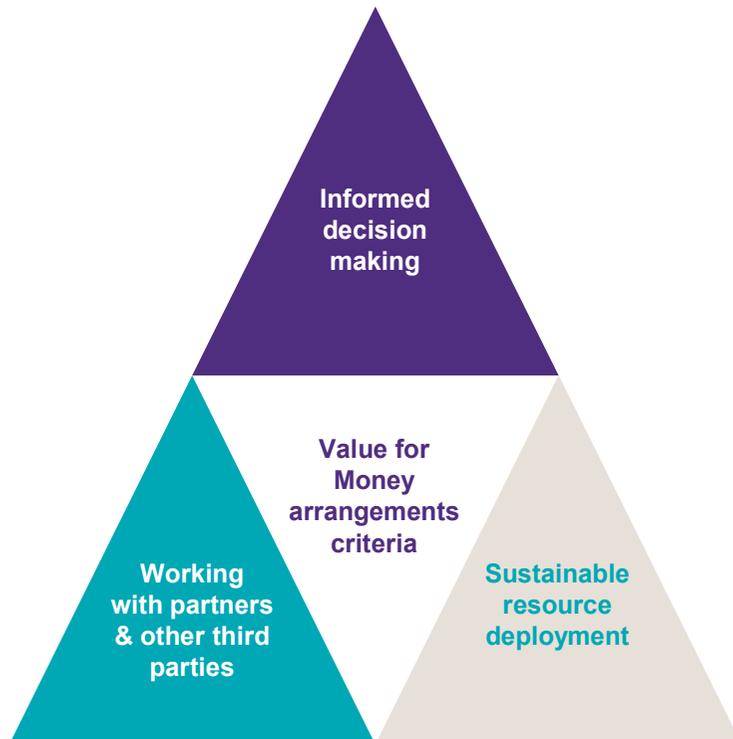
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in December 2018 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated January 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Financial standing - Doncaster Metropolitan Borough Council as other authorities, continues to operate under significant financial pressures;
- Brexit - the UK is due to leave the European Union on 29 March 2019 (now 31 October). This will have national and local implications that will impact on Doncaster Metropolitan Borough Council.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 19 to 21.

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p><b>1 Financial standing</b></p> <ul style="list-style-type: none"> <li>Doncaster Metropolitan Borough Council as other authorities, continues to operate under significant financial pressures. For 2018/19, the Council is planning to deliver a balanced outturn position but to achieve this, needs to deliver savings of some £7.8m whilst managing cost pressures within Children's Services and Adult Social Care at a time of reduced funding;</li> <li>The Chief Financial Officer is planning a balanced budget in 2019/20, however, he has concerns about on-going budget pressures and the impact on the medium-term financial strategy for 2019/20;</li> <li>We will continue to monitor the Authority's financial position through regular meetings with officers and consider how the Authority manages overspends within both Children's and Adult Social Services. We will continue to assess progress in the identification and delivery of the £7.8m savings required and plans in place to identify cost improvements into 2019/20 and beyond.</li> </ul>	<ul style="list-style-type: none"> <li>The Council delivered an outturn General Fund underspend for 2018/19 of £2.1m compared to a budgeted balanced position for the year on gross expenditure of £495.6m. Whilst there were some overspends in directorates including Adult Health and Wellbeing (£0.7m) and Children and Young People (£0.5m), the main areas of underspend were Corporate Resources (£1.4m) and Regeneration and Environment (£1.5m). The small overspend on the Adult Health and Wellbeing budget was after the use of one off Council funding of £4m and a further £6m receipt of additional government funding;</li> <li>Actual savings delivered by directorates totalled some £9.9m compared to a savings target of £7.8m for 2018/19. The Council contributed £2.1m to the General Fund Reserve at the year end increasing the General Fund Reserve to £14.4m at 31 March 2019. This increase supports the Council's strategy to increase reserves to strengthen its financial resilience;</li> <li>The Housing Revenue Account also delivered an outturn underspend of £1.4m for 2018/19 mainly due to lower management fees (£0.4m), lower bad debts (£0.4m) and general underspends in other areas (£0.4m) with a marginal increase in income of £0.2m;</li> <li>Capital spend during the year totalled £87.1m (General Fund) compared to a budget of £100.2m, the variance arose as a result of a number of high values sales expected in 2018/19 slipping into 2019/20 and delaying capital spending. Key developments during 2018/19 include the new central library and museum and the Herten Triangle development;</li> <li>The Council approved the 2019/20 budget in March 2019, Council Tax for 2019/20 increased by 1.99% plus an additional 2% for the Adult Social Care precept, a total increase of 3.99%. The Council Tax increase generates an additional £3.95m of local funding during the year;</li> <li>The budget gap for 2019/20 is £21.4m, the Council proposes to use £3.2m of one-off reserves in year reducing the savings required to £18.2m for the year;</li> </ul>	<p>The Council continues to operate under significant financial pressures, however, it has effective arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any significant variances or additional calls on resources. This has helped deliver an underspend of £2.1m for 2018/19.</p> <p>Whilst the Council has a challenging savings target for 2019/20 of £18.2m, it has a good record of delivering the savings required and considers the savings achievable.</p> <p>Our forward look at the Council's future financial position using our Insights and Analytics team indicates the Council will continue to maintain reserves above 5% of net revenue expenditure.</p>

**Key findings**

**Significant risk**

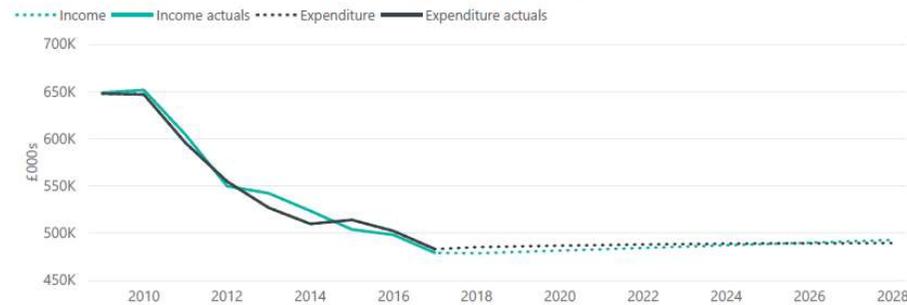
**Findings**

**Conclusion**

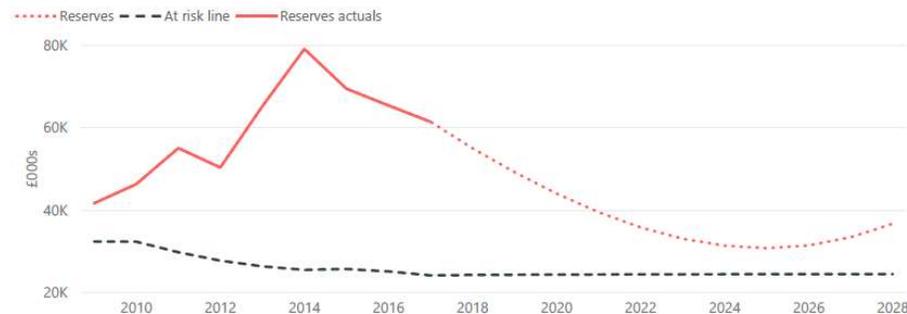
**1 Financial standing continued**

- We asked our Insights and Analytics team to run a Financial Foresight report for Doncaster Metropolitan Borough Council based on publicly available information. This analysis indicates that whilst expenditure and income have reduced over the last 7 years, the Council's level of reserves remain well above 5% of net revenue expenditure (below which the Council could be considered at risk). Future projections based on income and spending patterns, also confirm reserves remain over 5% as can be seen below.

Historic income and expenditure (2009/10 - 2017/18) and future baseline projection.



Historic reserves (2009/10 - 2017/18) and future baseline projection.



## Key findings

	Significant risk	Findings	Conclusion
2	<p><b>Brexit</b></p> <p>The UK is due to leave the European Union on 29 March 2019 (now 31 October 2019). There will be national and local implications resulting from Brexit that will impact on the Authority, which the Authority will need to plan for;</p> <p>We will consider the Authority's arrangements and plans to mitigate any risks on Brexit. We will consider areas such as workforce planning, supply chain analysis, regulatory risk and the impact on finances including investment and borrowing as well as any potential impact on the valuation of the Council's assets.</p>	<ul style="list-style-type: none"> <li>The UK was initially expected to leave the European Union on 29 March 2019, this was then extended to 12 April 2019, after which EU leaders agreed a further extension to 31 October 2019;</li> <li>Following the result of the June 2016 referendum, Doncaster MBC continued to monitor developments. The first report on Brexit was presented to the Scrutiny and Overview Management Committee on 27 February 2018. This report recognised the possibility of a no deal Brexit and highlighted that planning was underway for a range of possible scenarios relating to an EU Exit. It also confirmed a multi-agency approach, which included all local authorities and blue light services in the region, who had been working together for the last few months to understand the consequences of an EU Exit, including a possible No Deal EU exit and the preparation of contingency plans. A further update during February 2019 highlighted four areas of focus: Economy; Goods and Services; Community Resilience; Planning, Risk Assessment and Co-ordination;</li> <li>The majority of the Council's work to prepare for Brexit has been undertaken as part of normal business arrangements at the Council. However, co-ordination of activity has been undertaken by the existing teams based within the Corporate Services and Regeneration Directorates. There is also recognition that should an emergency situation arise, Council officers may need to be temporarily redeployed as part of response and recovery arrangements. The Council received £210,000 from the Ministry of Housing Communities and Local Government (MHCLG) for Brexit preparedness.</li> <li>A report to Cabinet on 7 May 2019 provided an update on the Council's preparations for Brexit and set out to:             <ul style="list-style-type: none"> <li>provide dedicated support to businesses using the Government funding received to both mitigate any negative impacts of Brexit and take advantages of opportunities (for example to increase exports). This proposal also levers in match funding from Doncaster Chamber of Commerce;</li> <li>established a flexible Contingency Fund to allow Doncaster to address the challenges created by Brexit as they emerge.</li> </ul> </li> </ul>	<p>The Council has continued to monitor Brexit developments following the referendum in June 2016 and has continued to liaise with neighbouring authorities and other agencies to ensure a co-ordinated approach to an EU exit.</p> <p>Given the date of Brexit has now been extended to 31 October 2019, the Council continues to monitor developments and liaise with its partners to ensure it remains prepared for Brexit.</p> <p>The Council recognises Brexit may impact on local businesses and has set up a fund to support the challenges faced as they arise and has also secured matched support from the private sector through Doncaster Chamber of Commerce.</p>

# Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed at Appendix C.

## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Housing Benefits Subsidy return	£15,500*	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,500 in comparison to the total fee for the audit of £126,930 and in particular relative to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.

\* Estimate

# Action plan

We have identified three recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
1. 	The valuation of the Council's housing stock had not been updated to reflect the increase in valuation from 1 April 2018 to 31 March 2019. There is a risk that asset values are not correctly recorded in the financial statements.	<p>Management should introduce a formal process to review all asset values from the date of the valuation and consider whether any changes have taken place requiring a revision to the valuation at the year end.</p> <p><b>Management Response</b></p> <p>The Council accepts the recommendation identified. The District Valuer has been instructed to provide valuations of the Council's housing stock as at 31 March rather than 1 April in future.</p>
2. 	The valuation of the CAST Theatre had been carried in the Council's accounts for five years at an inflated value resulting from a failure to recognise a lease had been granted at a peppercorn rent. There is a risk that asset values are not correctly recorded in the financial statements.	<p>Management should introduce a formal process to review leases granted and consider whether there is any effect on the valuation basis of the asset. This exercise should be undertaken each year.</p> <p><b>Management Response</b></p> <p>The Council accepts the recommendation identified. A comprehensive review of the Council's commercial lease portfolio is being undertaken in 2019/20. This will set a baseline position with reference to consider any impact / effect on valuation bases. Any new leases granted will then be subject to the same assessment at the point of completion and any asset valuation amends carried out in the same year.</p>
3. 	Capital additions to Council housing included spending which added no value requiring an additional impairment. There is a risk that assets are carried at the year end in the financial statements at an inappropriate valuation.	<p>Management should introduce a formal process to review capital additions at the year end and consider whether capital spending has increased the value of assets or whether an impairment is required. This exercise should be undertaken each year.</p> <p><b>Management Response</b></p> <p>The Council accepts the recommendation identified. A formal process will be introduced for Financial Management and Strategic Asset Management as part of the Asset Valuation process to capture capital additions. All additions will be subject to review and where relevant Asset Valuations undertaken to reflect in year changes.</p>

#### Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## 1. Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
<p>1 Depreciation</p> <p>Schools and Children's Centres have been valued as at 1st April 2018 and then again as at 31 March 2019. No depreciation has been charged on these assets for 2018/19 and the net cost of services is consequently understated and the revaluation reserve overstated by £5.7m.</p>	(£5,701)	(£5,701)	0
<p>2 CAST Theatre valuation</p> <p>The valuation of the CAST Theatre was previously undertaken in 2013 and prior to a 23 year lease being granted at a peppercorn rent. The current year valuation recognises the Theatre is subject to a lease at a peppercorn rent and has resulted in a downward revaluation of £15m reflecting the leasehold nature of the facility. The Theatre should properly have been valued on a leasehold basis in 2013, at which time, the impairment resulting in the downward revaluation should have been recorded in the 2013/14 financial statements. To correctly account for this impairment, a Prior Period Adjustment is required impacting on the Authority's opening balances.</p>	*£17,470 **(£17,470)	*£17,470 **(£17,470)	0
<p>3 Council Dwellings</p> <p>Council Dwellings have been revalued as at 1st April 2018 using the Beacon methodology. The District Valuer Services (DVS), has stated that there was no impairment in Beacon values to 31 March 2019. However, DVS did not initially indicate whether Beacon values had increased. Further correspondence with DVS indicates Beacon Values have increased between 0% and 2%. The Council consider the midpoint, 1%, is an appropriate increase in asset values which equates to £6.4m,</p>	£6,417	£6,417	0

\* Current Year 2018/19

\*\* Prior year opening balances

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## 1. Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
<p>4 Council Dwellings – Impairment</p> <p>Capital additions to Council housing total £22m for 2018/19 of which the Council had impaired £6m as adding no value. Following audit work, management has undertaken a further review of capital additions which indicates an additional impairment to the CIES is required of £14.5m. Management has agreed to amend the accounts for this error.</p>	(£14,453)	(£14,453)	0
<p>5 Potential impact of the McCloud judgement</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where transitional arrangements on changing benefits have been implemented.</p> <p>The Council has received an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £14.5m, and an increase in service costs for the 2019/20 year of £2.5m.</p>	0	(£14,536)	0
<b>Overall impact</b>	<b>£13,737</b>	<b>£28,273</b>	<b>£0</b>

# Audit Adjustments

## 2. Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Group Accounts	An introduction to the start of the Group Accounts would help explain what is included within the Group Accounts and the additional notes provided.	The Group Accounts should include an introduction to explain the Group Accounts and what is included.	TBC
Critical Judgements	Accounting for non-current schools assets is included as a critical judgement.	We have questioned the appropriateness of including as a critical judgement and whether this should more appropriately be included as an accounting policy.	TBC
Note 17 - Inventories	The note sets out the Council's inventories which are not material.	The Council should consider removing this note.	TBC
Note 12 – Property, Plant and Equipment	The Council's valuer has indicated Council housing has increased between 0% and 2%. The Council consider the midpoint, 1%, is an appropriate increase in asset values which equates to £6.4m.	A disclosure note should be included in the financial statements to explain the Council's approach and the increase applied.	TBC

# Audit Adjustments

## 3. Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Audit and Advisory Standards Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 NONE	-	-	-	-
<b>Overall impact</b>	<b>£X,XXX</b>	<b>£X,XXX</b>	<b>£X,XXX</b>	-

# Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

## Audit Fees

	Proposed fee	Final fee
<b>Council Audit</b>	£126,930	£133,430
<b>Total audit fees (excluding VAT)</b>	<b>£126,930</b>	<b>£133,430</b>

Note: The additional work required on fixed assets and the McCloud Pensions issue has resulted in additional time being incurred on the audit. The additional time incurred amounts to £6,500 and is included in the final fee.

## Non Audit Fees

Fees for other services	Proposed fee
<b>Audit related services</b>	
<b>Grants:</b>	
• Housing Benefit Subsidy return *	£15,500
	<b>£15,500</b>

Page 11 of 102  
\* estimate

# Audit opinion We anticipate we will provide the Group with an unmodified audit report

## Independent auditor's report to the members of Doncaster Metropolitan Borough Council

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Doncaster Metropolitan Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the Authority and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

# Audit opinion

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable,

matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

# Audit opinion

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Doncaster Metropolitan Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### [OR]

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Paul Dossett, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
Leeds  
xx July 2019



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Doncaster  
Council

APPENDIX A

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# ANNUAL GOVERNANCE STATEMENT 2018/19



## Scope of responsibility

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

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

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

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

## The purpose of the governance framework

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

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

The report covers 1<sup>st</sup> April 2018 to 31<sup>st</sup> 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](http://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 31<sup>st</sup> 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:

<p><b>ISSUE: MAJOR TECHNOLOGY UPGRADES REQUIREMENT</b></p> <p>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.</p> <p>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.</p>	
<p><b>Actions:</b></p> <p>This large programme of work branded as ‘The Big IT Thing’ is well underway with strong governance, extra temporary resources where required and a re-prioritisation of technology projects workload delivered by the ICT/Digital team for DMBC, DCST and SLHD to ensure capacity within the Council’s permanent workforce. The following deliverables need to be achieved:</p> <ul style="list-style-type: none"> <li>▪ The upgrade of all desktop equipment to Windows 10;</li> <li>▪ The upgrade of all servers;</li> <li>▪ Compatibility of all systems ensured;</li> <li>▪ Upgrades of systems not compatible if possible;</li> <li>▪ Alternative arrangements for those that cannot be upgraded;</li> <li>▪ New cloud email solution;</li> <li>▪ Replacement of phone handsets with software telephony;</li> <li>▪ Implementation of Office 365; and</li> <li>▪ Lots of behind the scenes technical changes.</li> </ul> <p><b>Responsible Officer:</b> Julie Grant – Assistant Director of Customers, Digital &amp; ICT</p>	<p><b>Completion Date:</b> March 2020</p>
<p><b>ISSUE: ORGANISATIONAL WORKFORCE</b></p> <p>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.</p> <p>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.</p> <p>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.</p>	
<p><b>Actions:</b></p> <p>To be monitored and addressed through priority actions included in this year’s workforce strategy 2019/20, specifically:</p> <ul style="list-style-type: none"> <li>• 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</li> </ul>	<p><b>Completion Date:</b> March 2020</p>

<ul style="list-style-type: none"> <li>• Promoting and enabling effective succession planning across the organisation and with Partners</li> <li>• Ensuring leadership development and learning programmes meet current needs including increased horizon scanning of future skills requirements</li> </ul> <p><b>Responsible Officer:</b>  <b>Jill Parker – Assistant Director - HR, Communications &amp; Executive Office</b></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

**Actions:**

- A full training programme has been rolled out to all staff which includes full details of the procedures, training from the system supplier and training on the new Case Management System. Workshops have also been held reinforcing the importance of these procedures.
- 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. The data from these meetings is providing an accurate baseline of information in terms of the number of calls received and the level of incidents requiring a response. Any issues arising from this meeting is immediately actioned and there is an escalation process in place for technical issues. A dedicated support has been allocated to the project from Doncaster Council IT, the system supplier and DMBC Audit team.
- A review of all current activity, structures, budgets, income and expenditure for all areas of responsibility managed through the ARC suite has been completed to better understand the capacity demand and costs. This information will be utilised as part of developing future approaches to service provision.
- We are developing a more realistic, cost effective, fees and charges arrangement that ensure sustainability of the service, in line with other authorities.
- We have commissioned 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.

**Completion Date:**

March 2020

**Responsible Officers:**

**Bill Hotchkiss - Head of Service Community Safety**

**Debra Smith – Head of Service In House Provision**

**Debbie John-Lewis – Interim Assistant Director of Communities**

**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.

**Actions:**

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.

Agree a delivery timeframe with the Mayor and Portfolio Holder.

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.

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.

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.

**Responsible Officer:**

**Scott Cardwell – Assistant Director of Development**

**Roy Sykes – Head of Planning**

**Completion Date:**

Ongoing throughout the Local Plan process up to submission date January 2020.

**ISSUE: DONCASTER CHILDRENS SERVICES TRUST**

Doncaster Children’s Services Trust governance model changed 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.

**Actions:**

- 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

**Responsible Officers:**

**Paul Moffat - Chief Executive Doncaster Children’s Services Trust**

**Damian Allen – Director of People (DCS/DASS)**

**Completion Date:**

October 2019

<p><b>ISSUE: FINANCIAL CHALLENGES WITHIN ADULTS HEALTH &amp; WELLBEING</b></p> <p>Adult's services are currently facing increasing demographic and service financial pressures. This is currently underpinned &amp; 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.</p>	
<p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• Embed strength based social work practice and activity</li> <li>• Transform customer interactions into and between health and social care bodies.</li> <li>• Strengthen communities support arrangements</li> <li>• Commission effective community based support within the independent sector</li> <li>• Joint commissioning with health partners and better engagement with providers and the market</li> <li>• Greater use of technology to improve independence</li> <li>• Rigorous day to day performance &amp; financial monitoring</li> <li>• Implementation of 2019-20 savings plan</li> <li>• Improved integrated front door</li> </ul> <p><b>Responsible Officers:</b>  <b>Damian Allen – Director of People (DCS/DASS)</b>  <b>Rupert Suckling – Director of Public Health</b>  <b>Assistant Directors within the Adults Health &amp; Wellbeing Directorate</b></p>	<p><b>Completion Date:</b>  March 2020</p>

<p><b>ISSUE: ADULT SOCIAL CARE MARKET SUSTAINABILITY</b></p> <p>The potential impacts of this fragile market includes:</p> <ul style="list-style-type: none"> <li>• Provider failure and associated disruption of care for people of Doncaster</li> <li>• Lack of investment from providers to develop services and innovate together with potential contraction of existing offer</li> <li>• Restricted choice of services and the providers of services for people of Doncaster</li> </ul>	
<p><b>Actions:</b></p> <p>This will be a staged work stream with individual milestones to be reported against.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Implement the two year Joint Health and Social Care Commissioning Strategy which commenced Spring 2019 and associated plans</li> <li>• Develop and maintain an ongoing awareness of local business environment for providers, providers business models and other intelligence to inform commissioning actions</li> <li>• Ongoing engagement with providers through partnership arrangements, contract management and contract monitoring activity to maintain oversight of the social care market in Doncaster</li> </ul> <p><b>Responsible Officer:</b>  <b>Denise Bann – Strategic Lead Commissioning</b></p>	<p><b>Completion Date:</b>  March 2020</p>

## An update on Key Improvement Areas that were previously identified and remain an issue in 2018-19

### ISSUE: DATA QUALITY ARRANGEMENTS

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.

#### Actions:

A six-month exercise aimed at addressing historic data quality issues has begun. This work put particular focus on data being migrated into the DIPS case management system to ensure that existing issues are not replicated in the future. Significant progress has been made in this area and resources have been made available to extend this exercise to December 2019. In order to address potential future data quality concerns, an additional 18-month programme of work has also commenced, focusing on embedding a more resilient approach to data quality into the organisation.

A Data Quality Project Board was formed to oversee this progression into 2019/20, replacing the Data Quality Working Group

#### Responsible Officer:

**Lee Tillman – Assistant Director of Strategy & Performance**

#### Completion Date:

Ongoing

### ISSUE: IMPLEMENTATION OF THE INTEGRATED PEOPLES SYSTEM

The implementation of this 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. This is a very complex programme that is implementing best practice and improved processes. It involves new ways of working with 3,000 users from the Council and partners

#### Actions:

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.

A phased completion is underway and the following continue to be implemented across the Council and DCST:

- Best practice processes;
- Adult social care & children's social care case management;
- Social Care financials;
- Citizen, provider, professional and parent portals;
- Education management;
- Integrated digital care record;
- Integration with other key systems;
- Training staff across the organisations.

#### Responsible Officer:

**Julie Grant – Assistant Director of Customers, Digital & ICT**

#### Completion Date:

Ongoing

**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 and agree the strategy to identify options to deliver the budget gap.

Prepare a robust Medium-term Financial Strategy with savings proposals to meet the 2020/21 gap for approval by Cabinet.

**Responsible Officer:**

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

**Completion Date:**

Regular monitoring until 31st March 2020.

31st July 2019

October 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:

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

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**Damian Allen**  
**Chief Executive**

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

There are a numbers of areas requiring improvement that have been identified in previous statements that have been effectively managed to the extent that they are no longer significant in 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 4<sup>th</sup> 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 25<sup>th</sup> 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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