



City of
Doncaster
Council

Agenda

To all Members of the

AUDIT COMMITTEE

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

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

Date: Thursday, 26th January, 2023

Time: 2.00 pm

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Damian Allen
Chief Executive

Issued on: Wednesday, 18 January 2023

Governance Services Officer for this meeting: Sarah Maxfield
Tel. 01302 736723

City of Doncaster Council

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Items for Discussion:

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Members of the Audit Committee

Chair – Councillor Austen White

Vice-Chair – Councillor Glenn Bluff

Councillor John Healy, Barry Johnson and Dave Shaw

Co-opted Member: Dr Stuart Green

Public Document Pack Agenda Item 4

DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

THURSDAY, 27TH OCTOBER, 2022

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER, CIVIC OFFICE, WATERDALE, DONCASTER DN1 3BU, on THURSDAY, 27TH OCTOBER, 2022, at 10.00 am.

PRESENT:

Chair - Councillor Austen White
Vice-Chair - Councillor Glenn Bluff

Councillor Dave Shaw.

APOLOGIES:

Apologies for absence were received from Councillors John Healy and Barry Johnson.

64 TO CONSIDER THE EXTENT, IF ANY, TO WHICH THE PUBLIC AND PRESS ARE TO BE EXCLUDED FROM THE MEETING

There were no items where the public and press were to be excluded from the meeting.

65 DECLARATIONS OF INTEREST, IF ANY

There were no declarations made at the meeting.

66 MINUTES OF THE MEETING HELD ON 28TH JULY, 2022

RESOLVED that the minutes of the Audit Committee meeting held on 28th July 2022, be approved as a correct record and signed by the Chair.

67 AUDIT COMMITTEE ACTION LOG

Peter Jackson, Head of Internal Audit presented the Actions Log report and updated Members on the actions agreed at previous Audit Committee meetings, allowing Members to monitor progress against the actions, ensuring that satisfactory progress was being made.

It was noted that all actions were completed and there were no follow up actions outstanding from previous meetings.

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

68 THE COUNCIL'S PERFORMANCE MANAGEMENT FRAMEWORK

Debbie Hogg, Director of Corporate Resources introduced a report, and provided an overview of the revisions to the Performance Management Framework for the Council, and Statement of Implementation, outlining the mechanism by which the Council manage, monitor and govern key activities that contribute to the successful delivery of the Council's Corporate Plan and its alignment to the 'Doncaster Delivering Together' Borough Strategy.

The Performance Management Framework had been developed as a tool so that the Council can monitor and review progress with delivering the priorities in the Corporate Plan and ensure good governance and accountability of its work. The Framework had been reviewed in

2020 to ensure that it remained 'fit for purpose' during the challenging times of the Covid-19 pandemic. The aim of the Framework is to assist Senior Managers, staff and Councillors to understand the key components that contribute to effective performance, as well as providing a corporate approach for the Council.

The Framework brings together the following six key standalone elements of governance under one strategic umbrella and together these documents ensures that the Council have clear guidance and systems in place, and key responsibilities for delivery:-

- Managing the Council's Performance
- Corporate Finance and Performance Reporting Profile
- Service Planning
- Risk Management Strategy
- Data Information Quality Policy
- Due Regard Statements

Paragraph 10 of the report set out a diagram, illustrating the structure, purpose and documents that made up the Framework and the improvements that have been made to the 6 elements of the framework were outlined in paragraph 11.

Further to clarity being sought regarding the resource management process, it was explained that this sets out the Council's budget setting process and the budget control environment. The Assistant Director of Finance outlined the Council's approach in terms of the budget setting process and provided an overview of the different stages of that process. It was further explained that the resource management process was based on the Council having sufficient resources to deliver against the Council's core priorities which was the beginning of the budget setting process. Other components of the performance management framework related to the service standards, firstly with regard to the policies that the Council want to pursue at a top level and the resources aligned to this, and the setting and monitoring of arrangements in place after that.

In response to a question with regard to the Council assessing the impact of risks and whether the Council have a criteria to quantify the impacts, make a judgement of those risks and what the impact it would have. It was clarified that as the Council is a multi-faceted organisation, the assessment of risks was subjective and explained the difficulty in assessing risks, as some risks may have financial impact, others may impact on a particular service and could potentially have political implications, which may be a reputational risk for the Council.

The Council's arrangements to deal with the management of risks to deliver the Council's objectives form part of the budget setting process and each service managers as part of their service plans in terms of managing risk in their areas. Assurance was provided that the Council's had an established framework in place to manage the risks from a service manager perspective and the risk management process was overseen by the Governance Group. This group comprised of statutory officers who reviewed and monitored the risks put forward by management and determine whether the mitigations that officers had identified in assessing whether the overall risk was reasonable, and whether they were to be escalated or de-escalated, dependent upon the consequential impact of the risk. The same Governance Group arrangements apply with regards the Annual Governance Statement.

In answer to questions regarding whether Officers have received training on 'Pentana', the Council's performance management system and whether there was the likely risk that the software provider may withdraw the support for the package, it was reported that the Pentana system was used extensively by staff and championed by the Policy and Insight team manager. The system was easy to access and navigate and was part of the Council's corporate technology and had universal licences which had been rolled out to partner organisations in terms of reporting. There was no risk as it was financed by the Council. The Trusts performance management would be incorporated on to the system. Performance

standards information was inputted on to the system by managers on a monthly basis and that information was then extracted and included in the quarterly monitoring report. The Assistant Director of Finance provided an overview of the Pentana system and offered to provide a demonstration to Members if required.

The Director of Corporate Resources provided an overview of the Performance Management Framework and how this aligned to the Council's Borough Strategy, setting out the broad ambitions of the Council and its partners, and the Corporate Plan which details and coordinates the Council's priorities and key objectives. She explained the process, controls and mechanisms in place for managing operational and strategic risks and performance of the Council in terms of how it was administered and worked in practice. She highlighted that some risks were critical to the organisation and explained the difficulty in these risks being managed down to lower levels due to the nature of the risks. These would be kept on high alert and be given high priority. It was recognised that whilst all members of staff had a part to play in the organisation, in terms of the structure, many actions were required above Heads of service level who had a pivotal role in the organisation in delivering services. The role of Assistant Directors were to ensure that the Council's operations were effective in looking forward and moving from strategic to tactical.

A Member whilst welcoming the statement relating to the Risk Appetite, which reflected the Council's current position, encouraging risk taking for minor to moderate level risks, but controlling more closely those risks that come further up the scale, as set out at page 2 of the Risk Management Strategy, asked how this statement translated into the Risk Matrix and what did that mean. It was reported that Officers would look at the Council's objectives that needed to be delivered and consider the risks and mitigations. It was explained that the matrix did not have the facility to quantify the risks and what that would mean and in practice Officers did not operate in this way.

Following further questions and concerns raised by Members, regarding risks assessed at mid-management or at a lower level that may slip through the net and not be reviewed at a high level, may be overlooked and the potential risk to the authority. It was subsequently agreed the queries and comments raised by Members be communicated to the Policy and Insight Manager and her team and that it would be beneficial for the Committee in the future to have an awareness training session on the practicalities of managing risk within the Council and the arrangements in place to ensure that all risks were managed and reviewed at an appropriate level to help Members understand the process.

RESOLVED that

- (1) the revisions to the Performance Management Framework be noted; and
- (2) the questions and comments raised by Members be communicated to the Policy and Insight Manager and her team and that in future an awareness training session be held for Members of the Audit Committee on the practicalities of managing risk within the Council, and the arrangements in place to ensure that all risks were managed and reviewed at an appropriate level to help Members understand the process.

69 BREACHES AND WAIVERS TO THE COUNCIL'S CONTRACT PROCEDURE RULES (CPRS)

The Committee considered a report, presented by Holly Wilson, Head of Procurement which provided Members with details of all the waivers and breaches to the Council's Contract Procedure Rules (CPRs) for the period 1st March 2022 to 31st August 2022. The report provided a summary of the new waivers and breaches recorded for each directorate since the last audit report presented to the Committee in April 2022 for comparative purposes. Further

details of each waiver and breach and the total contracts awarded versus the number and value of waivers for the period, were summarised in Appendices 1 to 3, respectively.

It was noted that there for the period 1st March 2022 to 31st August 2022 there had been 17 waivers granted which had increased from the last 6 month reporting period where there had been 14 waivers, however there had been a decrease to the amount of waivers for the previous 6 months period. The figures remained static.

4 existing breaches from the previous reporting period had been positively resolved, but there were 6 new breaches as set out in Appendix 1 of the report. There were zero unresolved breaches.

Members sought clarity on aspects of the report, in particular in relation to the 4 new breaches in the Corporate Resources directorate relating to the schools catering department, as detailed at Appendix 1. Members asked for assurances to prevent this issue reoccurring in the future. The Head of Procurement outlined the reasons for the breach which were due to miscommunication and oversight within the department where officers had wrongly made the presumption that the extension period within the original awarded contract was to be extended, however this was not the case and unfortunately Officers had failed to notice the error. It was noted that currently the Procurement team operated from an established spreadsheet category plan system and a spend analysis system for the contracts register. On occasion there had been administrative errors in the system, but this was very rare. It was noted that the current spreadsheet system does not have the functionality to provide an audit trail of any changes made to the system. Members were advised that a new contract procurement pipeline module was to be implemented as part of the Council's e-Tendering system. The system would flag up when any new contracts were for renewal and would allow for data to be stored and managed in one central location. It was anticipated that the new system would go live in December 2022. Assurances were provided that the administrative errors previously made would not re-occur.

Members were pleased to note that there had been no further breaches in the Adults Health and Wellbeing directorate given the concerns raised by the Committee with regard to the issues in the previous year. Following a question by the Chair, the Head of Procurement confirmed that she was satisfied with the current arrangements and assured Members that the new contract pipeline module would help improve the data. In response to a request from the Chair, the Head of Procurement undertook to ensure that the Committee be given advance notice of any matters that arise which may be problematic before formal consideration by the Committee.

Members whilst welcoming the reduction in breaches, made reference to the 2 breaches of Contract Procedure Rules (CPRs) which related to failure by Officers to follow the correct procedures by failing to obtain 3 quotes for contracts, Members felt this was a routine easily accomplished task and was fundamental to the tendering process. It was highlighted that breaches to CPRs exposed the Council to reputational risk, felt these breaches were relatively low risk. Councillor Shaw recognised that mistakes could happen, however raised serious concerns that officers who have responsibility for assessing and tendering for contracts had not received the appropriate training on Contract Procedure Rules (CPRs), and had signed off contracts which he felt should have been done so at a senior level.

The Committee sought assurances that such breaches would not occur again and for Officers to seek appropriate advice before any contracts were awarded.

The Head of Procurement advised that those Officers did not have a clear an understanding of CPRs as they had not undertaken the appropriate training. She acknowledged that due to the size of the organisation, the significant amount of contracts and the high turnover of staff, some officers had slipped through the net and had not received training on CPRs and the procurement of contracts. To mitigate against this happening in the future, she undertook to

ensure that those officers who had breached CPRs to attend the appropriate training in order to raise awareness of their responsibilities when tendering for contracts.

The Committee acknowledged the difficulties in enforcement of the training due to difficulties in recruitment of staff in some areas of the Council, however raised strong concerns regarding contracts being signed by Officers without the necessary training. In these circumstances poor decision making had left the Council open to criticism, reputational and financial risk which could also potentially bring legal action against the Council. In order to ensure oversight of the contract tendering process, the Committee felt that contracts to be signed off at a senior level and arrangements be put in place for any decision made regarding contracts to be assessed at a senior level to ensure that the decision taken was valid. It was also proposed that training on CPRs be mandatory for managers who procured and awarded contracts and in order to reduce the potential for breaches of CPRs re-occurring in the future sought assurance how to mitigate against this happening in the future.

The Assistant Director of Finance in acknowledging the concerns raised, advised that during consideration of the Annual Governance Statement, a specific action had arisen reminding all managers that as part of new officer induction training, that training be provided on the requirement to raise awareness of CPRs and Financial Procedure Rules (FPRs). It was reported that some Officers had previously undertaken training on FPRs. The Assistant Director of Finance gave an undertaking to ensure that all managers were made aware of their responsibility to ensure that any new starters at the Council who are involved in the procurement or awarding of contracts, to receive training on CPRs and Financial Procedure Rules as part of their induction training, and explore whether this training could be made mandatory.

RESOLVED that

- (1) the waivers and breaches recorded for the period between the 1st March 2022 and the 31st August 2022, be noted; and
- (2) the work undertaken by the Strategic Procurement Team (SPT) to ensure compliance and deliver services be noted; and
- (3) the Assistant Director of Finance to explore whether mandatory training on CPRs and to be undertaken by managers as part of their induction training when as a new starter at the Council.

70 INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD JULY TO SEPTEMBER 2022

Peter Jackson, Head of Internal Audit presented a report which provided an update on the work undertaken by Internal Audit for the period 1st July to 30th September 2022, as attached at Appendix 1 of the report. The report also included details of planned audit work completed in the period which had previously been reported and the overdue high risk management actions arising from the audit recommendations which were appended to the report at Appendices A and B, respectively.

The Head of Internal Audit provided an update, summarising the key points in the report, and responded to questions and comments from Members in relation to each of the following four sections of the report:-

Section 1 - The Audit Plan / Revisions to the Plan

During the last quarter there had been a number of amendments to the Audit Plan, as set out in the report which help demonstrate that the plan would be kept under review in respect of work required by the authority.

Members welcomed the work carried out to resolve the outstanding high risk actions in the Trading Standards and Food Safety team, which had been a long standing issue and was no longer of concern. In response to a question, the Head of Internal Audit confirmed that the medium to low level risk management actions relating to the Economy and Environment directorate, as identified in the table at 3.5 of the report were low risks. Two of the risks had been approved, with the remaining low risk which related to a long standing issue over reconciliation of licensing income and Internal Audit was awaiting an update on this issue.

In answer to a query with regard to Foster Care Payments, as set out in paragraph 1.5 of the report, the Head of Internal Audit explained the circumstances around Internal Audit raising specific concerns regarding significant amounts of overpayments previously made by the Fostering Team which had been transferred back into the Council on 1st September this year. The current Internal Audit provider contracts with DCST had also been transferred to the Council. Internal Audit was seeking assurance that the arrangements were working effectively. It was reported that a new fostering payments scheme had been approved during the summer which came into force in September 2022 and Internal Audit would seek further assurance regarding the systems and processes in place.

Concerns were raised regarding the potential impact on the Council in terms of the management of risks and the costs for the Children's Trust coming back under the Council and whether the Committee would receive regular reporting on this issue. The Committee was assured that the overall transition programme of the Trust was being effectively managed. Internal Audit have liaised with the programme office to better understand the risks and the Trusts budgets had been transitioned and have been allocated against budget holders and these would be monitored as part of the Council's quarterly monitoring report to Cabinet and Overview and Scrutiny. The reasons for the transfer of the DCST was outlined. The Council would now be in a better place organisationally and would have greater visibility, insight and control of the high risk and high cost areas of the Trust, which would help the Director of Children's Services to effectively discharge the functions of the directorate.

It was further reported that Internal Audit was working on a monthly basis with the previous suppliers of Internal Audit services of the Children's Trust in respect of the contract transferred over to the Council and ensuring the work programme would be kept under review. The mainstream Internal Audit Plan for the directorate was to be delivered by the Internal Audit team who had identified new areas of risk. The Joint Resource Panel would cover both placements by the existing service and the incoming services placements.

Members welcomed the Trust coming back under the management of the Council which they felt the Council would be in a much stronger position to manage the process in a positive way. Members asked about the amount of work required by Internal Audit to undertake the key piece of work in relation to the Joint Resource Panel and the associated costs and financial risk to the Council, and how this issue was to be resolved in future. It was reported that the Internal Audit team was working with the Joint Resource Panel Working Group which made recommendations to the Children's Services management team on a monthly basis. Arrangements have been put in place to develop an overarching action plan for the Children's Services directorate, which would be linked to the budget setting process and would map out the different placements from a SEND (Special Educational Needs and Disabilities) and Social Care perspective, including the governance and budget holder responsibilities. Internal Audit would work closely with directorate working groups and the Financial Management team to ensure appropriate checking over placements to ensure they were suitable. The Assistant Director of Finance confirmed that it would take a considerable amount of time before any savings would be made. It was noted that further updates on both an audit and financial perspective would be provided going forward.

Clarity was sought regarding the current audit arrangements and the reduction of available staffing resources since the initial Audit Plan was approved. The Head of Internal Audit

confirmed that currently he was able to provide an unqualified annual opinion with the current complement of resources.

Section 2 – Audit Work Undertaken for the Period

Internal Audit had not given any limited assurance opinions for this period and there was no reportable fraud response type work. Substantial work had been carried out with schools as set out in paragraphs 2.8 and 2.11 of Appendix 1 of the report, respectively. The Head of Internal Audit updated Members on overdue management actions. It was noted that there were now only four overdue management actions, two of which had been signed off and there were no high risk actions outstanding for Trading Standards and Food Safety (Economy and Environment) team.

In response to questions, it was noted that Covid-19 related grant work were still being processed. The government had published guidance to support authorities in administering business support grant schemes and reconciliations and the reporting of those grants which were carried out in tranches. An update would be provided to Members on the work that has been carried out in relation to Covid grant work, as part of the Annual Prevention and Detection of Fraud report, which was scheduled to be reported to the Committee in January 2023. It was noted that there were various grants requiring different treatment, dependent upon which government department the funding had been received from. Some grants were audited, signed off by the Head of Internal Audit and Chief Executive stating that the funds have been spent in accordance with the terms and conditions of the grants. Other grants could be signed off by the Assistant Director of Finance. As the receipt of grants goes through the cycle of auditing process, the Committee would receive further updates.

Section 3: Implementation of Management Actions arising from Audit Recommendations

Members referred to the audit work carried out with schools for 2022/23 and the control risk self-assessment process being developed by Internal Audit which was to be issued to all local authority maintained schools, in particular the table at paragraph 3.5 of the report, setting out the high level management actions. The Head of Internal Audit explained that the reason why the figures relating to the number of actions arising from the 3 school audits completed had not being included in the table was that this would disproportionately misrepresent the Councils position due to the number of actions arising from these audits.

Section 4: Internal Audit Performance

There were no new items for inclusion as part of Internal Audit's work on the Annual Governance Statement for 2021/22 and 2022/23. The work undertaken by Internal Audit to date had not identified any reason to issue a negative or limited annual audit opinion on the Council's internal control arrangements.

In answer to a question, it was noted that no concerns in relation to any of the primary schools in addressing the actions required to strengthen controls at the school as they were following the timescales for implementation. Any issues of concern would be brought to the attention of management.

Members welcomed the good progress made on the KPIs and that no areas of concern to be considered for inclusion on the Annual Governance Statement and that the work to date had not identified any reason that would result in a negative or limited annual opinion of the Council's risk and governance control arrangements. Therefore the Committee was assured regarding the Internal Plan coverage and the rolling audit opinion on the risk governance and control arrangements.

RESOLVED

- (1) to note the position of the Internal Audit Plan;
- (2) to note the Internal Audit work completed in the period;
- (3) to note the position with regards the implementation of management actions arising from Internal Audit recommendations; and
- (4) to note the current position regarding the ability to deliver the annual opinion over the council's risk, governance and control arrangements.

71 NORTH BRIDGE STORES TRANSFORMATION PROJECT - PROGRESS REPORT

The Committee received a report, presented by Scott Cardwell, Assistant Director of Development and Dave Stimpson, Head of Property Services which provided Members with a quarterly progress update on the North Bridge Stores operational activities instigated following the Stores Management Review, in response to the internal audit carried out in 2019, and their involvement in the Personal Protective Equipment (PPE) stocktaking in 2020. The report was the sixth update provided to Members since the last update to the Committee in July 2022. Details of the key milestones to be completed for the period were set out at Paragraph 9 of the report.

The Head of Property Services outlined the key headlines from the report, in particular regarding the appointment of the new Stores Manager which was anticipated to be in place by the end of November 2022 and the ongoing work taking place by the interim stores manager, the customer and the SPT in making improvements to the stores in relation to the renewal of the contracts which had brought improvements at the stores and had reduced the number of stock lines, the value of stock held and had freed up space, therefore had obtained value for money.

The Committee welcomed the appointment of the Stores Manager post, the improvements made in relation to the accuracy of the half yearly full Stocktake, the progress made on the Key Performance Indicators to those previously reported to the Committee, and progress to date on the Implementation Plan. In referring to the Appendix of the report, Members noted that the Implementation Plan progress had been re-titled as the 'Stores Project Masterplan Summary' and in order to provide consistency and to avoid any confusion requested that in future that both the report and Appendix correspond.

Members acknowledged the reasons for deferment of the Stores User Survey and looked forward to seeing the results of the second survey in Quarter 3 to ascertain the feedback received from customers regarding the improvements made. In order to receive up to date information and provide real time feedback from stakeholders on an ongoing basis improvements made at the stores, Members felt that it would be useful to have a continuous and dynamic survey of the stores customer user base and whether the software used to analyse the results could accommodate this, as this would provide up to date information and alert Officers of any issues that may arise at an early stage as part of the improvement plan. The Head of Property Services agreed to explore this and advised that the next quarterly reporting period would allow for a benchmark to be set, therefore if any slippage to the improvement plan, could be raised at the stakeholder management meetings. He added that in relation to the KPIs, the targets in the plan for the last 4 to 5 months were soon to be met, therefore would provide the opportunity for the rest of the year to make the KPIs more challenging so progress could be reviewed in the future

Further to clarity being sought regarding the themes showing as '0%' progress on the project masterplan summary, why a breakdown of the figures relating to items listed as outstanding / in progress / future, as set out in the Appendix to the report had not been provided and whether the dates for completion of the actions as identified as December 2022 was realistic. It was explained that the actions had been rated and were showing as 'Amber' because they

were yet to be progressed therefore, they had not commenced in the project plan. It was further noted that the number of actions relating to items listed as outstanding / in progress / future, had been condensed in to one page document. The Head of Property Services gave an undertaking in future to more accurately update Members on the actions. Once the Stores Manager post was in post would then provide the opportunity to review the status of progress of where we are.

It was explained that pre-emptive work was taking place in some areas, therefore the actions that had been rated as 'Amber' were to be progressed and had yet to be commenced in the project. The Assistant Director of Development further outlined the progress and improvements made at the stores which was now in a better position and provided assurances that the progress would be closely monitored going forward.

In response to a query regarding contradictory information contained in paragraph 10 and the Appendix to the report regarding training, the Head of Property assured Members that there was ongoing delivery of training and that the information contained in the Appendix 1 relating 0% was incorrect. He gave an undertaking to inform Members outside of the meeting of the current position in terms of training undertaken. It was noted that a training needs assessment for staff members via a PDR had taken place during the summer and further training was being embedded as part of the Standard Operating Procedures.

Concerns were raised that training had not been provided to staff on the ICT system which Members felt was a significant risk to the overall operation of the Stores. Following further clarity being sought on progress in relation to training undertaken and the stores operating procedures, Members reiterated the inconsistencies in the report and were disappointed that the information in the report did not reflect the current position of progress made and requested in future reports provide up to date information regarding the current position. The Head of Property Services gave an undertaking to provide up to date reports and provide Councillor Shaw with information regarding the current position with regard to the operating procedures.

Following further questions the Head of Internal Audit updated Members on Internal Audits work since the last report to the Committee. It was noted that Internal Audit continued to have oversight of the project and had attended monthly meetings to track progress. It was confirmed that the audit of the Stores had been deferred until 2023/24 and provisional timescales had been put in place to allow for the new Stores Manager to assess the current situation at the stores and consider the actions that had been put in place. Discussions would take place to ensure that the required arrangements were in place to implement the plan and then it was anticipated that at that juncture Internal Audit would carry out the audit at Quarter 1 2023/24 reporting period.

During further discussion, the Head of Property Services further clarified that in terms of future reporting, the issues and concerns raised by Councillor Shaw would be included in the progress plan regarding the specific schedule of training for the Stores staff across the service, which was to be delivered alongside the staff structure by the newly appointed Stores Manager. In answer to the questions and concerns raised by Councillor Shaw regarding the operating procedures, the Head of Property Services was unable to provide this information at the meeting, however he gave an undertaking to examine the lines relating to the operating procedures used and the monitoring of operating procedures for implementation and report back to Councillor Shaw. It was agreed that an update on the information requested by Councillor Shaw be communicated to Members of the Committee by email and be included as an update in the Audit Committee Action Plan for the next meeting. The Assistant Director of Development added that the lines of communication with the Stakeholder Board meetings were still taking place.

Members were satisfied that arrangements were in place to continue improvements at the stores. It was agreed that the next progress report on the North Bridge Stores scheduled for

the January 2023 meeting, be deferred to allow time for the new stores manager to get established and to coincide with Internal Audit's report on the Audit of the Stores to Committee in 2023/24. Going forward it was agreed that progress reports to the Committee on the North Bridge Stores be stepped down and any matters to be reported as part of Internal Audit's progress report.

RESOLVED that

- (1) to note the updates on the progress at the North Bridge Stores Transformation Project and support the outlined approach;
- (2) the progress report on the North Bridge Stores scheduled for the January 2023, be deferred to allow time for the new stores manager to get established and to coincide with Internal Audit's report on the Audit of the Stores to Committee in 2023/24; and
- (3) an update on the information requested by Councillor Shaw regarding the operating procedures be communicated to the Committee by email and be included as an update in the Audit Committee Action Plan for the next meeting.

72 STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2021/22 - DRAFT ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE

Consideration was given to a report which sought approval of the Council's audited Statement of Account 2021/22 and Annual Governance Statement for 2021/22, as attached to the Appendix to the report and the key issues that the Committee should consider before the External Auditor issued their opinion on the financial statements.

The Chair on behalf of the Committee thanked Grant Thornton and Officers in the Finance Team for completing the accounts in challenging circumstances. The Assistant Director of Finance responded by commending Grant Thornton and the Finance Team for their achievements in getting the accounts to the current position in view of the significant work undertaken.

Grant Thornton presented the ISA 260 report, detailing the key aspects of the External Auditors work for the 2021/22 audit of the Statement of Accounts. Perminder Sethi, Engagement Senior Manager, highlighted the key headlines from the executive summary and summarised the areas for the Committee to note.

It was noted that the audit was nearing completion, and there were no matters that required modification of the proposed audit opinion or material changes to the financial statements, subject to the completion of outstanding matters in respect of Pension fund assets and liabilities and publication of the Statutory Instrument from the Department for Levelling Up, Housing and Communities (DLUHC) on the statutory override for the accounting arrangements relating to infrastructure assets, as detailed on pages 3 and 4 of the ISO 260 report.

No new risks or issues had been identified during the audit, however Grant Thornton had raised one audit recommendation for management arising from the audit in relation to the Council's asset register for vehicles, plant and equipment, where a large number of assets had been fully depreciated and had shown a Net Book Value of zero, but still remained in the asset register, as detailed in the Action Plan at Appendix A. The follow up recommendations from the previous year were also detailed at Appendix B.

It was anticipated that Grant Thornton would conclude the audit by the end of November in line with the statutory target and would give an unqualified opinion, however this was dependent upon the national infrastructure accounting issue across the sector being resolved

via the issuing of a statutory instrument from the DLUHC. The timing of the Statutory Instrument was hoped to be around 30 November to coincide with the statutory date, however the exact publication date was unclear and an unqualified audit opinion would not be issued until that time.

In relation to Value for Money (VFM) conclusion, due to the ongoing challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, Grant Thornton had been unable to complete its work as quickly as would normally be expected, therefore had not yet issued its Annual report and arrangements for value for money. It was anticipated that this would be issued by 26 January 2023 for submission to the Audit Committee, which would also be ahead of the National Audit Office's revised deadline for completion for issuing the Auditor's Annual report (3 months after the date of the opinion on the financial statements). An audit letter explaining the reasons for the delay was attached to the report at Appendix G. However, it was noted that no significant VFM weaknesses in the Authority's arrangements had been identified to date.

In response to questions from Councillor Glen Bluff seeking clarity regarding the Council's approach and treatment in relation to the capitalisation of the lifetime of Council assets in respect of IT development and projects, it was noted that assets such as major ICT projects were treated as capital expenditure and formed part of the Capital Programme. The Council's accounting policy in terms of the capitalisation of ICT assets i.e. software projects was broadly based on a period of 5 to 7 years, and was subject to the requisite criteria in the policy being met and the endurance and nature of the application. The Director of Corporate Resources explained that ICT projects and software applications that exceeded the threshold, would be reviewed and re-procurement of the applications.

Perminder Sethi from an audit perspective, explained how the External Auditor as part of their work in looking at the capital programme spend during the year, would look at the Council's treatment of the capitalisation of assets by selecting a sample of those assets, for example ICT projects, to determine whether the sample complied with the Council's policy on the capitalisation of assets. In response to a question regarding as to whether capitalisation of assets had been defined correctly, it was clarified that the External Auditor would look at the Council's Policy regarding the capitalisation of assets to determine whether the Council were compliant with the Policy and highlighted that any matters of concern would be brought to the attention of management. He explained that clear guidance was in place in respect of how capitalisation of assets were to be treated. The External Auditor confirmed that to date they had not identified any issues of this nature from the work undertaken. The Director of Corporate Resources further advised that the Council's external Valuer as part of its work would not bring a matter relating to the capitalisation of assets to the attention of the External Auditor. She assured Members that procedures were in place to deal with such matters and that the Customer, Digital and ICT team were aware of the regulations in place and their responsibilities under the regulations. In terms of materiality, the External Auditor added that if the asset was not of significance, would therefore, not be identified by External Audit as a risk.

Following further question from Councillor Bluff, the Director of Corporate Resources confirmed that as the Council services moved away from legacy ICT systems on to a Cloud based system, the Council's policy regarding the capitalisation of assets would change and highlighted the challenges of an a Cloud based system in terms of financing the project and Council resources.

In response to a further questions regarding ransomware attacks and whether the Council had taken steps to insurance against ransomware attacks, the External Auditor confirmed that as part of their ICT control work, External Audit looks at the Council arrangements in relation to cyber-attacks, particularly in view of the recent attacks taking place in recent years, which was also part of Internal Audits work. In relation to the provision of ransomware insurance, the Assistant Director of Finance advised that the Council had carried out a cyber-assessment, however she explained the difficulties in getting specific insurance due to what was available

in the market. However, Members were informed that the pre-assessment exercise had been useful in ensuring that the Council's current arrangements were sufficient. In recognising the challenges faced by cyber-attacks, the Council as part of the budget setting process had established a dedicated cyber security team within the Council's ICT department.

In answer to a question from the Chair, the External Auditor reiterated that Grant Thornton was aiming to complete their work and issue a report their Annual report to the Committee's meeting on 26th January 2023.

Further to clarity being sought by the Chair, the Director of Corporate Resources made reference to the diagram on page 18 of the agenda papers, which set out the statutory officers and mechanisms in place for formally signing off matters from the Annual Governance Statement.

RESOLVED that

- (1) the contents of the draft external audit ISA 260 report be noted;
- (2) the contents of the Letter of Representation as attached as Appendix F in the draft ISA 260 report, be endorsed for signature by the Chair of the Audit Committee and the Chief Financial Officer;
- (3) the Statement of Accounts 2021/22 for the year ending 31st March 2022, as appended to the report, be approved; and
- (4) the Annual Governance Statement 2021/22, as attached as an Appendix to the report, be approved for signature by the Mayor and the Chief Executive; and
- (5) authority be delegated to the Chief Financial Officer, in consultation with the Chair, to agree any adjustments to the Statement of Accounts 2021/22, following the completion of the audit by Grant Thornton, should any changes be necessary, prior to signing by the Chief Financial Officer and the Chair of the Audit Committee.

CHAIR: _____

DATE: _____



City of Doncaster Council

Report

26th January 2023

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. Three actions are complete. There is one ongoing action to be completed for April's Audit Committee which is in line with the timescales agreed.

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.

RISKS AND ASSUMPTIONS

8. 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 [Initials: SRF Date: 17.01.23]

9. There are no specific legal implications associated with this report. Where necessary appropriate legal advice can be provided in relation to matters listed in the Appendix to this report.

FINANCIAL IMPLICATIONS [Initials: SJT Date:18.01.23]

10. There are no specific financial implications arising from this report.

HUMAN RESOURCES IMPLICATIONS [Initials: SH Date: 18.01.23]

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

TECHNOLOGY IMPLICATIONS [Initials: PW Date:17.01.23]

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

EQUALITY IMPLICATIONS [Initials: PRJ Date:17.01.23]

13. 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 [Initials: RS Date:17.01.23]

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

CONSULTATION

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

BACKGROUND PAPERS

16. None

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

17. None

REPORT AUTHOR & CONTRIBUTORS

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Faye Tyas
Assistant Director of Finance

APPENDIX 1

AUDIT COMMITTEE ACTION LOG – 26th JANUARY 2023

Follow-up actions from previous meetings:-

Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Meeting 27th October 2022			
<p>Performance Management Framework An awareness training session will be held for Members of the Audit Committee on the practicalities of managing risk within the Council, and the arrangements in place to ensure that all risks were managed and reviewed at an appropriate level to help Members understand the process</p>	<p>Training provided to members at the training and awareness session on 20th January 2023</p>	<p>Sennette Wroot</p>	<p>Y- Complete</p>
<p>Breaches and Waivers to the Council's Contract Procedure Rules Members requested a review of arrangements to further reduce the number of avoidable breaches and waivers and produce an action plan to achieve this</p>	<p>Action plan to be provided to members and an update provided at April 2023 Audit Committee</p>	<p>Holly Wilson</p>	<p>N - Ongoing</p>

Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
<p>Progress Report on North Bridge Stores Transformation Project</p> <p>1) Members requested further detail around progress reported concerning the Standard Operating Procedures.</p> <p>2) Request for the stepping down of progress reporting with the next report on the North Bridge Stores to be from Internal Audit following completion of their audit anticipated in Quarter 1 2023/24 year.</p>	<p>Information was provided to Members of the committee on 5th January 2023</p> <p>Progress report removed from future Agendas</p>	<p>Dave Stimpson</p> <p>Peter Jackson</p>	<p>Y - Complete</p> <p>Y - Complete</p>

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Date: 26th January 2023

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

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

EXECUTIVE SUMMARY

- 1.1 The Council occasionally has a need to utilise covert methods in the investigation of matters for the purposes of detecting and preventing particular crimes. For several years, this power has been utilised by trading standards in the use of covert recordings for test purchases of illicit and counterfeit products such as alcohol, tobacco and branded goods, or for underage sales. The recording negates the need for a witness to attend court or can provide evidence in the event there is a dispute over the sale. On such occasions, the Regulation of Investigatory Powers Act 2000 (RIPA) provides a mechanism to make it lawful for public authorities to use directed (i.e. covert) surveillance and covert human intelligence sources ("CHIS") e.g. undercover officers and informants. The Council has a RIPA Policy and Procedures that govern the use of those powers. In addition, the Home Office issues statutory codes of practice on the use of RIPA powers that must be complied with, including requiring elected members to have oversight of the use of RIPA powers and to agree the RIPA Policy/Procedures on an annual basis.
- 1.2 At its meeting held on 27th July 2010, the Audit Committee agreed it should receive reports reviewing the Council's use of RIPA. These reports are brought on a six monthly basis due to the Council's limited use of the RIPA powers. A yearly report and a six monthly update report are brought each year; this is the six monthly update report.

RECOMMENDATIONS

2. To note that the Council has had one surveillance application authorised under RIPA since the last report to the Audit Committee on the 28th July 2022.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

3. RIPA policies and procedures ensure that the Council has appropriate arrangements in place to comply with the law relating to RIPA authorisations and Covert Surveillance, and that it is properly and lawfully carrying out covert surveillance where it is required.

BACKGROUND

4. RIPA was introduced in response to The Human Rights Act 1998 to ensure that Local Authorities could continue lawfully to carry out Covert Surveillance. The Government also set up the Office of Surveillance Commissioners who regularly inspects Local Authorities. The Office of Surveillance Commissioners subsequently became part of the Investigatory Powers Commissioner's Office ("IPCO"). The Council has been subjected to seven inspections namely in, 2003, 2004, 2009, 2012, 2016, 2019 and 2022. Following the Investigatory Powers Commissioner's Office remote inspection on 14th April 2022, the report dated 26th April 2022 states 'Your authority has been found to be in a good place' with no recommendations necessary..
5. The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012 came into force on 1st November 2012. This provides that directed surveillance can only be authorised under RIPA where the criminal offence sought to be prevented or detected, is punishable by a maximum of at least 6 months imprisonment, or would constitute an offence involving the sale of tobacco or alcohol to underage children.
6. The Protection of Freedoms Act 2012 also requires Local Authorities to have all their RIPA surveillance authorisations (both directed and Covert Human Intelligence Sources (CHIS)) approved by a Magistrate before they take effect.
7. Trading Standards regularly use directed surveillance for the purpose of their investigations, particularly to undertake test purchasing and subsequent monitoring of suspects and premises to determine methods of sale and supply, frequency of supply, identity of associates, and gathering evidence for enforcement action. One RIPA authorisation was authorised by Magistrates in December 2022 concerning illicit sales at a number of premises. From previous RIPA authorisations, there is also 1 prosecution being processed from the failed test purchase on RIPA URN 116. A number from previous authorisations are still in the investigative stage of the process.
8. In addition, since the last report the Council received notification from the Investigatory Powers Tribunal ("IPT") that it had received a complaint from a member of the public alleging that unauthorised directed surveillance had been undertaken by the Council in 2020. As requested by the IPT, the matter was fully investigated and a comprehensive response was provided. The IPT have subsequently issued a decision notice to confirm the complaint has not been upheld.

OPTIONS CONSIDERED

9. There are no alternatives considered.

REASONS FOR RECOMMENDED OPTION

10. The update assists in ensuring that the Council has fit for purpose arrangements in place to comply with the law relating to RIPA authorisations, and ensure that it only makes use of those powers where it is necessary and proportionate to do so.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

11.

	Outcomes	Implications
	Working with our partners we will provide strong leadership and governance.	The work undertaken by the Audit Committee helps to ensure that the systems for RIPA powers used by the Council are overseen ensuring good governance arrangements and compliance with the law and statutory codes of practice.

RISKS AND ASSUMPTIONS

12. Failing to have a fit for purpose RIPA Policy and Procedures compliant with statutory codes of practice will put the Council at risk of acting unlawfully, having evidence ruled inadmissible in prosecution proceedings, facing complaints to the Investigatory Powers Tribunal and receiving criticism at the next inspection by IPCO. This will cause reputational damage to the organisation

LEGAL IMPLICATIONS [Officer NC Date: 14/12/22]

13. RIPA provides Local Authorities with the mechanism in which they can lawfully carry out covert surveillance without breaching individuals' human rights under Article 8 of the Human Rights Act 2000. Failure to follow the law and statutory codes of practice in particular cases could lead to any evidence obtained by covert surveillance being the subject of a challenge in subsequent court proceedings, and also would lead to criticism at the next inspection by IPCO.
The Covert Surveillance and Covert Human Intelligence Source Codes of Practice provide that elected members should consider internal reports on use of RIPA on a regular basis to ensure that the powers are being used consistently with the local authority's policy, and that the policy remains fit for purpose.

FINANCIAL IMPLICATIONS [Officer PH 15/12/22]

14. There are no specific implications associated with this report. Any costs to implement the amendments and training will be met from existing budgets.

HUMAN RESOURCES IMPLICATIONS [Officer SH : SH : 15/12/22]

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

TECHNOLOGY IMPLICATIONS Officer Initial PW 15/12/22]

16. There are no technology implications associated with this report.

EQUALITY IMPLICATIONS [Officer NC 16/12/22]

17. Decision makers must consider the Council's duties under the Public Sector Equality Duty at s149 of the Equality Act 2010. The duty requires the Council, when exercising its functions, to have 'Due Regard' to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the act, and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' and those who do not share that protected characteristic. There are no specific equality implications arising directly from this report.

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

RIPA: Regulation of Investigatory Powers Act 2000

CHIS: Covert Human Intelligence Source

IPCO: Investigatory Powers Commissioner's Office

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Scott Fawcus
Assistant Director



Report

Date: 26th January 2023

To the Chair and Members of the AUDIT COMMITTEE

INTERNAL AUDIT REPORT FOR THE PERIOD: OCTOBER 2022 to DECEMBER 2022

EXECUTIVE SUMMARY

1. The report attached at **Appendix 1** updates the Audit Committee on the work undertaken by Internal Audit for the period of October to December 2022.
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 Management Actions arising from 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. The original plan was approved at the April Audit Committee and will be continually reviewed throughout the year in accordance with best practice and our agile approach to auditing. Section 1 sets out further detail and significant changes to date.

Section 2: Audit Work Undertaken During the Period

5. During the period October to December, our work has been on our routine and planned audits.
6. Substantial advisory and consultancy work is ongoing within the Council as well as fraud and responsive work.
7. As planned, considerable resources have been targeted to successfully implement a major upgrade to the teams Auditing and Management software. The upgrade will provide ongoing benefits to the Internal Audit Team, through being able to access better information, efficiencies, etc.

Section 3: Progress on the implementation of Management Actions arising from Internal Audit recommendations

7. There are currently no high risk level overdue management actions i.e. actions that have passed their original agreed implementation dates.
8. The total number of overdue medium and low risk level management actions has reduced to 3. Revised implementation dates have been agreed for these actions requiring a further extension of time. In total there are 10 Internal Audit recommendations awaiting implementation, 7 of which are not yet due.
9. It is clear from the current position that implementation of agreed management actions is operating well. We will continue to tightly monitor and manage this area

Section 4: Performance Information

10. Key operational indicators are over the timeliness of the issue of draft and final reports and these have all been issued within target timescales.
11. Results relating to major recommendations and customer satisfaction remain positive, with 100% of critical or major recommendations agreed and 100% of Customer Satisfaction Surveys rated Satisfactory or above.
12. 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. He will however be placing additional reliance on other wider sources of assurance to support this opinion in addition to the planned audit work.
13. The work delivered by the audit team provides a source of intelligence for the Annual Governance Statement. The work delivered in the year to date, has not identified any new areas of concern that should be considered for inclusion in the Annual Governance Statement for 2022/23. Additionally, work completed in the year to date has not identified any reason to result in a negative or limited annual opinion over the council's risk, governance and control arrangements.

RECOMMENDATIONS

14. The Audit Committee is asked to note:
 - the position of the Internal Audit plan
 - the Internal Audit work completed in the period
 - the position with regards the implementation of management actions arising from Internal Audit recommendations
 - the current position regarding the ability to deliver the annual opinion over the council's risk, governance and control arrangements

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

15. 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

16. 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

17. Not applicable – for information only

REASONS FOR RECOMMENDED OPTION

18. Not applicable – for information only

IMPACT ON THE COUNCIL'S KEY OUTCOMES

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

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

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

RISKS AND ASSUMPTIONS

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

LEGAL IMPLICATIONS [SRF 16/01/23]

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

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

FINANCIAL IMPLICATIONS [SJT 16/01/23]

22. There are no specific financial implications arising from this report. Internal Audit's budget is monitored monthly and is not reporting any significant issues

HUMAN RESOURCE IMPLICATIONS [SH 16/01/23]

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

TECHNOLOGY IMPLICATIONS [PW 16/01/23]

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

CONSULTATION

25. 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

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

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

27. None

REPORT AUTHOR & CONTRIBUTORS

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Peter Jackson
Head of Internal Audit



**Doncaster
Council**

Doncaster Council

Internal Audit Progress Report

October to December 2022

Section 1: Revisions to the Audit Plan

- 1.1. The 2022/23 Internal Audit Plan was approved by the Audit Committee on 28th April 2022. As the audit year progresses, the plan is reviewed to take account of any new and emerging risks and any responsive work arising. Additional work undertaken is added to the plan and is resourced by the deletion or deferral of the assessed lowest risk work items. This is well established best practice and in line with our agreed Strategy. The staffing resources available have reduced since the original Audit plan was approved due to one member of staff leaving and continued long-term sickness within the team as reported in previous progress reports.
- 1.2. Following the transfer to the Council of the former DCST functions on the 1st September 2022, the current Internal Audit provider contract with the DCST has also transferred to the Council until its end on 31st March 2023. We are working closely with the provider to ensure maximum value is obtained from their work, ensuring we work collaboratively, there is no duplication and maximum value is obtained.
- 1.3. We have identified areas to be covered in this regard and some of this work is currently underway to provide assurance over some of these incoming services / processes, on a prioritised basis.
- 1.4. Significant changes to the plan for the period are set out below, further changes to plan will undoubtedly continue to be made as the year progresses in accordance with our strategy to reflect new and emerging risk and changing priorities
- 1.5. New significant pieces of work added to the work plan in the quarter are:
 - Home to School Transport – This is an area of ongoing budget overspend
 - Education Welfare and Buy Back and Absence Penalties – this was a review of decision making with financial implications.
 - Children Social Care Placements – Management requested audit oversight over this key area for the Council due to the high cost of the placements considered
 - Buy Doncaster – Management requested a review to ensure that all income due from schools is being billed and is correctly calculated
 - Fostering Process Compliance Audit 2022/23 – Management requested check on key compliance areas identified in Ofsted Review
- 1.6. Items of work removed from the plan include those set out below; all these will be reassessed as part of the ongoing planning process for the remainder of this financial year and the next financial year:
 - Accounts Payable and Procure to Pay – deferred to allow for higher risk work to be delivered
 - Housing Benefits — deferred to allow for higher risk work to be delivered

- Business Rates – deferred to allow for higher risk work to be delivered
- Direct Payments and Personal Budgets - deferred to allow for higher risk work to be delivered
- ITrent Flexi and Leave Recording System - deferred to allow for higher risk work to be delivered
- Other Flexi and Leave Recording Systems - deferred to allow for higher risk work to be delivered
- Provider Payment Implementation Review – Implementation delayed – to be assessed for 2023/24 plan
- Declarations of Gifts and Hospitality and Legacy Audit - deferred to allow for higher risk work to be delivered
- Local Child Safeguarding Practice Review - deferred to allow for higher risk work to be delivered

1.7. We continue to work with all relevant teams within the Council to ensure our ongoing planned work for the year remains relevant and adds maximum values to the Council. We also continue sense checking our planning and approach with other Audit Teams in the regions that are in our working network. This will ensure that audit resources continue to be targeted to reviewing the highest risks to the Council.

Section 2: Audit Work Undertaken During the Period

- 2.1 During the period October to December, our work has been on our routine and planned audits.
- 2.2 Considerable resource as planned have been used in successfully implementing a major upgrade to the teams Auditing and Management software. Further time is needed to complete post implementation actions which should be complete in the final quarter of the year.
- 2.3 Substantial advisory and consultancy work is ongoing covering placements within Children’s Services and governance over decision making.
- 2.4 There is also a substantial amount of work in progress awaiting completion for reporting at the next Audit Committee.
- 2.5 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.

Internal Audit Opinion

2.6 A “*substantial assurance*” opinion is given where there are no or low levels of concern. A “*reasonable assurance*” opinion is given where there are issues of concern that need to be addressed which may put at risk the achievement of objectives in the area audited. A “*limited assurance*” 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 immediate action is required to address fundamental gaps, weaknesses or non-compliance identified in the area under review, although ‘*no assurance*’ opinions are extremely rare.

Summary of Findings from Audit Reviews

2.7 Summary conclusions on all significant audit work completed October to December 2022 and any completed work not previously reported, are set out in **Appendix A**.

Audits providing ‘limited’ assurance opinions

2.8 There have been no ‘limited assurance’ opinions given this period.

Responsive Audit Work and Investigations

2.9 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. This area is covered in detail within the Annual Preventing and Detect Fraud and Error Report which forms part of this committee meeting’s agenda

Section 3: Implementation of Management Actions arising from 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 and are effectively managing any risks previously identified. 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 agreed management actions that are not implemented in line with agreed timescales require Assistant Director authorisation for a time extension and are reported as part of the Council’s Quarterly Resource Management processes and consequently monitored through that process. 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. Overdue high risk level management actions are reported

routinely by Internal Audit to the Audit Committee as are numbers of outstanding lower-level management actions. This has also been further refined following concerns raised by the Audit Committee to that when it is clear that implementation of actions is proving problematic then future date revisions will be approved by the Director and escalated to the Chief Executive when necessary.

3.4 The total number of actions which are overdue i.e. that have passed their original agreed implementation date has reduced to 3 and none of these are high risk. A breakdown of these by Directorate is detailed in the table below. All these management actions have had revised dates agreed by their relevant Assistant Directors and we will tightly monitor and report on the achievement of these revised dates.

3.5 The detail of the high-level management actions and revised implementation dates is provided in **Appendix B**.

Directorate	Number of high-risk level management actions overdue					Number of medium / lower risk level management actions overdue				
	At 31/12/2021	At 11/04/22	At 30/06/2022	At 30/09/2022	At 31/12/2022	At 31/12/2021	At 11/04/2022	At 30/06/2022	At 30/09/2022	At 31/12/2022
Adults, Health & Wellbeing (AHWb)	0	0	0	0	0	0	0	0	0	0
Economy & Environment (EE)	3	1	0	0	0	27	8	6	3	1
Corporate Resources (CR)	0	0	0	0	0	1	0	0	1	2
Learning Opportunities, Skills & Culture *	0	0	0	0	0	0	0	0	0	0
TOTAL	3	1	0	0	0	28	8	6	4	3

* These figures do not include the number of actions arising from the 4 school audits / investigation completed as these traditionally generate a high number of action and have different ratings for the school to work to and therefore reporting these figures would disproportionately misrepresent the Council's position.

3.6 There are no areas of concern covering the 3 overdue management actions.

3.7 The spread of all management actions awaiting implementation including those not yet due is shown below:

Directorate	No. of actions at 31/12/2021	No. of actions at 30/06/2022	No. of actions at 30/09/2022	No. of actions at 31/12/2022
Adults, Health and Wellbeing	0	0	0	0
Economy & Environment	30	6	3	5
Corporate Resources	26	8	9	11
Learning Opportunities, Skills & Culture *	0	1	0	0
TOTAL	56	15	12	16

3.8 It is clear from the current position that implementation of agreed management actions is operating well. We will continue to tightly monitor and manage this area.

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.
- 4.2 Key indicators are over the timeliness of the issue of draft and final reports and these have all been issue within target timescales.
- 4.3 Results relating to major recommendations and customer satisfaction remain positive, with 100% of critical or major recommendations agreed and 100% of Customer Satisfaction Surveys rated Satisfactory or above.

The indicators are shown below along with current performance for the period October to December 2022:

Performance Indicator	Target	June to September 2022	Variance (positive is good)
Draft reports issued within 15 days of field work being completed	90%	100%	+10%
Final reports issued within 5 days of customer response	90%	100%	+10%
% of critical or major recommendations agreed	100%	100%	0%

Performance Indicator	Target	June to September 2022	Variance (positive is good)
Percentage of Customer Satisfaction Surveys rated Satisfactory or above	90%	100%	+10%

Rolling Audit Opinion over Risk, Governance and Control Arrangements and Annual Governance Statement Items

- 4.4 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. He will however be placing additional reliance on other wider sources of assurance to support this opinion in addition to the planned audit work.
- 4.5 The work delivered by the audit team provides a source of intelligence for the Annual Governance Statement (AGS). The work delivered in the year to date, has not identified any new areas of concern that should be considered for inclusion in the Annual Governance Statement for 2022/23. Additionally, work completed in the year to date has not identified any reason to result in a negative or limited annual opinion over the council's risk, governance and control arrangements.

Planned Audit Work Completed in Period

APPENDIX A

Audit Area	Assurance Objective	Final Report to Management.	Overall Audit Opinion	Summary of Significant Issues
CORPORATE RESOURCES				
Bus Service Operators Grant (December Claim)	Confirm expenditure and that it is in keeping with the conditions of the grant statement as true and fair as stipulated by the grant.	December 2022	N/A – grant Claim verification	Grant signed, no issues raised.
Declarations of Interest (Officers & members)	This audit aimed to establish the extent to which the operational risks and operational processes are effectively managed within the application of the Declaration of Interest policies and procedures.	October 2022	Substantial Assurance	None
Council Tax Audit 22/23	The audit aimed to establish if the controls in place are ensuring that the Council’s arrangements for the Council Tax System are effective.	January 2023	Substantial Assurance	None
Purchase Card Administration Audit 22/23	This audit aimed to assess the Council’s Purchase Card Administration arrangements and ensure the adequacy of the processes in place contribute towards minimising the risk of fraudulent or improper use of purchase cards and ensure that	January 2023	Reasonable Assurance	None

Audit Area	Assurance Objective	Final Report to Management.	Overall Audit Opinion	Summary of Significant Issues
	transactions are correctly accounted for.			
ECONOMY AND ENVIRONMENT				
Local Area delivery Grant (Phase 2)	To ensure that expenditure was made in accordance with the grant conditions,	N/A	N/A – grant Claim verification	Grant signed, no issues raised.
ADULTS HEALTH & WELLBEING				
Supporting Families Grant - (October to December Claims)	Confirm expenditure and that it meets the conditions of the grant allowing Doncaster Council sign off.	N/A	Not Applicable – Grant Claim verification.	Grant signed, no issues raised.
PUBLIC HEALTH				
No Planned work was reported in this period				
CHILDREN YOUNG PEOPLE & FAMILIES				
Big Picture Learning Grant	To ensure that outputs made and claimed for are in accordance with the grant conditions	December 2022	N/A - grant Claim verification	Grant signed, no issues raised
Special Education Needs and Disabilities (SEND) Confirmation Orders	To ensure the Special Education Needs and Disabilities team are following approved ordering processes	November 2022	Concluded processes were compliant	None raised

Audit Area	Assurance Objective	Final Report to Management.	Overall Audit Opinion	Summary of Significant Issues
School Improvement – Governance and Financial Management Awareness to Schools Stakeholders	<p>The piece of work aimed to identify ‘common’ themes and issues currently embedded and in operation that have been identified during the recent school audits.</p> <p>The outcome of this piece of work was to be issued to all key stakeholders involved these being the Governors, Head teacher and School Finance Staff to make them aware of their responsibilities and to help them improve Governance and Financial Management within their schools.</p>	November 2022	N/A	General advisory points were provided to all schools
Education Welfare Buy Back	The aim of this piece of work is to provide information over the governance arrangements covering the Education Welfare traded service to schools.	December 2022	N/A – Information collation only	Chronology provided to management

Overdue High Risk Management Actions arising from Audit Recommendations

APPENDIX B

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
NB There are currently no overdue high risk management actions						



City of Doncaster Council

Report

Date: 26th January, 2023

To: The Chair and Members of the Audit Committee

Report Title: Preventing and Detecting Fraud and Error Report October 2021 to September 2022.

EXECUTIVE SUMMARY

1. The attached report summarises the work done by the Council during the period October 2021 to September 2022 to prevent, detect and investigate fraud and corruption in line with the Government's Fighting Fraud and Corruption Locally Strategy and minimise errors whether caused by fraud or not.
2. The report shows that the overall incidence of fraud remains very low in general terms, taking into account the scale of the Council's activities. Proactive counter fraud activities to prevent and detect fraud and error early continue to be a focus in the Council's strategy.
3. The fraud landscape continues to change and the period saw the likely end of Covid related business support grants with previously established checks continuing on all payments made. However, as the cost of living crisis continues to bite, fraud risks generally increase as the amount of monies available to individuals and businesses falls.
4. The report includes (as it has in previous years) information that is required to be published under the Transparency Agenda and includes information about the Council's approach to tackling fraud, corruption and error and how the Council's activities are arranged / set up.
5. Fraud and error highlighted in the report includes:
 - Actual savings from the 2021/22 National Fraud Initiative for Council Tax data £3,769
 - 851 cancelled Council Tax Single Person's Discounts as a result of our rolling programme of checks (value is estimated) £215,208

based on the additional tax collectable through cancellation)

- Housing Benefit – 199 cases referred to the Single Fraud Investigation Service (Department for Work and Pensions) for investigation with 79 Direct Earnings Attachments to recover historically written off debt. Debt recovered has been listed to the right. £521,494
- Prevented invoice duplications and invoices identified for recovery from our regular and ongoing creditor invoice matching £130,679
- Prevented 17 overpayments on pension payments as a result of ongoing data matching (estimated notional value) £50,582
- Identified 2 additional business rates covid grants frauds for recovery £9,867
- Recovered monies for the Government on business rates covid grants £218,990*

Comparative information is provided where possible in the main body of the report. This doesn't raise any concerns and overall processes and systems are effective and fraud levels remain very low.

*Performance in the administration of Business Rates Grants from the Covid – 19 pandemic and investigation of fraud in this area is considered excellent.

- Total Grants Paid £111,762,113
- Fraud / Error detected over full period £678,977
= 0.6% of grants paid
- Recovery Remaining £363,875
= 0.3% of grant paid

EXEMPT REPORT

6. This report is not exempt.

RECOMMENDATIONS

7. The Audit Committee is asked to support the production of the Preventing and Detecting Fraud and Error report and agree to appropriate publicity being produced to highlight the outcomes from the Council's anti-fraud activity and to act as a deterrent to fraud.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

8. Fraud and corrupt activity divert scarce resources away from Council services. They cost the taxpayer money that could have been used for the benefit of local

citizens. Maintaining a strong counter fraud stance helps to minimise fraud losses and deter fraudulent activity.

BACKGROUND

9. The production of an annual fraud response report, which details the work done to counter fraud and corruption, is in line with the requirements of the Fighting Fraud and Corruption Locally Strategy for local government. Doncaster Council adopts a risk based approach to fraud and seeks to educate staff on identifying fraudulent behaviour, educate managers to assess the risks of fraud in their areas and to detect and investigate fraud where it is identified. The Council's commitment to combatting fraud and corruption is contained in the Anti-Fraud and Corruption Framework which is approved by the Audit Committee.

OPTIONS CONSIDERED




10. Not applicable.

REASONS FOR RECOMMENDED OPTION

11. Not applicable.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

12.

Great 8 Priority	Positive Overall	Mix of Positive & Negative	Trade-offs to consider – Negative overall	Neutral or No implications
 Tackling Climate Change				✓
 Developing the skills to thrive in life and in work				✓
 Making Doncaster the best place to do business and create good jobs	✓			
<p>Comments:</p> <p>Fraud and error reduces the money available to the public purse and, therefore, has an impact on the Council's ability to provide services and develop Doncaster for its citizens. Blue badge fraud has a direct negative impact on the available</p>				

parking spaces in the town centre for individuals with reduced mobility.					
	Building opportunities for healthier, happier and longer lives for all				✓
	Creating safer, stronger, greener and cleaner communities where everyone belongs				✓
	Nurturing a child and family-friendly borough				✓
	Building Transport and digital connections fit for the future				✓
	Promoting the borough and its cultural, sporting, and heritage opportunities				✓
	Fair & Inclusive				✓
Comments:					

Legal Implications [Officer Initials: SRF | Date: 16/01/23]

13. The Council is obliged to minimise the loss of resources resulting from fraud and corruption. It is also obliged to publish the data in this report under the requirements of the Government's Transparency Agenda which assists the Council in demonstrating it is delivering value for money. This information will be published on the Council's website.

Financial Implications [Officer Initials: SJT Date: 17/01/23]

14. Failure to minimise and effectively deter and combat fraud and corruption detracts from Council funds and therefore Council service delivery at a time of increased budgetary pressure and service demands.

Human Resources Implications [Officer Initials: SH | Date: 16/01/23]

15. Whilst there are no resource implications caused directly by this report, there are Human Resources implications where employees undertake fraud, (or are alleged

to have undertaken). In these cases, Human Resources should be involved in all investigations to ensure that these are conducted properly, appropriate and timely action is taken in relation to the allegation.

Technology Implications [Officer Initials: PW | Date: 16/01/23]

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

RISKS AND ASSUMPTIONS

17. Failure to address fraud and corruption risks causes:-

- reputational damage to the Council from fraud and corrupt practices;
- diverts scarce resources away from priority services to the detriment of our citizens.

CONSULTATION

18. Not applicable.

BACKGROUND PAPERS

19. The Council's Anti-Fraud and Corruption Framework (available on the Council's website and approved by the Audit Committee).

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

20. All abbreviations and acronyms are written in full in the report with their abbreviations used only after the first instance. Items used are:

- NFI – National Fraud Initiative
- DWP – Department of Work and Pensions
- CTRS Council Tax Reduction Scheme
- SFIS – Single Fraud Investigation Service (the benefits fraud investigatory arm of the Department of Work and Pensions)
- DEA – Direct Earnings Attachments
- BEIS – The government Department for Business Energy and Industrial Strategy
- HMRC – His Majesty's Revenue and Customs

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Doncaster Council Preventing and Detecting Fraud and Error Report

October 2021 to September 2022



 **PROTECTING ITSELF AND ITS RESIDENTS**
*Recognising the harm that fraud can cause in the community.
Protecting itself and its' residents from fraud.*

Fraud and Error Prevention



Doncaster Council is committed to protecting the public purse and preventing (and detecting) fraud and corruption against public monies.

This year again has been a fast paced year. Whilst there were no Covid 19 Business Rate Grants made during the period, the Cost of Living Crisis continues to keep fraud risks high, not necessarily in the form of new risks, but it certainly increases the risk of Council Tax and Benefit frauds.

This report documents the Council's activities in respect of fraud prevention, detection and pursuit and reports on both proactive counter fraud work and responsive investigative work. Our strategy in this respect is documented in the Council's Anti-Fraud and Corruption Framework which is available on the Council's internet site at <http://www.doncaster.gov.uk/>. This framework was refreshed and re-published in 2021 after updates to the strategy and guidance for combating fraud in local government.

Our Counter Fraud Set up

The investigation of fraud within the Council is de-centralised. Most investigative work is carried out by Internal Audit Services, with additional investigative work being undertaken within Parking Enforcement (in respect of Blue Badge fraud) and within Revenues and Benefits (in respect of Council Tax and occasionally Business Rates frauds).

Information within this report (along with the information above), is required to be published under the Government's Transparency Agenda and this report is published alongside the required statistics on the number of individuals and full-time equivalent employees that are involved with fraud investigation (this information is available on the Council's website [Local transparency - Doncaster Council](#).)

The Overall Picture

The Council remains exposed to fraud risks but is consciously aware of them and their effects and takes proactive steps to prevent and detect fraud across the Council.

The overall level of fraud experienced by the Council remains low for a council of this size with a proactive approach being taken to manage risks as they arise. Our arrangements have continued to operate well throughout the period.

Because each of our activities is different, consolidating everything into one set of figures is not appropriate. Instead, key statistic boxes against all activities give information on the success (and context) of each of our activities individually.

The remainder of this report documents our counter fraud and investigative activities for the period 1st October, 2021 to 30th September, 2022. This reporting period aligns with that of the National Fraud Initiative.

Counter Fraud Activity – Govern

Key to the overall success of counter / anti-fraud agenda in the Council (and any other body) is support from those charged with Governance. Ensuring that there is strategic direction and a counter fraud culture embedded across the Council is key to ensuring that we deliver on our objectives.



Policies and Strategies



Beating fraud is everyone's business and it takes a co-ordinated approach at all levels to tackle fraud and corruption. The *'tone from the top'* is set out in our Anti-Fraud Bribery and Corruption Framework.

This document contains the Council's policy, strategy and plan to combat fraud. It aligns directly with the Fighting Fraud and Corruption Locally Strategy for Local Government 2020. This framework is published on the Council's intranet site and is linked in to all key governance pages for the Council.

The re-launch of the framework was publicised on the Council's internal news channel to ensure that it was communicated to all staff.

The Counter Fraud Response

Counter fraud work is de-centralised in Doncaster Council and different departments are responsible for investigating and preventing fraud in some fraud risk areas. These departments are:

- Revenues and Benefits – responsible for the detecting and investigation of Council Tax frauds and for working with the Department for Work and Pensions on joint Housing Benefit fraud investigations;
- Parking Enforcement – responsible for the detection and investigation of blue badge and permit parking frauds;
- Trading Standards – responsible for the enforcement of a wide range of legislation to ensure that Doncaster has a fair, responsible and safe competitive trading environment that supports both consumers and businesses.
- Internal Audit – maintain the Council's central counter fraud governance arrangements (the Anti-Fraud, Bribery and Corruption Framework and Money Laundering Polices), fraud reporting and the prevention, detection and investigation of other frauds against the Council whether committed internally or externally. They are also responsible for liaison with the Police (where appropriate) on fraud issues.



The Counter Fraud Plan



Work on counter fraud in Internal Audit is summarised in the Counter Fraud Plan and this contains all our fraud specific activities to raise awareness of fraud, develop fraud governance arrangements, detect fraud and investigate fraud.

It is approved by Audit Committee and was approved in April 2022 for the 202/23 financial year. We report on the results of our preventative, detective and investigative work annually in this report covering the period to the end of September. This reporting window has been adopted because this is the investigative and reporting timescale set by the National Fraud Initiative, one of our major pieces of work for the year.

Our Counter Fraud Activity Plan covers a whole range of activity including:

- Work on key governance strategies that have an impact on fraud;
- Training and awareness activities for staff and elected members;
- Fraud awareness week materials for members of the public;
- Proactive data matching initiatives to detect fraud and error in our activities;
- Participation in national fraud detection initiatives and work with our partners across local and central government; and
- The reactive investigation of suspected fraud and corruption and the prosecution of it (working collaboratively with the Police and / or Legal Services).

Our plan is flexible and reactive and is based on our assessment of fraud risks. These are updated regularly and new risks added as they are identified.

Partnerships

The responsibility for the management of our Housing Stock lies with St Leger Homes of Doncaster Ltd, who are responsible for (and do) investigate fraud in their area. Their internal audit resource is provided by Doncaster Council's Internal Audit Service and we work jointly to cover social housing and right to buy fraud investigations providing counter fraud support where necessary. Where appropriate, their results are also included in this report.



Fraud Awareness Training



As we have updated the Anti-Fraud, Bribery and Corruption Framework this year, we have also been busy refreshing our counter fraud training.

Our training is e-learning based. Anti-Money Laundering Training was relaunched during the year but a refresh of the Anti-Fraud Training is now due. Fraud awareness training was also delivered to members of the Audit Committee on the 5th

November, 2021 and is delivered annually to new St Leger Homes employees in March each year.

Counter Fraud Activity – Acknowledge

The shape and activities of the Council are constantly changing to keep pace with the changes in economy, society and political environmental within the UK. These changes represent risk both in terms of business risks and in fraud risks that must be taken into account to effectively tackle fraud and corruption.



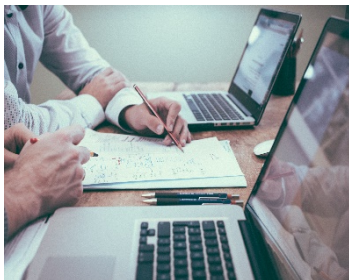
Fraud Risks

The Council has a Fraud Risk Register. This is a very comprehensive list of fraud risks containing 24 different fraud risks covering things like employee fraud, grant fraud, procurement fraud and bribery and corruption risks. This register helps us to plan our counter fraud activity and map our coverage of fraud risks between our own Counter Fraud Plan and the work of partner and outside agencies. In this way we make sure that our resources are targeted at the highest risk areas and that there are no high risk exposures that have no coverage.



We constantly review and update the register. We also work collaboratively with local and central government to look at fraud trends and develop new strategies to combat fraud and corruption in the sector.

Counter Fraud and Investigative Resources



The investigation of Council Tax fraud and blue badge / parking frauds are dealt with as part of normal every day activities by the Revenues team and Parking Enforcement teams respectively.

The audit based Counter Fraud Plan deals with all remaining fraud and counter fraud issues, containing approximately 300 days of work on the activities outlined in the previous section.

The Counter Fraud Plan is led by the Internal Audit Manager who is trained, and maintains professional development requirements in counter fraud activity and investigations. She has significant experience of counter fraud and investigative practice having worked on fraud and counter fraud for over 14 years and also supports our partner organisation, St Leger Homes Ltd, ensuring a joined up approach on both.

Audit counter fraud work is undertaken and overseen by the Internal Audit Manager but is supported in the main by 3 other individuals, one trained in fraud investigation, one undergoing on the job training and one individual having been trained on data analytics assisting with data matching initiatives.

Counter Fraud Activity – Prevent

The prevent elements of our strategy relate, as it suggests, to preventing fraud and corruption. It links heavily with both the Govern and Acknowledge aspects of the anti-fraud agenda. Prevent is about preventing fraud through robust governance policies, procedures, internal controls and in the use of technology and inbuilt processes to prevent fraud from occurring in the first place.



Internal Controls



The responsibility to design effective policies, procedures and internal controls (controls that prevent frauds and errors from occurring), lies predominantly with service managers throughout the Council. However, they need support in this as it would be unreasonable to expect everyone to be a counter fraud professional.

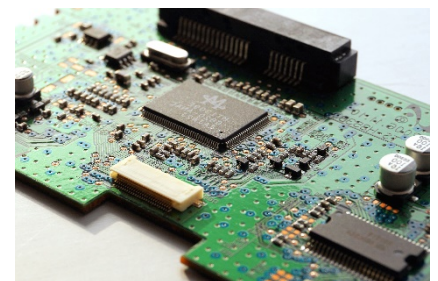
Internal Audit provides advice to departments and managers setting up or changing their processes so that developed internal control frameworks, policies and procedures are robust and effective. Where the need is more specific and relates to counter fraud controls or investigative advice, this is dealt with by those in audit undertaking the counter fraud work.

We look out for anti-fraud controls that can be improved when we undertake routine internal audits across the Council and make recommendations to improve them as we find them with specific counter fraud audits being targeted at higher risk areas or areas with new or developing risks.

As part of the Counter Fraud Plan, we also target the review of key anti-fraud controls and fraud governance mechanisms such as the Declaration of Interest and Declarations of Gifts processes. We also give advice and correctional support to areas that have been hit by fraud to attempt to improve the controls in place to prevent and detect further frauds.

The Use of Technology

Technology is a double-edged sword. It gives us both opportunities to prevent and detect fraud and exposes us to new fraud risks. As a data driven council, we are investing more and more in data and data analysis to drive our decisions and this equally applies to the counter fraud agenda.



We use internal data matching to bring together data sets across the council to detect fraud and error and are moving towards data led financial audits. Under these audit types, the performance of financial systems is continually monitored to detect problems early rather than relying on old fashioned sampling audits that base assurance on errors identified on a small sample of records.

Counter Fraud Activity –Pursue

Pursuing suspected fraud and error is a substantial part of the counter fraud agenda and is the most obvious sign of any activity that we undertake in respect of counter fraud.

We aim to pursue any fraud identified both internally (in terms of disciplinary action) and externally (through prosecution and recovery). All the action we take is determined by the Sanctions and Prosecutions Policy within the Anti-Fraud, Bribery and Corruption Framework



Blue Badge Fraud

Blue badge fraud occurs where individuals misuse a blue badge (issued to someone with reduced mobility). This can include the use of badges by family or friends where the disabled person is not present or the use of badges where the individual the badge was issued to, is now deceased.



Blue badge fraud reduces the Council's parking revenue and takes up valuable spaces for less mobile and / or elderly persons.

Key Statistics

Results	Number / Value	2020/21 Comparison
Total number of parking tickets issued	15,510	14,462
Cautions issued	0	0
Written warnings issued	0	6
Unable to take further action	0	4
Prosecuted	3	6
Ongoing cases (awaiting court dates)	1	4

Prosecutions have been lower since the Covid-19 pandemic began and have not returned to pre-pandemic levels. Reduced activity in town centre locations is directly leading to lower levels of contraventions, and therefore, lower levels of enforcement activity.

The National Fraud Initiative (NFI)



The Council actively participates in the NFI run annually by the Cabinet Office. It matches the data of public and some private sector bodies in order to identify data conflicts and anomalies that could be fraud or error for investigation. This is a significant piece of work for the council.

NFI matches are released annually although the data checks run follow a 2 year cycle. The 2021/22 NFI cycle completed at the end of September 2022 was smaller than the previous cycle which looked at a wider series of data sets.

The 2021/22 cycle looked at the following areas:

- Housing Benefit information (supplied by the Department for Work and Pensions)
- The Electoral Register
- Council Tax Reductions and Council Tax Single Persons Discounts

Our results are shown on the in the following table.

Key Statistics			
Results	Number Processed	Actual Savings	Notional Savings
Housing Benefit Extra Matches	158	-	-
Council Tax Matches	36,642	£3,769	£6,534
Total	36,800	£3,769	£6,534

Doncaster Council uses other processes and real time data matching information provided centrally to inform the majority of its Council Tax and Housing Benefit based checking. As a result, the NFI matching in this area, adds little benefit to us as the vast majority of matches are uncovered and investigated much more quickly using alternative methods. The results of this other work are also included in the relevant section of this report.

The savings that are quoted for the NFI exercise are split into 2 main categories, actual savings and notional savings. Actual savings are as they appear, they are monies that can be recovered. Notional savings however, are based on the estimated values of a potential fraud in this area and are essentially a value put on the level of *prevented* fraud. The costings applied per case, are those created by the NFI itself. .

Overall, savings provided by the National Fraud Initiative continue to fall. Much of the savings from Council Tax and Benefits come from other more timely initiatives covered later in the report.

Data for the next round of the initiative has been submitted and results for investigation are currently expected from February, 2023 onwards.



Single Persons Discount Reviews

The Council carries out a 12 month rolling review of all single occupier discounts in a bid to ensure only those entitled receive a discount. This is done with a view to reviewing the discounts in place and identifying and correcting fraud or error within the Council Tax base.

The rolling review targets the borough by postcode issuing review letters to each of the claiming households. These letters prompt individuals to notify us of changes in circumstance that may otherwise have been missed. Where individuals do not respond to the review letter within the specified timescale, discounts are cancelled.

Key Statistics		
Results	Number / Value	2020/21 Comparison
Households reviewed in the period	23,961	22,656
Cancelled single persons discounts	851	652
Value of cancellations (estimated)	£215,208	£183,431



Local Authority and DWP Joint Fraud Investigations

Since the implementation of SFIS (the Single Fraud Investigation Service) all Social Security benefit fraud has been investigated by the Department of Work and Pensions (DWP).

Council Tax Reduction Scheme fraud (CTRS) is not a social security benefit and is, therefore, not considered in any criminal investigation by SFIS. However, there is a high degree of correlation between those committing social security benefit fraud and those also committing council tax reduction scheme fraud. Joint working between councils and the DWP enables those committing both types of fraud to be dealt with under one combined investigation.

There were no joint investigations undertaken in 2021. Whilst some have been started in 2022, they are yet to progress sufficiently to determine if a fraud has taken place or determine any subsequent values.

Key Statistics		
Results	Number	Value
Joint investigations completed in the period	0	£0
Joint investigations ongoing	7	Not determined

Housing Benefit Overpayments



Housing benefit overpayments occur for a variety of reasons, for example through error or fraud by the claimant, error or fraud by the landlord or the agent, a change to entitlement that is not reported or delays in reporting changes to circumstances for the claimant.

Occasionally errors are caused by the local authority in processing. Most overpayments happen because there has been a change in the claimant's circumstances that was not communicated to the Council or was communicated late. Housing benefit fraud happens when these changes are deliberately not reported.

Regardless of the cause, the Council pursues all eligible housing benefit overpayments. (This is any amount which has been paid to which there was no entitlement). This is in line with best practice.

Activity in the period October 2021 to September 2022, looks similar to the activity for the previous reporting period with the exception that the use of Direct Earning Attachments has been increased substantially. This is because these attachments were not brought back into mainstream use until September, 2021 when the UK's furlough scheme was ended.

Key Statistics

Results	Number / Value	2020/21 Comparisons
Cases referred to the Department for Work and Pensions	199	197
Direct Earning Attachments (to recover overpayments)	79	5
New Invoices Produced for Recovery	1,253	1,440
Cash recovered	£521,494	£307,652

Creditor Invoice Matching



The Council runs software daily against invoices paid (or due for payment) to prevent and detect any possible fraudulent (or more likely, duplicated) invoices. These results are worked through by the Council's, Doncaster Children's Trust's or St Leger Homes' Accounts Payable teams and payments cancelled or recovered as appropriate.

The statistics included here (below) include preventions / recoveries from the Council, St Leger Homes and the Doncaster Children's Trust. This is due to the fact that all of these partners use the same system to prevent, detect and record fraud and duplications. The difference in values between the years does not raise any concerns and is entirely dependent on the payments identified.

Key Statistics

Results	Number / Value	2020/21 Comparisons
Prevented Payments	76 - £127,708	116 - £1,547,238
Recovered Payments	6 - £2,450	32 - £73,765
Payments From Period Still Being Recovered	1 - £521	10 - £6,460

Teachers Pensions Matching

Teacher's pensions are paid by a specific outside body that deals with the Teacher's Pension Scheme, however, a small number of additional payments are also made to approximately 900 teachers by Doncaster Council. Historically, there have been issues with these payments when the Teacher's Pension Scheme have been made aware of the death of one of their members and have failed to notify the Council of this change. This has resulted in both fraud and error in the past.



Regular data matching has been set up to check our pensions payments to deceased persons registers in order to detect and in future prevent overpayments as much as possible. Our figures use two statistics, actual overpayments and notional savings. Actual overpayments are to be expected as it is the Council's arrangement to pay all employees including these pensions on the 15th of the month, therefore they are paid in advance for the period the 16th of the month to the end of the month. These overpayments are relatively small because the regular matching of these data sets results in timely notification of death. Notional savings on the other hand are calculated where we as a Council have not been notified of the death and have detected it using our data match initiative. We calculate the cost of a further 12 months of payments that may have been incurred until we uncover a failure to notify us of the death of an individual. This is a conservative estimate, as in some cases, without the data match and where the monies are paid into an account like a joint bank account that is not going to close, it is unlikely that the error would be spotted until the next National Fraud Initiative cycle which can mean it would take up to 2 years to detect the issue. Notional savings are given to show the value of the work undertaken to PREVENT overpayments.

It should also be noted that no attempt has been made to qualify whether the failure to notify the Council of the death of one of our pensioners is fraud or error. All have been classed as error. This is because it is difficult to determine, without further time-consuming investigation, whether the failure to notify the Council and return the monies was accidental or deliberate. Given the fact that this work is done to prevent overpayments, this classification between fraud and error has not been done and all payments are shown as errors.

Attempts to recover the overpayments are in progress and follow the standard payroll overpayment recovery process.

Key Statistics	
Results	Number / Value
Number of deaths detected where we were not notified	17
Overpayment detected after death	£3,652
Notional savings	£50,582

Business Rates Grant Fraud



With the onset of a global Covid-19 pandemic, the government recognised the impact on businesses across the country and introduced a series of additional business rate grants to help businesses during the crisis. Most of the grant payment schemes in operation were closed before the period covered by this report. There were, however, a few additional schemes that were paid during the period October 2021 to September 2022 details of which are given below.

The Council has continued to vet and check all applications on all new schemes. In addition, BEIS (the government's Department for Business Energy and Industrial Strategy) undertook detailed reconciliation and assurance testing on our previously administered business grants. The Council passed these tests and obtained a clean bill of health.

Data submissions have been made to His Majesty's Revenue and Customs (HMRC) under their data matching initiatives, but no feedback has yet been received on these. It is unlikely however, that the Council will have any results to report back on this activity.

Recovery actions to recover previously detected fraud and error continue in line with the BEIS guidance although it should be noted that for some, recovery avenues have been completed or are close to exhaustion. When all recovery options are exhausted, the debts are returned to BEIS for further consideration and without liability to the Council as long as all relevant guidance has been followed. Once returned to BEIS, the Council has no further involvement (unless requested to do so by BEIS or the Police).

Our key statistics below give details of the grants paid during the period covered by the report and an update of as to the recovery rates from previous reports. As the grants have now ended, no further reporting will be undertaken on these in future years and recovery actions will continue until exhausted and returned to BEIS.

Key Statistics – New Grants Paid		
Results	Number	Value
Omicron Hospitality and Leisure Grant	418	£1,472,746
Additional Restrictions Grants (Business Rates)	504	£362,797
Additional Restrictions Grants (Business Doncaster)	10	£829,408
Economic Recovery Grant	196	£862,247
Community Renewal Fund (Decarbonisation)	13	£32,758
Totals	1,141	£3,559,956
Fraud and Error Detected	2	£9,867

New frauds detected are being investigated. One of the two has already been passed to the Police for prosecution with the other still being investigated.

Key Statistics – Recovery Update 2020-2022

Results	Values
Fraud / errors detected in the previous 2 years	£634,482
Additional fraud / error detected on previously paid grants after the date of the last report	£34,628
Fraud / Error on new grants	£9,867
Total for Recovery	£678,977
Amounts Recovered during the period	£218,990
Amounts irrecoverable due to liquidation	£21,096
Amounts withdrawn (accepted by the Council as a legitimate grant after further evidence)	£65,149
Recovery Remaining	£363,875*
Grants paid in previous years	£108,202,157
Grant paid in this year	£3,559,956
Total grants paid	£111,762,113
Fraud / Error detected over full period - £678,977 = 0.6% of grants paid	
Recovery Remaining - £363,875 = 0.3% of grant paid	

* Please note these recovery statistics cover the entire Covid period and that the remaining amounts to be recovered do not represent a liability for the Council as the majority will be recovered within the Council and where we are unable to do so then the balance will be recovered from BEIS.

Counter Fraud Activity – Pursue

The Council aims to take action against any fraud or error that it detects during any of its activities.

The pursuit of individuals responsible for fraud is on 3 main levels.

- 1) Internal pursuit through the disciplinary policy;
- 2) Civil recovery of any losses; and
- 3) Criminal action where possible through the Police and Courts.



The case listed here give as much detail as possible about fraud and corruption encountered and investigated as is reasonable under the Data Protection Act. Where a case is ongoing, any information that could prejudice the case has been withheld.

Internal Audit Services has worked on the following case in the 12 months to the end of September 2022.

Business Rates Fraud (2020 Payment)

****This fraud was previously reported in the Preventing and Detecting Fraud and Error report 2020 and the results of this fraud (the monies recovered) are also reflected in the Business Rates Grants element of this report**.**

Doncaster Council and a number of other councils across the country were all hit by the same fraud totalling £25,000 per council through a fraudster purporting to be a large electrical company with branches across the country. The evidence submitted appeared credible but was in fact fraudulent. This fraud occurred in the very early set up phase of the various business rates grants and was at a time when procedures were still being set up and guidance from the Government on the processes that should be used were vague. The fraud is still being investigated and prosecuted by NATIS (an arm of the Police) and we are providing evidence and statements to them as required.

At the same time, in conjunction with Hertfordshire County Council, a civil recovery was undertaken. Hertfordshire County Council had used a financial investigator to trace their payment and identified that it was still within the bank account that the fraudster had directed it to. The monies for both Hertfordshire and Doncaster were both present and a freezing order was made to stop the monies moving further. Civil recovery action was then undertaken which resulted in recovery of the monies, some of which were passed to both Council's and HMRC.

After costs, £10,643 of the original £25,000 loss was recovered and returned to BEIS. Police action continues.

Business Rates Fraud (2021/22 Payment)

One of the two new identified frauds from this year's business rates grants has been passed to the Police. The fraud totalling £4,799.99 was from a Doncaster entrepreneur applying for a business support grant under the Economic Recovery Scheme. These monies were paid upfront to businesses wanting to expand or start after the pandemic.

Follow-ups are undertaken to check on the grant usage throughout the life of the project awarded funding. Evidence that was provided to show how the funds had been used were found to have been electronically amended and faked. The case and all evidence has been passed to the Police for prosecution and recovery (via a court order). No further updates are available at this time.

The other Business Grants Fraud from the period covered by this report is still under review / investigation.

Bank Mandate Fraud

During the year it was identified that payments totalling £13,682 due to an education early years provider had been re-directed following a bank mandate fraud. The education provider's email had been hacked and was used to send to the Council new bank details from the provider's legitimate contact address. However, the required checks were not properly undertaken on the changed details by the Council. This resulted in the details being changed to that of a fraudster and the diversion of two payments totalling £13,682.

Procedures have since been reinforced. The case, and all evidence, was passed to the Police who declined further action as no local suspect had been identified. The case was passed then to Action Fraud as requested by the Police, but no further action was taken after Action Fraud confirmed that there were no further leads that they could investigate.

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Auditor's Annual Report on Doncaster Council

2021-22

20 December 2022



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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 completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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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1. Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021-22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We considered the Council's arrangements in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness.

Overall, we have not identified any significant weaknesses and related key recommendations – this is a good outcome for the Council. We have identified two improvement recommendations to further enhance the Council's arrangements compared with five last year, which management has accepted and will implement. Our conclusions are summarised in the table below along with our findings from last year to show the direction of travel.

Criteria	Risk assessment	2020-21 Auditor Judgment	2021-22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	A No significant weaknesses in arrangements identified. Two improvement recommendations made.	A No significant weaknesses in arrangements identified but two improvement recommendations have been made.	↔
Governance	No risks of significant weakness identified	A No significant weaknesses in arrangements identified. One improvement recommendation made.	G No significant weaknesses in arrangements identified.	↑
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	A No significant weaknesses in arrangements identified. Two improvement recommendations made.	G No significant weaknesses in arrangements identified.	↑

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

The Council has a good track record of delivering a balanced financial position. The Council delivered an outturn underspend of £8.9m for 2021-22 (£6.0m underspend in the prior year, 2020-21). The outturn underspend position was a real achievement given the on-going pressures of Covid-19 which the Council was still dealing with. The underspend arose mainly as a result of changes which could not be easily projected including reduced expenditure on adults' social care as the on-going impact of Covid-19 did not increase demand as expected, reduced homecare expenditure as a result of a greater reductions in client numbers than anticipated as providers were unable to meet demand due to staffing issues, higher level of Housing Benefit Subsidy income and increased planning fees.

However, since the approval of the 2022-23 budget in March 2022, the financial outlook has worsened with inflation posing a real risk and the higher than expected pay award. The impact of rising energy, fuel and other prices is directly impacting on both the Council's revenue and capital budgets for 2022-23. The Quarter 2 Finance and Performance Improvement Report for 2022-23 presented to Cabinet on 30 November 2022, noted a forecast outturn overspend of £8.5m, mainly due to additional pay and energy costs as well as pressures within children's social care. The Council is continuing to look at ways to manage the additional costs in both 2022-23 and beyond. Whilst the Council has a good history of delivering a balanced outturn position, we will continue to monitor the Council's financial position.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Authority. However, we have made two improvement recommendations.

Further details can be seen on pages 8-14 of this report.



Governance

The Council continues to have effective Governance arrangements in place to ensure its business is conducted appropriately. Agenda items for Committee meetings are circulated in advance to allow Committee members sufficient time to review the information and make informed decisions. There is good challenge from members which we have observed at Audit Committee meetings. The Council has in place effective risk management arrangements and effective procedures for the prevention and detection of fraud and corruption including a Code of Conduct for members and officers.

Our work has not identified any significant weaknesses in the Governance arrangements at the Council.

Further details can be seen on pages 15-17 of this report.



Improving economy, efficiency and effectiveness

The Authority continues to demonstrate a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements in relation to delivering economy efficiency and effectiveness.

Further details can be seen on pages 18-22 of this report.



We have substantially completed our audit of your financial statements for 2021-22, and subject to the resolution of the national issue on infrastructure assets, expected in late December 2022, we expect to issue an unqualified audit opinion in January 2023. We have already reported the key findings from our 2021-22 accounts audit to the Audit Committee at its meeting on 27 October 2022 and summarised our findings in our Audit Findings (ISA260) Report dated 17 October 2022.

Our findings are set out in further detail on page 25.



2. Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have substantially completed our audit of your financial statements and subject to the resolution of the national issue on infrastructure assets, expected in late December 2022, we expect to issue an unqualified audit opinion in January 2023. We have reported the key findings from our 2021-22 accounts audit to the Audit Committee at its meeting on 27 October 2022. Our findings are set out in further detail on page 25.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We have not issued any statutory recommendations at the Council.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued any Public Interest Report at the Council.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We have not applied to the Court for any purpose relating to the Council.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We have not issued any advisory notices to the Council.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We have not made an application to court for a judicial review.

3. Key recommendations



The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.

Our work has not identified any significant weaknesses in arrangements and therefore we have not made any key recommendations.

The range of recommendations that external auditors can make is explained at Appendix C.



4. Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out at Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 8 to 22. Further detail on how we approached our work is included at Appendix B.

5. Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

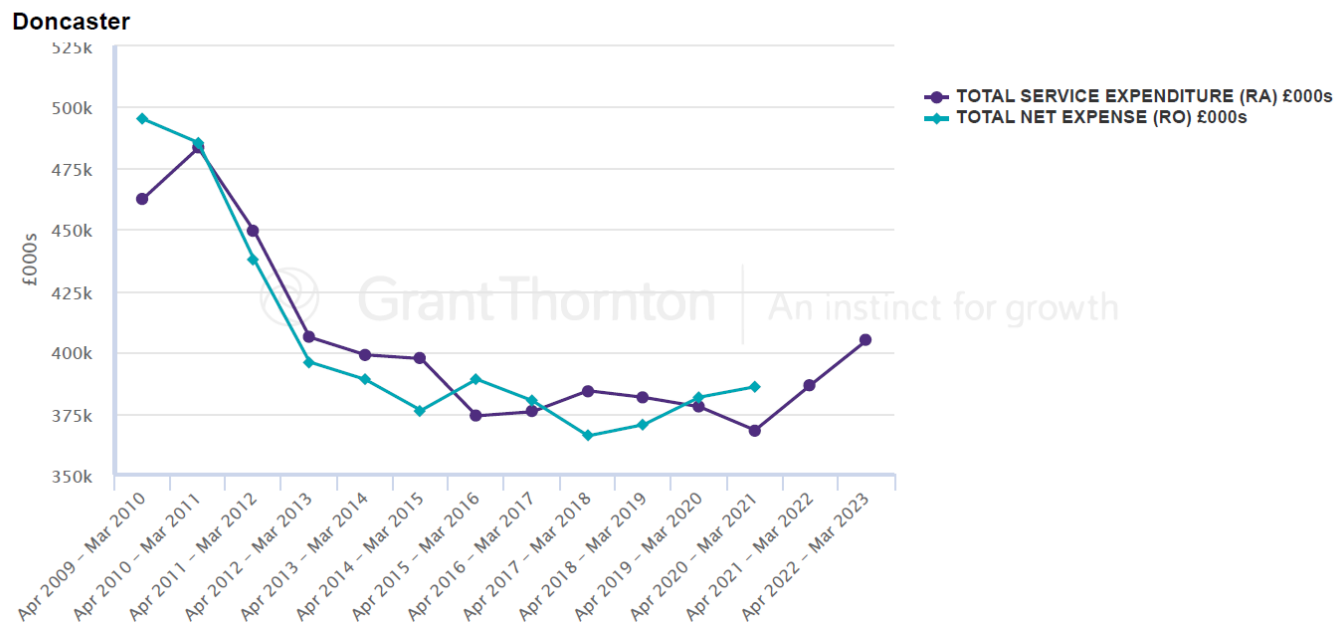
Summary of the Authority's arrangements

The Council has established processes in place which detail the responsibilities of Authority members and senior management for planning and managing the Authority's finances. These are set out in the Authority's Constitution (Part 4 - Procedure Rules). We have not identified any evidence of the Authority not complying with these processes.

Financial performance is monitored and routinely reported on a quarterly basis to Cabinet through the Finance and Performance Improvement Reports with monthly management reporting also taking place through senior management team meetings within individual Council directorates.

The reports to Cabinet set out key financial information, such as actual and forecast outturn performance against budget. These reports are sent out in advance of meetings which enables sufficient time for members to consider the content, and formulate questions for discussion and scrutiny allowing appropriate challenge to take place. The chart below sets out the Council's budget against its actual service expenditure from 2009-10 to 2022-23 (projected) and illustrates the accuracy of budget setting. It also shows the reduction in overall Council spending although budgeted spending is expected to increase slightly in 2021-22 and 2022-23.

Analysis of Budgeted Net Spend (RA) vs Actual Net Spend (RO)



Financial sustainability

The Council has in place a Medium Term Financial Strategy (MTFS) covering a three year period which it updates each year at budget setting time during March, and again during October each year, extending for a further year to ensure the MTFS remains current and includes all available information at that time. This process ensures the MTFS remains a live and up to date financial plan for the Council. The MTFS approved in March 2021 covering the period 2021-22 to 2023-24 put forward a series of proposals which forecast a balanced budget for the three years.

The Council has a strong reserves position with general fund revenue reserves of £131.7m and a further £76.0m of earmarked reserves at 31 March 2022 (excluding schools). This position is illustrated in the chart below and compares Doncaster to other metropolitan authorities. In addition to a strong reserves position, the Council also has lower levels of borrowings as a proportion of its long term assets when compared to other metropolitan authorities at 26% compared to a metropolitan average of 30% (see chart overleaf).

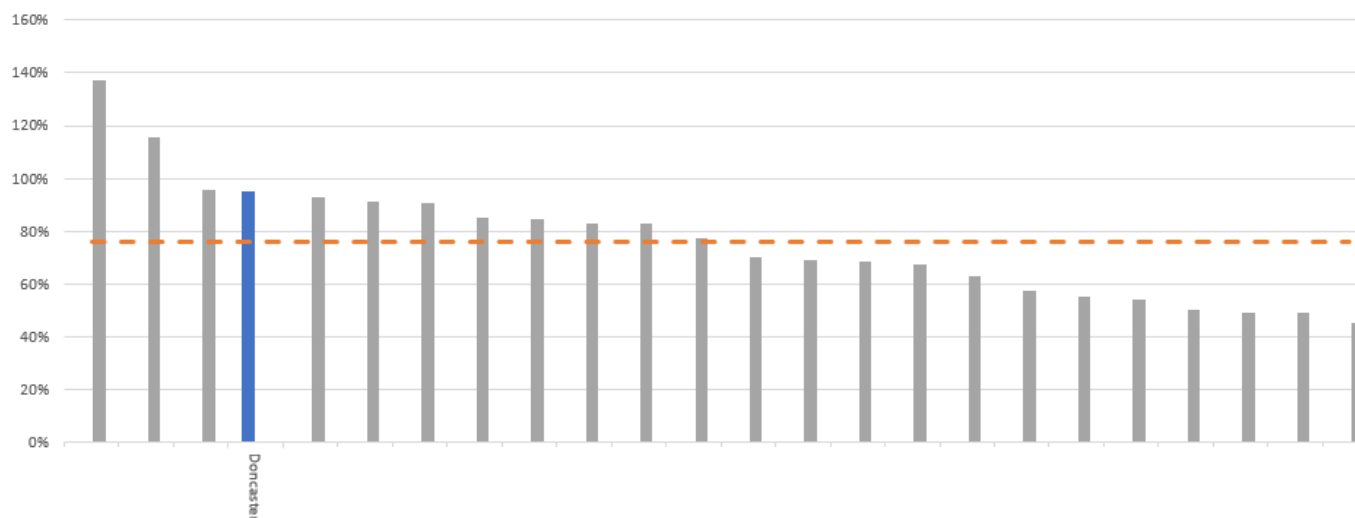
2021-22 revenue outturn

The Authority set a balanced budget for 2021-22 on 1 March 2022. The overall budget gap for the period of the MTFS, 2021-22 to 2023-24, was £18.9m, however, a breakeven position was expected in 2021-22 and each of the following two years after delivering savings of £9.7m over the three years of which £5.3m related to 2021-22, and the use of the Covid-19 reserves of £5.2m in 2021-22 with £3.8m being used in the following two years to allow services to return back to normal pre Covid-19 arrangements.

The Authority actually delivered an outturn underspend of £8.9m for 2021-22. The improved outturn position was due mainly to reduced expenditure in a number of areas which could not be easily projected, including adults' social care as the impact of Covid-19 didn't create as much demand as initially expected, reduced homecare expenditure due to greater reductions in client numbers than anticipated, higher level of Housing Benefit Subsidy income being received than anticipated and increased planning fees. Together, these resulted in an underspend outturn position of £8.9m.

General fund and non-schools earmarked reserves as a % of net service revenue expenditure

General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%)



Financial sustainability

For 2022-23, the Council has set a balanced budget with gross expenditure of £526.1m. Council Tax has increased by 4.49% (1.99% for Council Tax and a further 2.5% for Adult Social Care). To deliver this balanced budget, the Council needs to deliver savings of £12.1m during 2022-23.

The Authority has a clear understanding of its financial position and the financial gap it needs to address in the medium term.

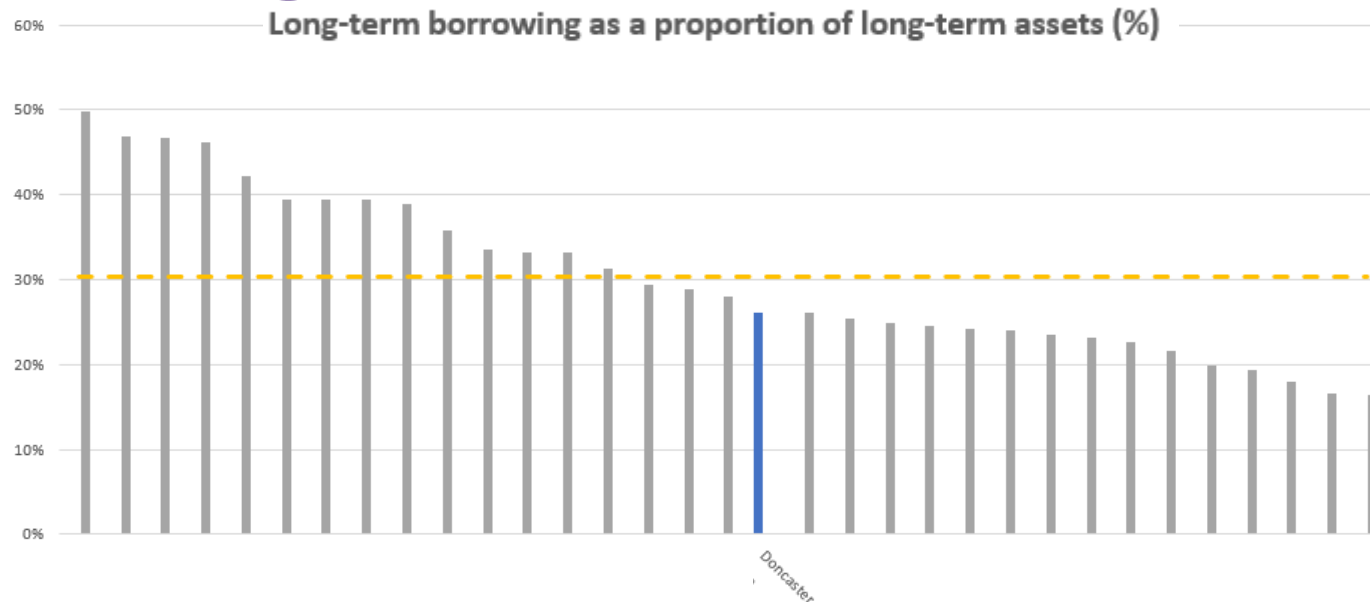
Since the approval of the budget for 2022-23, the financial outlook has worsened with inflation posing a real risk to the budget. The impact of rising energy, fuel and other prices is impacting on both the Council's revenue and capital budgets for 2022-23. The increase in the cost of living could also impact on collection rates for council tax and business rates. The Quarter 2 Finance and Performance Improvement Report for 2022-23 presented to cabinet on 30 November 2022 noted a forecast outturn overspend of £8.5m, mainly due to additional pay and energy costs as well as pressures within children's social care. The updated MTFs for 2023-24 to 2025-26 presented to Cabinet on 5 October identified a likely budget gap of £18.4m, of which £12.2m relates to 2023-24. The Council is continuing to look at ways to manage the additional costs in both 2022-23 and beyond. Whilst the Council has a good history of delivering a balanced outturn position, we will continue to monitor the Council's financial position.

The on-going impact of Covid-19 into 2021-22 has meant that savings schemes planned have not all been fully delivered and with Council Officers concentrating efforts on continuing the Covid-19 recovery to try and return to business as usual arrangements pre Covid-19. As a result, the 2021-22 Quarter 4 Finance and Performance Improvement report noted that £7.2m (£3.7m 2020-21) of savings had been delivered but there was a shortfall of £3.0m (£5m 2020-21) in delivery. Given the Council delivered an underspend of £8.9m in 2021-22, the budget for Children's Services has been rebased for the savings not delivered in year with the remainder of savings not delivered being moved into 2022-23.

Whilst the on-gong impact of Covid-19 has impacted on the Council's ability to generate planned savings as schemes have not all been able to be progressed, this has been mitigated to some extent by additional un-ringfenced funding provided by Government as well a reduction in the demand for council services including for example reduced homecare expenditure.

The Council has established financial management arrangements in place and is aware of the services it provides, both statutory and discretionary. The Council recognises that statutory services have to be delivered and so discussions around savings on these services only relate to how efficiently they can be delivered whilst still meeting required standards.

Borrowing over Assets



Financial sustainability

Overall, the Council has a history of good financial management and there is no evidence of the unsustainable use of reserves to bridge the Council's funding gap. The Authority's response to the financial challenges posed by the on-going Covid-19 Pandemic demonstrates good financial planning arrangements are in place to ensure the continuation of services.

Whilst the financial outlook has worsened since the 2022-23 budget was agreed in March 2022, the Council is continuing to look at ways to manage the additional costs in both 2022-23 and beyond. There is a need for the Council to continue to closely monitor its financial position and identify remedial actions to address the budget gap identified in 2022-23 and beyond. In particular, consideration should be given to identifying a range of potential savings schemes in advance of need that can be implemented at short notice if required. We have raised an improvement recommendation in this regard.

The Council has a good history of delivering a balanced outturn position and we will continue to meet regularly with the Chief Financial Officer and monitor the Council's financial position.

2021-22 capital outturn

The Authority spent £72.9m on capital projects during 2021-22, this compares with £68.3m in 2020-21. The slight increase is indicative of the Council trying to recover from the impact of Covid-19 during 2020-21 which limited capital spending. The key capital schemes in 2021-22 include the new Danum Gallery, Library and Museum (DGLAM) which opened in year, adaptations for the disabled, creation of school places and the school condition programme as well as improvements and maintenance of roads and vehicle fleet replacement.

The Council's capital budget report explains how the Council's budget support the transition to the well-being goals contained within the new Borough Strategy. The capital report also details the other strategies and plans influencing the budget including, for example, the Housing Strategy and the Environment and Sustainability Strategy.

The Authority has appropriate arrangements in place to monitor capital projects.

Medium term financial strategy

The Council's Medium Term Financial Strategy aligns expenditure to the Corporate Plan. The Council's Corporate Plan includes six wellbeing goals:

- Greener & Cleaner – A borough that takes every opportunity to protect and improve the local and global environment to improve wellbeing
- Prosperous & Connected – A stronger, greener and fairer economy that provides good, well paid jobs and is supported by improved transport, active travel and digital infrastructure

- Safe & Resilient - Residents feel safe and communities are more resilient to challenges and emergencies
- Healthy & Compassionate - A Compassionate Doncaster that improves the conditions and opportunities for better health and how we care for our most vulnerable residents
- Skilled & Creative - Residents have improved skills and a creative culture supports wellbeing, business success and solutions to the borough's challenges
- Fair & Inclusive - A borough with reduced inequalities and improved access for all to social and economic opportunities.

For each goal, key objectives and priorities are set out that the Council aims to deliver.

The Authority applies several key assumptions in developing its Medium Term Financial Strategy and plans. These assumptions are subject to question and challenge by Cabinet and include:

- Fees and charges to increase by 3%
- Collection rates for Council tax and business rates increasing following Covid-19 to 98.6% (from 97.5%)
- Inflation - 2% used for 2022-23 pay inflation with a further 2% for subsequent years
- Employers National Insurance increase of 1.25%
- Increase to Adult Social Care baseline funding in 2022-23 of £0.8m
- Government funding - the final local government finance settlement figures have been used for 2022-23 received on 17 December 2021.

The Authority updates its MTFS as part of the annual budget setting process during March each year, additionally, it is updated again during October to ensure all available information has been incorporated, and also extending the MTFS to the following year.

In preparing the MTFS, the Authority incorporates sensitivity analysis using best case, worst case and most likely case. This approach allows appropriate scenario modelling to take place with the Authority using the most likely projections in developing its budget. This approach also allows easy comparison of the possible range of likely outcomes which the Authority could face.

Financial sustainability

As noted earlier, since the budget was approved for 2022-23, the financial outlook has worsened with inflation posing a real risk. The impact of rising energy, fuel and other prices is impacting on both the Council's revenue and capital budgets for 2022-23. The Quarter 2 Finance and Performance Improvement Report for 2022-23 presented to cabinet on 30 November 2022 noted a forecast outturn overspend of £8.5m, mainly due to additional pay and energy costs as well as pressures within children's social care. The updated MTFs for 2023-24 to 2025-26 presented to Cabinet on 5 October identified a likely budget gap of £18.4m, of which £12.2m relates to 2023-24. The Council is continuing to look at ways to manage the additional costs in both 2022-23 and beyond.

Managing risks to financial resilience

The Authority's budget reports outline the key financial risks faced by the Council when setting the budget. All reports to Cabinet also include a risks section, which is used to highlight any specific risks for inclusion in the Council's financial plans. The Council routinely reviews its strategic risks on a quarterly basis which are reported to Cabinet in the Finance and Performance Improvement report.

We consider the Authority to be financially well managed and there is a high level of understanding of its budgetary position, budgetary pressures and the savings required to be delivered each year. There is an established process by which the budget is reviewed regularly, and issues are reported in a timely manner to members.

Clearly, given the worsening financial outlook as detailed earlier resulting from inflation, rising energy, fuel, pay and other costs there is a need for the Council to continue to closely monitor its financial position and identify remedial actions to address the budget gap identified in 2022-23 and beyond.

Dedicated Schools Grant

In our 2020-21 Auditor's Annual Report, we noted that the Dedicated Schools Grant (DSG) deficit had increased by £3.8m to £9.1m at the year end, 31 March 2021. The increase was in common with a number of other local authorities and Government regulations introduced from 2020-21 for a three year period prevented the deficit being charged to the Council's revenue account.

For 2021-22, the DSG deficit was budgeted at £5.1m. The actual 2021-22 DSG deficit was £13.6m at 31 March 2022, an adverse variance of £8.5m. There has been a deterioration in the position during the year and this projected to continue into 2022-23 and beyond.

Discussions with management indicate the Authority recognises the importance of managing the deficit and there is a significant amount of work being completed at both operational and strategic levels, including for example, operational funding requests are considered by the multi-agency Joint Resource Panel, which has a mandate to ensure all local options have been explored prior to any out of authority placements being agreed. Strategically, senior education leads in the Council also liaise with schools around the devolution of elements of the DSG to ensure that locally there are the right services in place to support children, improving outcomes and reducing costs.

The Council is also now part of the first cohort of local authorities working with external consultants and CIPFA as part of the Delivering Better Value programme with the Department for Education (DfE). The Council has almost completed Module 1, analysing the data and identifying the initial findings/priority areas for specific deep dives, including documenting the profiled spend without any direct actions. Module 2 is expected to commence in December 2022 and involve carrying out deep dives and identifying appropriate actions to generate savings and reduce future expenditure.

This work is key as the 2022-23 Quarter 2 Finance and Performance Improvement Report presented to Cabinet on 30 November 2022 indicates a worsening of the DSG deficit position with an expected deficit of £19.8m in 2022-23, and deficits in each year to 2025-26. Whilst some additional funding is expected from DfE, the Council needs to take appropriate action to eliminate the deficit and deliver a balanced position over the medium term. Officers are currently developing both a detailed short and longer term Plan working with the external consultants to address the expected DSG deficits and the actions to be taken. We understand these detailed plans will be agreed by March 2023.

To ensure the DSG deficit does not continue to increase year on year, there is a need for the Council to develop and finalise both the short and long term action plans to allow appropriate actions to be implemented promptly to address the expected DSG deficits. Once the plans are agreed, they should be routinely monitored and progress reported to members. We have raised an improvement recommendation in this regard.

Conclusion

Overall, we are satisfied the Authority has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses, however, we have made two improvement recommendations.

Improvement recommendations



Financial sustainability – Actions to deal with the budget gap

Recommendation 1 The Council should continue to closely monitor its financial position and identify remedial actions to address the budget gap identified in 2022-23 and beyond. In particular, consideration should be given to identifying a range of potential savings schemes in advance of need that can be implemented at short notice if required.

Why/impact Since the approval of the budget for 2022-23, the financial outlook has worsened with inflation posing a real risk to the budget. The impact of rising energy, fuel and other prices is impacting on both the Council's revenue and capital budgets for 2022-23. The increase in the cost of living could also impact on collection rates for council tax and business rates. As a result, there is a risk that without appropriate actions, the Council may not be able to deliver a balanced outturn position for 2022-23.

Auditor judgement Whilst the Council has a good track record of delivering a balanced budget and has a clear understanding of its costs and underlying drivers, there is a need for clear actions to manage the Council's cost base given the challenging financial pressures resulting from high levels of inflation, rising energy, fuel and other costs. As part of its savings proposals, the Council should consider a range of potential savings schemes in advance of need that can be implemented at short notice if required.

Summary findings The financial outlook has worsened since the 2022-23 budget was agreed in March 2022, the Council is continuing to look at ways to manage the additional costs in both 2022-23 and beyond. There is a need for the Council to continue to closely monitor its financial position and identify remedial actions to address the budget gap identified in 2022-23 and beyond. In particular, consideration should be given to identifying a range of potential savings schemes in advance of need that can be implemented at short notice if required.

Management Comments The Council will continue to closely monitor its financial position as set out in this report and is taking urgent management action to address the 2022-23 forecast overspend position. Essential spend controls have now been implemented and other mitigations continue to be explored. As part of the budget setting process for 2023-24 onwards, savings options are being developed to meet the budget gap, in preparation for Council approval. The aim is to identify and approve greater savings options, in excess of the budget gap, so there is contingency built in the budget.



Improvement recommendations



Financial sustainability – Actions to deal with the DSG deficit

Recommendation 2 The Council should develop and finalise both the short and long term DSG action plans to allow appropriate actions to be implemented to address the expected DSG deficits in 2022-23 to 2025-26. Regular engagement should continue with DfE and other relevant stakeholders to work towards a sustainable financial position on DSG before the current Government regulations end in 2024 and the DSG deficit at that point could become a draw on the Council's useable reserves. Once the plans are agreed, they should be routinely monitored and progress reported to Members on a regular basis.

Why/impact

For 2021-22, the DSG deficit was budgeted at £5.1m. The actual 2021-22 DSG deficit was £13.6m at 31 March 2022. There has been a further worsening of the DSG deficit position with an expected deficit of £19.8m in 2022-23, and deficits continuing in each year to 2025-26. Whilst some additional funding is expected from DfE, the Council needs to take appropriate actions to eliminate the deficit and deliver a balanced position over the medium term. Officers are currently developing both a detailed short and longer term Plan working with external consultants to address the expected DSG deficits and the actions to be taken. Without clear action plans in place, the Council is unlikely to be able to manage the DSG deficit position and take appropriate steps to eliminate the deficit over the medium term.

Auditor judgement

The DSG deficit is continuing to increase year on year. There is a need for the Council to formulate appropriate plans to manage and eliminate the DSG deficit over the medium term. Without this there remains a risk that the deficit could continue to increase and adversely effect the Council's financial position once Government regulations allowing the deficit to be excluded from the Council's balances expires on 1 April 2023.

Summary findings

There has been a further worsening of the DSG deficit position with an expected deficit of £19.8m in 2022-23, and deficits in each year to 2025-26. The Council needs to take appropriate actions to eliminate the deficit and deliver a balanced position over the medium term. Officers are currently developing both a detailed short and longer term Plan. The Council should develop and finalise both plans as soon as possible, implement the plans and ensure routine monitoring with progress reported to members.

Management Comments

In partnership with Newtons/CIPFA as part of the Delivering Better Value SEND Programme, the Council is developing short and longer-term action plans, detailing mitigations to address both the in-year DSG deficit and cumulative balance. This will also include submitting a grant bid for approval by the DfE to progress the short-term action plan developed. The agreed action plans will be closely monitored and routinely reported to senior management and members. The local government finance policy statement has confirmed that the statutory override for the DSG will continue for the next 3 years from 2023-24 to 2025-26. The autumn statement detailed an additional £400m for the high needs block, of which Doncaster is expecting to receive an additional £2,160,153 high needs grant in 2023-24 (indicative figures). In response to the SEND and Alternative Provision Green Paper consultation, the government has also committed to publishing its SEND and AP Improvement Plan early next year, which will set the direction needed to create a financially sustainable high needs system.



The range of recommendations that external auditors can make is explained at Appendix C

6. Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Policies, procedures and controls

As a public organisation, the Council aims to maintain the highest standards of conduct and integrity. The Council expects the highest standards of corporate behaviour and responsibility from all Council members and all staff. The Council has in place a wide range of policies and procedures designed to ensure compliance with legislative and regulatory standards, including for example codes of conduct for members and staff and HR policies and procedures.

The Council has an established anti-fraud culture through its anti-fraud bribery and corruption framework, the counter fraud strategy and its whistleblowing policy. The Council also has in place clear codes of conduct for both members and officers along with registers for gifts and hospitality and a register of interests.

Leadership and committee effectiveness

The Council has in place an elected Mayor and Cabinet form of executive. The Mayor leads and oversees the Council's priorities, working with colleagues from across Team Doncaster (the Local Strategic Partnership) and councillors from across the borough. In addition, overview and scrutiny committee arrangements are in place which hold the Cabinet to account.

The work of the Council's committees is governed by the constitution. The constitution is regularly reviewed and updated and is available to all staff and members in addition to the public on the Council's website. The Audit Committee is the Committee which undertakes the role of Those Charged with Governance (TCWG) and demonstrates appropriate challenge of financial and non-financial information. The Committee contains an appropriate mix of elected members with financial and non-financial experience in addition to an independent member. We have observed and experienced the appropriate debate and challenge they provide at each Audit Committee meeting

Cabinet meetings are normally held fortnightly and the Council meets every two months with agendas and minutes published on the Council's website. Papers are provided in advance of meetings to allow decision makers the opportunity to read and reflect in advance. Every month, the Council publishes the Forward Plan which sets out details of all key decisions expected to be taken during the next four months. This ensures members are aware in advance of the key decisions to be taken on a rolling basis and enables the Council's Overview and Scrutiny Committee to formulate their work plan.

Monitoring and assessing risk

The Council has in place a risk management framework which includes a Risk Management Policy which sets out the Council's approach to embedding risk management arrangements within the Council. The Policy is supported by a Risk Management Process Guide and Tool Kit which provides a step by step guide to supporting effective risk management. The Council uses a 5x5 matrix (likelihood x impact) to identify and RAG rate its strategic risks.

All risks identified are recorded in risk registers which are contained within the Council's performance management system, 'Pentana'. All Strategic risks are reported to Cabinet on a quarterly basis as part of the Finance and Performance Improvement Report, this includes an update on each risk, how they have been profiled for the quarter, with any changes to the risk assessment being shown.

Governance

The Authority consider risks as part of their routine decision making role and the impact on corporate policies, including the annual budget setting process. The risk management approach is well understood across all levels of management at the Authority.

There is an appropriate internal audit function operating at the Authority and we have noted no issues with the standard of work being carried out by Internal Audit. Each year, Internal Audit agree an internal audit plan, the audit plan is agreed by the Chief Financial Officer and then presented to the Audit Committee for approval. Changes are made to the plan throughout the year to recognise any new risks that arise. Progress is reported on the internal audit plan on a regular basis to the Audit Committee. The Committee use the work and findings of internal audit to consider the operation of key controls during the year which is used to draft the annual governance statement.

The Internal Audit function operates to the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) and is subject to external quality assessment every five years. Internal audit was assessed last year as meeting the necessary standards. Internal Audit also issue each year, an Annual Report of the Head of Internal Audit, which sets out the sufficiency of work done to be able to provide an annual opinion of the risk, governance and control arrangements in place at the Council. This report gave a positive opinion over these arrangements for 2021-22.

Budgetary Setting Process

The Authority has an established budget-setting process in place for agreeing its budget each year. The budget-setting process is thorough, with several stages. The budget is considered and approved by full Council in March. Routine monitoring of the budget takes place through the Finance and Performance Improvement Reports which are presented to Cabinet on a quarterly basis.

The budget and Medium Term Financial Strategy (MTFS) are considered and approved at the same time during March. The Council's MTFS is incorporated into the budget report and considers a three year time horizon. To ensure the MTFS remains up to date and includes all available information, it is updated during October each year and a further year added which forms the basis of budget setting and the MTFS for the following year.

Routine reporting including of longer-term projections and any risks to the medium term are incorporated into the quarterly Finance and Performance Improvement Reports considered by Cabinet.

The level of routine review by Cabinet together with the Council's track record of delivering a balanced (or underspend) outturn position confirm that budget setting and monitoring processes are in place.

Since the approval of the budget for 2022-23, the financial outlook has worsened with inflation posing a real risk to the budget. The impact of rising pay, energy, fuel and other prices is impacting on both the Council's revenue and capital budgets for 2022-23. As a result, it remains important more than ever that the Council's established procedures continue to operate to allow appropriate action and review of the proposals to address the in-year financial pressures with regular reporting to members to deliver a balanced outturn position for 2022-23 (see the Financial Sustainability Section for further detail).

Budgetary control

All cost centres within the Council are linked to a budget holder and a finance officer to support each budget holder. Each cost centre has a risk assessment in place (low/medium/high) which determines the extent to which the finance officer is involved in reviewing projections and the support provided. High risk cost centres are reviewed monthly with greater interaction with budget holders than medium and low risk cost centres.

Budget holders access financial information using the Collaborative Planning (CP) module of the Council's resource planning system. The CP module is updated each month with actuals and revisions to budgets and is used to capture projections from budget holders. The focus of monitoring is always the projected outturn position, which is informed by the actual spend to date. Monthly reports are routinely considered by budget holders and taken to directors meetings. Quarterly reports are considered by directors and also reported to the Cabinet in the Finance and Performance Improvement Reports.

Processes are in place for in-year budget virement if required in accordance with the Council's Financial Procedure Rules.

Monitoring and ensuring appropriate standards

The annual governance statement is compliant with the CIPFA code. The Authority has adopted the CIPFA/SOLACE framework Delivering Good Governance in Local Government. An appropriate level of care is taken to ensure the Authority's policies and procedures comply with all relevant codes and legislative frameworks.

Ofsted Inspection

Last year, we delayed issuing this Auditor's Annual Report until the publication of the Ofsted inspection Report into Doncaster Council's Children's Services which was formally published on 8 April 2022. The Ofsted inspection reviewed three areas:

- The impact of leaders on social work practice with children and families
- The experiences and progress of children who need help and protection
- The experiences and progress of children in care and care leavers.

Governance

Apart from the first area reviewed (the impact of leaders on social work practice with children and families) which was rated 'Inadequate', Ofsted rated the other two areas as 'Requires improvement to be good'. Ofsted's overall judgement on the overall effectiveness of Doncaster Council's children's services was 'Requires improvement to be good'.

Since the report was issued in April 2022, the Council has been developing a post Ofsted Improvement Plan to address the issues raised which is currently being finalised. The Council considers the improvement journey to be gradual over a 3 year period with the first year's activity to improve to a level of 'Good'. The Authority is keen to improve its children's services with improvement after the first year continuing over the next two years to further develop children's services beyond 'Good'.

Discussions with the Chief Financial Officer indicate improvement activity continues to be delivered at pace with some 80 per cent of the Quality Improvement Plan (QIP) completed by 30 November 2022. The Practice Improvement Board have commissioned the QIP to be refreshed and a Phase 2 plan to be developed by the end of February 2023. The focus of Phase 2 will be the improvement in the quality of practice to outstanding.

We will continue to monitor the Council's progress as part of our 2022-23 value for money programme of work.

Conclusion

Overall, the Council has effective governance arrangements in place and we found no evidence of significant weaknesses in the Authority's arrangements for ensuring that it makes informed decisions and properly manages its risks.



7. Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance Management

The Council has an established Performance Management Framework in place. Performance is reported through the quarterly Finance and Performance Improvement Reports and are structured around the Council's Corporate Plan priorities and presented to Cabinet.

The quarterly Finance and Performance Improvement Report content includes a range of key performance indicators which are included in the narrative showing both improvement in performance but also where improvement is needed and the actions being taken.

Following on from our recommendation last year, the Council has now further developed performance reporting by including performance indicators in tabular form for all the Council's key performance indicators, highlighting current period performance, comparison with the prior period, providing a RAG rating as well as comparison with the Council's targets.

Members play a regular role in performance management by reviewing the quarterly reports and providing challenge to officers. Cabinet portfolio holders also have regular meetings with Directors to review and consider performance.

The review and follow up of both internal and external audit recommendations is appropriate, with the Audit Committee reviewing progress and providing regular updates to the Cabinet on progress in implementing recommendations.

The on-going impact of Covid-19 has impacted on the Council's ability to undertake routine benchmarking to the same extent as in previous years pre-pandemic as a result of staff being diverted to focus on work to recover from the impact of Covid-19. However, the Council still routinely undertakes a range of benchmarking exercises each year. For example, benchmarking of Children's Social Care expenditure is regularly produced to identify areas for improvement. The latest benchmarking information was considered at the Finance and Care Ladder (FCL) meeting and included national and regional information.

Benchmarking information is also produced for Trading Services, in particular, the cleaning service to review costs and service levels. Benchmarking has also been used for Adults Social Care fees and the Council uses the CIPFA financial resilience index too to support comparison of performance and costs.

Benchmarking the Council's Unit Costs

As part of our audit work, we have benchmarked the Council's total net expenditure by service on a unit basis with all other metropolitan district councils. This analysis is provided overleaf and shows that the Council has a very low total overall unit cost when compared to other metropolitan borough councils. However, there are three areas where unit costs are higher than other metropolitan authorities, housing services, central services and other services.

Improving economy, efficiency and effectiveness

Doncaster		2022/2023 (£000s)	Unit	Unit Cost (£)	Unit Cost Score
	TOTAL EDUCATION SERVICES (RA) £/aged 0-18	117,445.00	70,600.00	1,663.53	Very Low
	TOTAL HIGHWAYS ROADS AND TRANSPORT SERVICES (RA) £/head	9,111.00	312,785.00	29.13	Average
	TOTAL CHILDRENS SOCIAL CARE (RA) £/aged 0-17	77,514.00	67,362.00	1,150.71	Average
	TOTAL ADULT SOCIAL CARE (RA) £/aged 18+	99,235.00	245,423.00	404.34	Very Low
	TOTAL CULTURAL AND RELATED SERVICES (RA) £/head	14,127.00	312,785.00	45.17	Average
	TOTAL PLANNING AND DEVELOPMENT SERVICES (RA) £/head	5,187.00	312,785.00	16.58	Average
	TOTAL HOUSING SERVICES (GFRA only) (RA) £/head	7,334.00	312,785.00	23.45	High
	TOTAL ENVIRONMENTAL AND REGULATORY SERVICES (RA) £/head	23,767.00	312,785.00	75.99	Low
	TOTAL CENTRAL SERVICES (RA) £/head	15,331.00	312,785.00	49.01	High
	TOTAL PUBLIC HEALTH (RA) £/head	26,514.00	312,785.00	84.77	Average
	TOTAL OTHER SERVICES (RA) £/head	9,176.00	312,785.00	29.34	High
	TOTAL SERVICE EXPENDITURE (RA) £/head	404,741.00	312,785.00	1,293.99	Very Low

We understand the higher costs in relation to housing services relate to the large increase in homelessness spending and the significant investment the Council is making in additional staffing for prevention activities in 2022-23. Central services are higher because of the budget growth in apprentices and locally funded council tax discounts as well as care leavers and the Local Assistance Scheme. The other service areas have expected higher costs principally due to budget contingencies for the 2022-23 pay award, service improvements and additional budget for people at the heart of care.

The Council has in place a number of regional networks which help it learn from other local government organisations in a number of areas to improve its performance including:

- Local Resilience Forum (LRF) Network which has been especially helpful during the on-going Covid-19 pandemic and the actions taken by other organisations
- Regional Policy forums to discuss topical issues for example managing flood risks and actions to be taken
- Yorkshire and Humber Leaders network on developments and good practice
- South Yorkshire Mayoral Combined Authority forum on development issues for all South Yorkshire authorities
- LGA Peer review. The review took place earlier in the year and covered a range of areas including local priorities and outcomes, organisational and place leadership, governance and culture, financial planning and management, and capacity for improvement. The report following the Corporate Peer Challenge was published in June 2022 and was very positive on the Council's arrangements. The summary overall messages included that 'Doncaster is on a journey of continuous improvement with many good features, and if continued will be an exemplar council'.

Improving economy, efficiency and effectiveness

Partnership working

The Council has strong partnership working arrangements in place. Team Doncaster is the name behind Doncaster's Local Strategic Partnership. It brings together organisations and individuals from the public, private, voluntary and community sectors to take shared ownership and responsibility for Doncaster's vision, leadership and direction.

After extensive consultation, the Council's new 10 year Borough Strategy, Doncaster Delivering Together was launched in September 2021 and took over from the previous Doncaster Growing Together Plan (2017-2021). Doncaster Delivering Together retains the ambitions of Doncaster Growing Together, but adds to them in response to major new challenges and opportunities. Team Doncaster worked with the local community, local businesses and schools to develop the priorities that provided key actions to help drive the borough strategy. Doncaster Delivering Together has six Wellbeing Goals:

- Greener and cleaner
- Fair and inclusive
- Prosperous and connected
- Safe and resilient
- Healthy and compassionate
- Skilled and creative.

Following the launch of the new borough strategy (Doncaster Delivering Together) and as part of the post pandemic recovery the Team Doncaster Partnership underwent a operating model review. The new Team Doncaster operating model consist of:

- Team Doncaster Executive (Chaired by the Mayor of Doncaster) – Providing strategic overview of resilience and emergency planning
- Team Doncaster Co-ordinating Group (Chaired by the Chief Executive of Doncaster Council) – managing threats and risks to delivery, taking escalations from delivery groups. This group also oversees progress for the partnership in Economy, Housing Delivery, Environment and Poverty
- Horizon, Policy & Design Group (Jointly chaired by Chief Executive of AGE UK Doncaster and Assistant Director of Policy Insight and Change Team) – to generate early policy development and provide a broader engagement forum for all partners
- Delivery Groups – Driving and supporting the partnership delivery of the new Borough Strategy.

As part of the operating model, all delivery groups are responsible for providing a 'Summary Agreement' which sets out the focus of each delivery group, including key activities, performance indicators, outcomes and any risks to delivery. All delivery groups will also provide an assurance statement at the end of 2022-23 for the first time setting out progress made during the year.



Improving economy, efficiency and effectiveness

Procurement

The Council has in place a dedicated procurement team to ensure all procurements are in accordance with the Council's contract procedure rules. As part of the procurement process, the Council aims to ensure all providers are treated fairly and equally and all procurement takes place in an open and transparent manner. The Council has in place clear methodologies for procurement with larger individual procurement exercises being overseen by the Strategic Procurement Team.

The Council's procurement is, in the main, undertaken on the YOR tender portal (for values over £25,000). YOR tender is the tender management system used by 28 councils across the Yorkshire and Humber region.

The Council has in place a Social Value Procurement Policy which sets out the Council's vision and approach to the delivery of social value through its commissioning and procurement activities under the Public Services (Social Value) Act 2012.

We noted in our Auditor's Annual Report last year that the Council did not have in place a formally approved procurement strategy which sets out the Council's objectives and approach to procurement. At that time, a procurement strategy had been drafted but was being further developed.

We understand the procurement strategy has now been updated and is to be issued as a finalised strategy shortly.

We consider such a strategy is important in consolidating the Council's existing approach to procurement and providing clarity in the procurement process and should be issued as soon as possible.

Climate Change

In our Audit Plan for 2021-22, we noted the Council had declared a climate and biodiversity emergency in 2019 and we would consider the action being taken by the Council as part of our 2021-22 VFM work programme. The Council with Team Doncaster, the Local Strategic Partnership developed an Environment and Sustainability Strategy 2020-2030 in response to the climate change and biodiversity emergency declaration made by the Council in 2019.

The Strategy was developed after considering the latest research, data, opinion and insight gathered from residents, elected representatives, and a range of partner organisations, including the findings of the Doncaster Climate and Biodiversity Commission (with its final report published in December 2020).

The Council's ambition is to become carbon neutral by 2040, this equates to a 13 to 14 per cent year-on-year reduction of emissions and an 85 per cent reduction by 2030 (compared to baseline levels in 2005). The Council also wants to increase the proportion of land given over to woodland, wood pasture, wildflower grassland to support greater biodiversity.

The Environment and Sustainability Strategy sets out 17 priority areas for focus with a series of key aims and actions within four key areas as follows:

- **Natural Environment** - protecting and enhancing woodland, green spaces, planting more trees, protecting biodiversity and water quality
- **Built Environment** - improve energy efficiency of homes and other buildings, generate more sustainable energy and improve air quality by reducing transport emissions
- **Economy** - exploit opportunities in green technology, encourage businesses to improve energy efficiency and encourage local farming to supply locally

- **Sustainable Consumption and Behaviour Change** – reduce food waste, encourage re-use and repair of goods, encourage behavioural change to contribute to environmental improvements.

Progress on actions and outcomes is reported to the Environment and Sustainability Group on a quarterly basis attended by members of Team Doncaster. All Council cover reports also now have a standard section on the impact of climate change to be considered by officers and members.

We understand that the latest '2 yearly' CO2 data was published by the Department for Business, Energy and Industrial Strategy (BEIS) earlier this summer, providing a 2020 outturn for emissions. The savings achieved between 2005 and 2020 equate to 34 per cent.

Our review of the Council's climate change arrangements has not identified any risks of significant weakness.



Improving economy, efficiency and effectiveness

Other developments

Doncaster Children's Services Trust, an arm's length management organisation (ALMO) which had been operational since 2013 formally transferred back all Children's services to Doncaster MBC on 1 September 2022. This follows the lifting by Central Government of all directions in respect of the delivery of children's social care in January 2021. Discussions with management indicate bringing Children's services back into the Council will allow the integration and realignment of services and greater efficiencies allowing more spending on front line service delivery.

Doncaster Sheffield Airport closed to flights on 5 November 2022 despite intense efforts by the Council to secure its future. The Council is continuing to work with all stakeholders to consider options to allow the Airport to continue to operate.

Doncaster Metropolitan Borough Council was granted city status as part of the Queen's Platinum Jubilee earlier this year. City status has been granted from 1 January 2023 and Doncaster will now be known as the City of Doncaster.

Conclusion

Overall, we are satisfied the Authority has appropriate arrangements in place for ensuring economy, efficiency and effectiveness in its use of resources. We have not identified any risks of serious weaknesses.



8. Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
1	The Council should clearly identify statutory and discretionary spending in budgetary information which is provided to members and the public when setting the budget each year.	Improvement	April 2022	<p>The Council did not consider this recommendation was appropriate at the time given its balanced budget and MTFFS position. However, it agreed that if it was unable to balance its future budgets, an assessment of the statutory and discretionary spending would be undertaken.</p> <p>Since the approval of the budget for 2022-23, the financial outlook has worsened with inflation posing a real risk to the budget. The 2022-23 forecast outturn is now an overspend of £5.5m. In addition, an estimated budget gap has been identified for 2023-24 to 2025-26 of £18.4m, of which £12.2m relates to 2023-24. Discussions have been on-going within the Council since September with Senior Management on the budget position. These discussions include significant work on savings options, considering all services and fully highlighting any implications covering both statutory and non-statutory services. The Council has targeted some non-statutory services for savings options including for example community libraries.</p>	Partially (Amber)	Budget reports and the MTFFS should clearly set out the approach taken to material savings for statutory and discretionary services.
2	The Council should routinely monitor the Dedicated Schools Grant (DSG) budget and implementation of the DSG deficit plan to ensure expected planned cost reductions and savings are delivered, and where slippage arises, remedial action is taken. Routine reporting should take place to members.	Improvement	April 2022	<p>The DSG financial position is routinely reported as part of the Quarterly Finance and Performance Improvement Reports. However, the DSG budget continues to face significant pressures. The 2021-22 DSG budget deficit was £5.1m but the outturn position was a deficit of £13.6m. There has also been a further worsening of the DSG deficit position with an expected deficit of £19.8m in 2022-23, and deficits in each year to 2025-26.</p> <p>The Council is part of the first cohort of local authorities working with external consultants / CIPFA as part of the Delivering Better Value programme. This is aiming to develop a clear short and long term action plan to address the cost drivers and the deficit position. Given the significant deterioration in the current and future projected DSG deficit position at the Council, we have raised a separate recommendation in our Auditor's Annual Report this year.</p>	Partially (Amber)	Given the deterioration in the DSG deficit position at the Council, we have raised a separate recommendation in our Auditor's Annual Report this year (see Page 14 for further detail).

Key:

- Actioned (Green)
- Partially Actioned (Amber)
- Not Actioned (Red)

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
3	The Council should formulate an action plan to address the issues identified in the Ofsted inspection of the Council's Children's Services. The action plan should include clear target dates and be formally reported to Ofsted and members, and monitored routinely by senior management with regular progress reports presented to the Cabinet.	Improvement	April 2022	<p>The Council has been developing a post Ofsted Improvement Plan since receiving the Ofsted report in April 2022 to address the issues raised which is currently being finalised. The Council considers the improvement journey to be gradual over a 3 year period with the first year's activity to improve to a level of 'Good'. Progress is reported and monitored by the Improvement Board which meets monthly.</p> <p>Discussions with the Chief Financial Officer indicate improvement activity continues to be delivered at pace with some 80 per cent of the Quality Improvement Plan (QIP) completed by 30 November 2022. The Practice Improvement Board have commissioned the QIP to be refreshed and a Phase 2 plan to be developed by the end of February 2023. The focus of Phase 2 will be the improvement in the quality of practice to outstanding.</p>	Partially (Amber)	We will continue to monitor the Council's progress as part of our 2022-23 value for money programme of work.
4	The Authority should further develop the Council's performance reporting by including performance indicators in tabular form showing the complete set of the Council's key performance indicators by service area and their current period performance, comparison from the prior period, RAG rating movement and comparison with the Council's stated targets.	Improvement	April 2022	This is now in place and reported within the Council's Quarterly Finance and Performance Improvement Reports.	Actioned (Green)	None.
	The Authority should finalise the procurement strategy which is currently being developed. This should set out the Council's objectives and approach to procurement.	Improvement	April 2022	The procurement strategy has been reviewed and updated and is currently being finalised before issue. We understand from the Chief Financial Officer that the procurement strategy will be finalised and issued prior to the Audit Committee meeting on 26 January 2023.	Partially (Amber)	Finalise and issue the procurement strategy promptly.

8. Opinion on the financial statements



Audit opinion on the financial statements

We have substantially completed our audit of your financial statements for 2021-22, and subject to the resolution of the national issue on infrastructure assets, expected in late December 2022, we expect to issue an unqualified audit opinion in January 2023.

Audit Findings Report

We have reported the key findings from our 2021-22 accounts audit to the Audit Committee at its meeting on 27 October 2022 and summarised our findings in our Audit Findings (ISA260) Report dated 17 October 2022.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We note that guidance for this work has not yet been issued and therefore this work has not yet commenced. The NAO requires the work to be completed once the audit opinion is provided on the financial statements and has not yet released data collection instructions.

Preparation of the accounts

The Authority provided the draft 2021-22 financial statements in line with the national deadline and provided a good set of working papers to support these. Officers were available throughout the audit process to answer questions and provide additional information. This allowed for a smooth and efficient audit process to take place.

Issues arising from the accounts:

Our audit work did not identify any adjustments to the Authority's Comprehensive Income and Expenditure Statement or the Authority's level of useable reserves. We raised one matter for management in relation to the Council's asset register.

In reviewing the Council's asset register for vehicles, plant and equipment, we noted a large number of assets which had been fully depreciated showing a Net Book Value (NBV) of zero, but still remaining in the asset register. Following discussions with management, we became aware that these assets were no longer held by the Council as they had been fully depreciated and disposed of, and should have been removed.

In total, there were 320 assets with a gross book value of £11.2m. Management removed these assets from the asset register and updated Note 12 to the financial statements. We recommended the Council ensures that when assets reach the end of their useful life, they are removed from the asset register, or provided with an extended useful life and updated valuation if the asset still remains in use.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

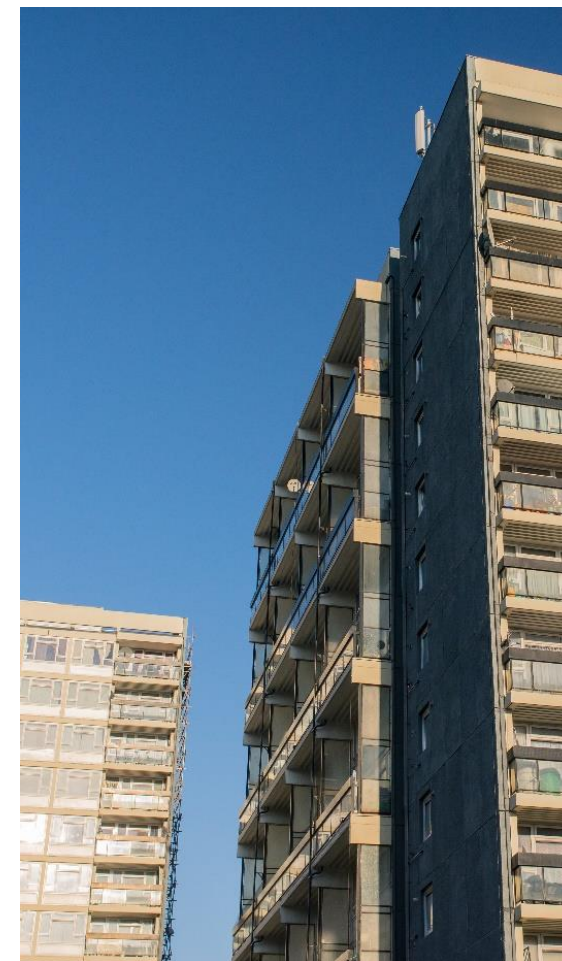
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure 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.



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. No such risks were identified during our planning work or in undertaking our review of the Council's arrangements.

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No Statutory recommendations have been raised in 2021-22.	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No key recommendations have been raised in 2021-22.	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Two improvement recommendations have been raised on financial sustainability.	13 and 14

Appendix D – Key sources of evidence

In undertaking our work, we have considered a range of key sources of evidence and obtained information from or met with various Council Officers including the following.



Staff involved

- Damian Allen, Chief Executive
- Debbie Hogg, Director of Corporate Resources
- Faye Tyas, Chief Financial Officer
- Scott Fawcus, Monitoring Officer
- Pete Jackson, Chief Internal Auditor
- Robert Isaac, Senior Finance Manager
- Robert Smith, Capital Accountant
- Matthew Smith, Deputy Chief Financial Officer
- Holly Wilson, Head of Procurement
- Hayley Lloyd, Strategy and Performance Manager
- Sennette Wroot, Senior Policy, Insight and Change Manager
- Jill Parker - Assistant Director of HR, Communications and Executive Office



Documents Reviewed

- 2021-22 Statement of Accounts
- 2021-22 Quarter 4 Finance and Performance Improvement Report
- 2021-22 Budget - March 2021
- Medium Term Financial Strategy 2022-23 to 2024-25
- 2022-23 Budget - March 2022
- 2022-23 Quarter 1 Finance and Performance Improvement Report
- 2022-23 Quarter 2 Finance and Performance Improvement Report
- Medium Term Financial Strategy 2023-24 to 2025-26
- DSG Revenue Plan
- Cashflow Forecast - 2021-22
- Budget Savings Proposals 2021-22 to 2023-24
- Savings Tracker 2021-22
- Doncaster Delivering Together 2020-2030
- Capital Strategy and Capital Budget 2021-22 to 2024-25
- Doncaster Delivering Together (Borough Strategy)
- Doncaster Council Corporate Plan
- Doncaster MBC Workforce Strategy 2022- 2025
- Treasury Management Strategy Statement 2019-20 - 2022-23
- Peer Review Findings Report



Documents Reviewed continued

- Ofsted Report April 2022
- Contract Procedure rules
- Social Value Procurement Policy Revised July 2021
- Draft Procurement strategy
- Waivers to contract procedure rules
- Capital and Major Project Board papers
- CAMP Master Pipeline of Projects
- Children's social care benchmarking
- Benchmarking review data - Children's services - June 2021
- Overview and Scrutiny Committee - Performance Challenge Doncaster Children's Services Trust - September 2021



Meetings Observed

- Audit Committee – attendance at all Audit Committee meetings during 2020
- Audit Committee – attendance at all Audit Committee meetings during 2021
- Audit Committee – attendance at all Audit Committee meetings during 2022 to date

Appendix E – Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report

AGS – Annual Governance Statement

MBC – Metropolitan Borough Council

MTFS – Medium Term Financial Strategy

NAO – National Audit Office

RA – Revenue Actual

RO – Revenue Outturn

DSG – Dedicated Schools Grant

TCWG - Those Charged with Governance

CP - Collaborative Planning

CIPFA – Chartered Institute of Public Finance and Accountancy

SOLACE - The Society of Local Authority Chief Executives and Senior Managers

OFSTED – Office For Standards in Education



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City of Doncaster Council

Report

Date: 26th January, 2023

To the Chair and Members of the
AUDIT COMMITTEE

APPOINTMENT OF EXTERNAL AUDITORS

EXECUTIVE SUMMARY

1. This report summarises the arrangements for appointing External Auditors and makes recommendations for the future appointment of external auditors by the Council.
2. Regulations relating to external audit appointments require that any decision to opt-in to a sector-led procurement option has to be made by the full Council.

EXEMPT REPORT

3. Not applicable.

RECOMMENDATIONS

4. The Audit Committee is asked: -
 - a. to note the outcome of the Public Sector Audit Appointments Ltd exercise to procure audit services for opted-in bodies from 2023/24 onwards that Grant Thornton are reappointed as External Auditor for Doncaster Council.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

5. The external auditor provides independent assurance to the citizens of Doncaster as to whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and an audit opinion on the financial statements.

BACKGROUND

6. The Local Audit and Accountability Act 2014 abolished the Audit Commission and established transitional arrangements for the appointment of external auditors for all local government and NHS bodies in England.

7. The Council's current external auditor is Grant Thornton, this appointment having been made under a contract managed by Public Sector Audit Appointments Limited (PSAA). The Council's external audit fee for 2022/23 is £282,810.
8. The scope of the audit will continue to be specified nationally. The National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out councils' audits must follow.

OPTIONS CONSIDERED

9. This committee considered the arrangements to appoint external auditors at its meeting on 28th October, 2021 and recommended to full Council that the Council opted in to the national procurement arrangement run by PSAA, covering the audits of the Council's 2023/24 to 2027/28 accounts.
10. Full Council made the decision to opt-in to the PSAA procurement process at its meeting on 20th January, 2022.

REASONS FOR RECOMMENDED OPTION








11. PSAA is responsible for appointing an auditor to eligible bodies that have chosen to opt into their national auditor appointment arrangements. Under regulation 13 of the Appointing Persons Regulations PSAA must appoint an external auditor to each opted-in body having consulted on their proposal.
12. On 3rd October, 2022 PSAA wrote to inform the Council of the outcome of their procurement to let audit contracts from 2023/24; Grant Thornton was successful in winning a contract in the procurement and were reappointed as the auditor of Doncaster Council for five years from 2023/24.
13. In developing appointment proposals PSAA have considered information provided to them by both opted-in bodies and audit firms, and have had regard to and sought to balance a range of factors including: -
 - a. auditor independence, the most critical of all the factors;
 - b. joint/shared working arrangements and information from bodies, where PSAA have prioritised those requests that are most relevant to the auditor's responsibilities;
 - c. PSAA commitments to the firms under the audit contracts;
 - d. bodies' main offices and firms' geographical preferences;
 - e. the status of prior years' audits; and
 - f. continuity of auditor where appropriate.
14. The final list of firms that can sign off accounts has been confirmed by PSAA. There was also a warning that work to improve the quality of accounts will need to happen as fees could increase by up to 150% for the 2023/24 audit.
15. Only six auditors will be competing for business out of 10 potential suppliers. PSAA said this was due to the challenging backcloth of a troubled audit profession, a turbulent market and a local audit system that is facing unprecedented difficulties including large volumes of delayed audit opinions.


16. From 2023/24 the respective shares of the audits of opted-in bodies will be as follows: -

- Grant Thornton 36.0%
- Mazars 22.5%
- Ernst & Young 20.0%
- KPMG 14.0%
- Bishop Fleming 3.75%
- Azets Audit Services 3.25%

IMPACT ON THE COUNCIL’S KEY OUTCOMES

17.

Great 8 Priority	Positive Overall	Mix of Positive & Negative	Trade-offs to consider – Negative overall	Neutral or No implications
 Tackling Climate Change				
 Developing the skills to thrive in life and in work				
 Making Doncaster the best place to do business and create good jobs				
 Building opportunities for healthier, happier and longer lives for all				
 Creating safer, stronger, greener and cleaner communities where everyone belongs				
 Nurturing a child and family-friendly borough				
 Building Transport and digital connections fit for the future				

 Promoting the borough and its cultural, sporting, and heritage opportunities				
Fair & Inclusive				
<p>Ensuring proper procurement processes are followed and utilising a national Sector Led Body (Public Sector Auditor Appointments Limited ensures that best value is obtained through negotiating on the council's behalf to obtain better rates and lower fees than are likely to result from local negotiation.</p>				

18. Legal Implications [Officer Initials: SRF | Date: 16.01.23]

There is a statutory obligation on the Council to appoint an external auditor and these are set out in the Local Audit and Accountability Act 2014. Had the Council chosen not to partake in the national procurement exercise it would have been required to carry out its own procurement process in compliance with Contract Procedure Rules

19. Financial Implications [Officer Initials: RLI | Date: 16.01.23]

The 2022/23 budget for external audit fees is £283k. This funds the main external audit contract, plus the costs of auditing specific grants per the relevant terms and conditions. An additional £250k has been included as a budget pressure for 2023/24 in anticipation of an increase in fees of up to 150%.

20. Human Resources Implications [Officer Initials: DK | Date: 16.01.23]

There are no direct HR implications to this report.

21. Technology Implications [Officer Initials: PW | Date: 18.01.23]

There are no technology implications in relation to this report.

RISKS AND ASSUMPTIONS

22. The appointment of PSAA was considered the option most likely to manage risk associated with failing to follow appropriate procurement processes and obtain value for money within these arrangements.

CONSULTATION

23. A report was presented to Audit Committee on 28th October, 2021, who supported the recommendation to full Council to opt-in to the sector-led approach.

24. A report was presented to full Council on 20th January, 2022, who approved the recommendation to opt-in to the sector-led approach.

BACKGROUND PAPERS

25. Audit Committee: Arrangements for the Appointment of External Auditors

<https://doncaster.moderngov.co.uk/documents/s33289/13%20ac%20281021%20-%20Arrangements%20for%20the%20Appointment%20of%20External%20Auditors.pdf>

26. Council: Arrangements for the Appointment of External Auditors

<https://doncaster.moderngov.co.uk/documents/s34119/Appointment%20of%20External%20Auditors.pdf>

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

27. NAO	National Audit Office
NHS	National Health Service
PSAA	Public Sector Audit Appointments Limited
The Act	Local Audit and Accountability Act 2014

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