



Doncaster Council

Report

Date: 21st June 2018

To the Chair and Members of Audit Committee

DRAFT 2017-18 ANNUAL GOVERNANCE STATEMENT

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

EXECUTIVE SUMMARY

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

EXEMPT REPORT

4. Not Applicable

RECOMMENDATIONS

5. The Chair and Members of Audit Committee are asked to:
 - Approve the attached draft Annual Governance Statement;
 - Note that following the agreement of the Annual Governance Statement The Mayor and the Chief Executive will be asked to sign the Statement prior to its publication along with the Statement of Accounts in July 2018.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

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

BACKGROUND

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

OPTIONS CONSIDERED

12. Not Applicable

REASONS FOR RECOMMENDED OPTION

13. Not Applicable

IMPACT ON THE COUNCIL'S KEY OUTCOMES

- 14.

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

	<p>interactions</p> <ul style="list-style-type: none"> • 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>system of internal controls in place</p>
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RISKS AND ASSUMPTIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

CONSULTATION

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

BACKGROUND PAPERS

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

REPORT AUTHORS AND CONTRIBUTIORS

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Doncaster
Council

DRAFT
**ANNUAL GOVERNANCE
STATEMENT
2017/18**



Scope of responsibility

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

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

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

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

The purpose of the governance framework

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

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

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

Our Governance Framework

Audit Committee

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

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

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

The Audit Committee produces an Annual Report which is available doncaster.gov.uk

Governance Group

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

Role of Internal and External Audit

The council has both internal and external auditors.

The role of Internal Audit is to:

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

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

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

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

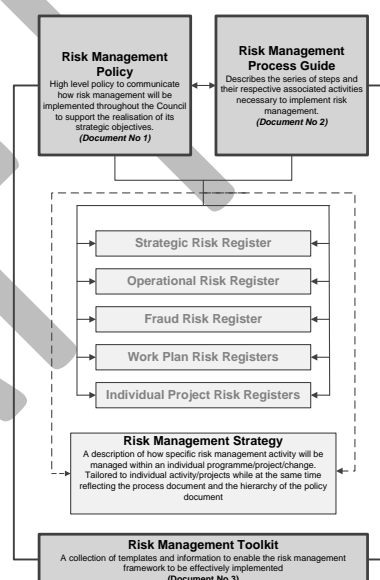
KPMG have been the council's external auditors since 2012/13, although the 2017/18 audit will be their final year. In their annual report, presented to Audit Committee on 27th July 2017 they gave an "unqualified audit opinion" on the Council's financial statements for 2016/17 and an unqualified Value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

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

Our Approach to Risk Management

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

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



Review of effectiveness

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

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

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

Significant governance issues identified in 2017/18

Whilst we are satisfied with the effectiveness of corporate governance arrangements and systems of internal control, as part of our continued efforts to improve governance the following new issues have been identified for improvement as part of the 2017-18 Annual Governance Statement process:

Issue : ALARM RECEIVING CENTRE (ARC)
A review of systems and processes within the Alarm Receiving Centre (ARC) have raised concerns about the efficacy and business continuity of assistive technology.

<p>Actions: Internal Audit have conducted a service review of the current process and changes to procedures have been instigated within the ARC suite. Implementation of the audit recommendations is underway.</p> <p>Responsible Officer(s): Debbie John-Lewis – Assistant Director of Communities Bill Hotchkiss - Head of Service Community Safety</p>	<p>Completion Date: 30th May 2018</p>
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Issue: GENERAL SIGNIFICANT FINANCIAL CHALLENGES
The Council faces a number of significant financial challenges which if not managed carefully in 2018/19 could potentially lead to an overspend position and a reduction in the level of general reserves, these include:

- Potential shortfall on the delivery of the savings which are increasingly more challenging to achieve such as the Your Life Doncaster programme which will deliver significant service changes as well as savings.
- Managing emerging budget pressures including increasing activity e.g. Direct payments and reducing demand for services e.g. Schools Catering.
- Doncaster Children’s Services Trust (DSCT) risk of overspending is identified below (Page 8)

<p>Actions: The financial position will be closely monitored; including the introduction of monthly monitoring to management teams and Directors. Other specific actions to improve the monitoring of budgets include devolved budgeting, and development of financial management capability in the Council.</p> <p>Responsible Officer: Steve Mawson – Chief Financial Officer & Assistant Director of Finance</p>	<p>Completion Date: Monthly monitoring – August 2018</p> <p>Action plan for improving financial management of managers – June 2018.</p>
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Issue: DONCASTER INTEGRATED PEOPLES SYSTEM (DIPS)
A new critical business information system will be implemented across Children, Education and Adults Services over the next 1-2 years. It will totally change the way these areas operate and the business change required cannot be underestimated.

<p>Actions: The programme will be tightly led and managed with senior and</p>	<p>Completion Date: Ongoing</p>
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effective governance throughout and appropriate preparation. All areas have been asked to provide their best resources to ensure the programme has every chance of succeeding. Staged implementation of the system will take place over the next 2 years.

Responsible Officer:

Julie Grant – Assistant Director of Customers, Digital & ICT

Issue: GENERAL DATA PROTECTION REGULATION (GDPR)

The EU General Data Protection Regulation (GDPR) will come into force on 25 May 2018 and brings significant changes to the law on Data Protection. These changes will be implemented and need to ensure Ensuring compliance with GDPR across the organisation by 25th May deadline and thereafter.

Actions:

A GDPR implementation plan is in place which is being monitored by the SIRO board. The plan includes a target for all high risk areas to be addressed in time for 25th May deadline.

Responsible Officer:

Scott Fawcus – Assistant Director of Legal & Democratic Services

Completion Date:

31st March 2019

(25th May 2018 - high risk areas)

Issue: DEVOLVED BUDGETING IN ADULTS

Spend & budget responsibility needs to be as close to decision making as possible to be effectively controlled.

The current arrangements in adults allow spending decisions to be taken by front line social work staff (in the community & hospitals) and the budget responsibility is held by the commissioning team. This arrangement can lead to decisions being taken without considering the resource implications and is a weakness in internal control.

Actions:

- Examination of budgetary hierarchy & organisational hierarchy to establish the most appropriate level of budget delegation for each of the commissioned services e.g. residential care, domiciliary care etc.
- Examination of the underpinning systems to support the production of monthly management accounts.
(Examination/ Methodology and sign-off – End of June 2018)
- Determine the methodology for budget allocation
- Sign off of the approach with Adults DLT
- Effect the necessary changes to financial transaction systems
(End of July 2018)
- Support & train these new budget holders in financial management processes. (End of August 2018)
- Review monitoring arrangements during the 2018/19

Responsible Officer:

Debbie Hogg – Director of Corporate Resources

Completion Date:

December 2018

(See text for approximate timeline)

Issue: MANAGEMENT AND STOCK CONTROL RELATING TO THE SMART LIGHTS PROJECT

The Streetlight project seeks to make savings for the Council by replacing the borough's sodium street lighting lamps with more energy efficient LED lamps.

Actions:

Phase 1 of the project was completed in March 2017 and phase 2 of the project is estimated to be completed by the end of May 2018. After the end of the first phase, it was noted by the project management board that there were some unexplained variations relating to stock reconciliations. An investigation concluded that there has been over-ordering of lamps due to:-

- project management issues,
- poor communication between the Street Lighting and Stores teams and
- a lack of reconciliations between stocks, fitted lamps and orders.

Responsible Officer:

Gill Gillies – Assistant Director of Environment

Completion Date:

June 2018

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

Issue: DIRECT PAYMENTS

In 2015/16 there was a high level of overpayments that had been made in paying personal budgets for adult social care. Issues identified included:-

- High numbers and values of overpayments not being monitored or managed
- Weaknesses in the systems to pay, monitor and recover overpayments
- Lack of joined up working between the various parties involved in this area.

Actions:

Improved arrangements have proven effective; the amount of debt relating to Direct Payment overpayment being raised over 12 months has reduced whilst the amount of debt collected has increased. There is now more effective joined up working between all parties and the backlog of annual financial monitoring reviews has been cleared and reviews are now being conducted on a risk basis.

Direct Payment Card accounts are now the preferred method of making a direct payment resulting in reductions in Financial Monitoring administration and more effective debt management. Further improvements are being implemented following a recent audit.

Responsible Officer:

Griff Jones – Assistant Director Adult Social Care & Safeguarding

Completion Date:

September 2018

Issue: LEARNING DISABILITY/SUPPORTED LIVING REVIEWS:

An improvement area was identified relating to annual reviews within the Learning Disability Team. There was a risk that some of these reviews may relate to individuals who have not had a financial assessment, are not contributing towards their care and support and have not been considered for Continuing Health Care (CHC) funding.

Actions:

All of the 267 people identified in supported living had a review of their care and support needs, and where appropriate and required, are now being supported to contribute their disposable income towards their care. A contractor has been appointed to undertake a comprehensive review of all support living placements in the borough. It is anticipated that all reviews, along with 70 high cost placement reviews will be completed as per contract by the end of July 2018.

Responsible Officer:

Griff Jones – Assistant Director Adult Social Care & Safeguarding

Completion Date:

July 2018

Issue: DOLS (DEPRIVATION OF LIBERTY SAFEGUARDS) – BEST INTEREST ASSESSMENTS

Internal Audit identified anomalies in relation to payments made for Best Interest assessments, which had arisen due to poor financial and administrative processes. An audit has been completed.

Actions:

Recommendations from the audit have been considered and agreed and priorities identified with timescales and review arrangements.

Responsible Officer:

Griff Jones – Assistant Director Adult Social Care & Safeguarding

Completion Date:

March 2019

Issue: ADULT, HEALTH AND WELLBEING - CONTRACT AND COMMISSIONING ARRANGEMENTS

There has been a large number and value of ongoing contract breaches and waivers occurring within the Adults, Health and Wellbeing Directorate. Some of this is linked to the strategic and transformation plans for the future provision and commissioning of services. However, some other elements have been in breach for lengthy periods of time and now need to be progressed more quickly.

Actions:

Action has been taken to increase capacity in the team including recruitment to key posts to support this work. Nonetheless significant commissioning activity continues to be undertaken including the Learning Disability Supported Living Service and other housing related support services. Reports recently taken through Cabinet, 27th March 2018, to establish approval to commence procurement processes.

Responsible Officer:

Denise Bann – Strategic Lead Commissioning

Completion Date:

Ongoing through 2018/2019

Issue: DATA QUALITY ARRANGEMENTS

Annual Self Assessments across the council for statutory returns have been completed and policy monitoring and eLearning training continues to be monitored. Directors have supported a proposal for additional resources to accelerate improvements of data quality in areas identified as priority for the organisation.

Actions:

An Action Plan will be developed for 2018/19 which will be delivered and monitored by the Data Quality Working Group, with particular focus on targeted resources to DIPs development and migration, strengthening data quality in the Performance Management Framework and links to GDPR. The SIRO Board will oversee this work and the membership of the group will be widened to cover the planned areas of improvement.

Responsible Officer:

Lee Tillman – Assistant Director of Strategy & Performance

Completion Date:

APRIL 2018 and throughout 2018/19

Issue: DONCASTER CHILDREN'S SERVICES TRUST OVERSPEND

Doncaster Children's Services Trust (DCST) outturn position for 2017/18 is an overspend of £4.15m. The projected position continued to increase during 2017/18, from £1.6m at quarter 2. The pressures are mainly due to more children in care (45 more in the Care Ladder) and the cost of more complex cases.

Actions:

To address these issues:

- The Budget for 2018/19 has been agreed with DCST via their Medium Term Financial Strategy (MTFS); this re-bases the budget to reflect the current care ladder activity and includes a commitment towards significantly reducing the cost base.
- A review of costs and the Medium-term Financial Strategy (MTFS) will be undertaken to fully understand the assumptions to deliver the significant savings in 2018/19 and identification of additional savings for 2019/20 and 2020/21.
- Close monthly monitoring of the financial position during 2018/19 through the improved governance arrangements, including the provision of clearer transparent financial information.

Responsible Officer:

Steve Mawson – Chief Financial Officer & Assistant Director of Finance

Completion Date:

Ongoing during 2018/19 (Review of MTFS to be completed by end of June)

Issue: INCOME MANAGEMENT

Internal Audit identified weaknesses regarding compliance with the Council's procedures and for monitoring and collecting debt. The first phase of the Income Management project was successfully completed which included a series of focused reviews of targeted areas that delivered improved internal controls/reconciliations.

Actions:

The next phase of the Income Management project is to focus on reviewing and updating income management policies and

Completion Date:

APRIL 2018 and throughout 2018/19

procedures plus delivering further training on income management best practices.

Responsible Officer:

Steve Mawson – Chief Financial Officer & Assistant Director of Finance

Statement of Commitment

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

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

Signed on behalf of Doncaster Council - July 2018:

Ros Jones
Mayor of Doncaster

Jo Miller
Chief Executive

Key Areas of Improvement from previous Statements that have been completed

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

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

DRAFT