



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, 28th October, 2021

Time: **10.00 am**

Please Note: Due to current restrictions arising from the Covid-19 pandemic, there will be very limited capacity in the public gallery for observers of the meeting. If you would like to attend to observe in person, please contact Governance Services on 01302 736723/737462/736716/736712 to request a place, no later than **12.00 noon on Wednesday, 27th October, 2021**. Please note that the pre-booked places will be allocated on a 'first come, first served' basis and once pre-booked capacity has been reached there will be no further public admittance to the meeting. For those who are attending the meeting, please bring a face covering, unless you are exempt.

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**Damian Allen
Chief Executive**

Issued on: Wednesday, 20 October 2021

Governance Services Officer for this meeting: Andrea Hedges
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Doncaster Metropolitan Borough Council
www.doncaster.gov.uk

Items for Discussion:

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1. Apologies for Absence.	
2. To consider the extent, if any, to which the Public and Press are to be excluded from the meeting.	
3. Declarations of Interest, if any.	
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9. North Bridge Stores Transformation Project -Progress Report.	63 - 70
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Members of the Audit Committee

Chair – Councillor Austen White

Vice-Chair – Councillor Glenn Bluff

Councillor Barry Johnson, Sophie Liu and Dave Shaw

Co-opted Member: Kathryn Smart

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DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

THURSDAY, 8TH JULY, 2021

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER, CIVIC OFFICE on THURSDAY, 8TH JULY, 2021, at 1.00 pm.

PRESENT:

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

Councillors Barry Johnson, Sophie Liu and Dave Shaw.

APOLOGIES:

An apology for absence was received from Kathryn Smart, Co-opted Member.

1 DECLARATIONS OF INTEREST, IF ANY

No declarations were reported at the meeting.

2 MINUTES OF THE MEETING HELD ON 29TH APRIL 2021

RESOLVED that the minutes of the meeting held on 29th April, 2021, be approved as a correct record and signed by the Chair.

3 AUDIT COMMITTEE ACTION LOG

The Committee considered the Audit Committee Action Log report, which updated members on the actions agreed during Audit Committee meetings. Members were advised that all actions were progressing well. The log attached to the report showed details relating to six actions requested in the April 2021 meeting and there were no actions outstanding from earlier meetings.

It was noted that three actions were complete and the remaining three are scheduled for completion at the October meeting of the Audit Committee.

RESOLVED that Committee noted the progress made against the actions agreed at the previous committee meetings.

4 ANNUAL REPORT OF THE MONITORING OFFICER

Scott Fawcus, Monitoring Officer presented his Annual report on matters relating to ethical governance, including details of complaint handling activity carried out in consultation with the Independent Person in relation to allegations of Member misconduct, details of disclosures made under the Council's Whistleblowing Policy during the last 12 months, and reports under the Money Laundering Policy.

As Members were aware, at its AGM on the 21st May 2021, the Council resolved to adopt the new LGA Model Code of Conduct, which was drafted following

recommendations by the Committee, On Standards in Public Life. Following adoption by DMBC, the Monitoring Officer stated that he had written to all Parish and Town Council Clerks across Doncaster encouraging them to sign-up to the new Code and offering assistance to Clerks.

The Monitoring Officer reported that he had a statutory responsibility to consider matters in relation to potential breaches of the Member Code of Conduct in relation to Borough Councillors and Parish and Town Councils across the Borough. He was pleased to report that the levels of complaints received and most importantly, the number of actual breaches remain very low.

Clarity was sought with regard to whether Elected Members were covered by the Policy in the same way as Stakeholders. The Monitoring Officer advised that Elected Members were covered like any other Member of the Public. However stated that he would review and if not already covered, reference to Elected Members could be included.

The Chair made reference to paragraph 9 of the report, in relation to Town and Parish Councillors not being on the Monitoring Officers radar. However, highlighted that the proposed changes never received parliamentary time. He asked whether there had been any progress on this issue. The Monitoring Officer advised that to date no progress had been made and the 2011 sanctions remain in place. He commented that as Members are aware, complaints come to the Audit Hearing Sub-Committee who impose sanctions for breaches of the code of conduct, which are relatively limited. He stated that more sanctions may be useful in some cases however, most breaches are of a low level and if a Member is prepared to apologise no further action is required.

With regard to the revised Code, the Chair asked whether there had been any changes in conduct noted and whether sign up to the new code had been positive. The Monitoring Officer advised members that he would be writing to all clerks seeking an update with regard to take up, so far Askern Town Council had signed up. He commented that the biggest change would be social media activity where an increase of interaction had been seen from members in recent times, combining that with the difficult 18 months and recent elections political tensions can rise.

In light of promoting the Whistle blowing policy and only receiving one complaint, it was asked whether the Monitoring Officer was satisfied with the level of awareness of the Policy. The Monitoring Officer advised that an update has been carried out through the intranet, so anyone who is a user, reference to the Policy appears on screen, which has increased awareness. He stated that there are other ways of raising complaints, if the Whistle Blowing Policy is not appropriate.

A comment was made regarding the Whistleblowing Policy also applying to third parties and vendors and clarification was sought, as to how this was communicated to them and how they engage with the Council. The Monitoring Officer stated that the Policy would be included within the tendering contract. However, third party organisations should be reminded of the requirement.

In response to a question with regard to the completion of Register of Interests forms. The Monitoring Officer reported that with regard to DMBC Councillors, forms have been looked at individually and the process has been relatively straight forward. Work is still continuing on the many Parish Council registers. He stressed that it was

important to remind Councillors along with Parish Council's on an annual basis that they must complete an amendment form for any changes to their registers.

Clarity was sought in relation to complaints under the Whistle Blowing Policy and whether it was taken as read that the complaint would be dealt with under that process or through a different process and at what point would that be identified. The Monitoring Officer explained that an initial assessment would be carried out and this would identify whether the complaint should be dealt with under the Policy or via another means. However, he wished to ensure Members that whatever process was followed, the complaint would be fully investigated and the process would not be at a disadvantage because the complaint was being carried out differently.

RESOLVED that Committee:-

- (1) Noted the Monitoring Officer's annual report on complaint handling activity for the period 1st April, 2020 to 31st March, 2021;
- (2) Noted the Whistleblowing return for 2020/21; and
- (3) Noted the nil money laundering report for 2020/2021

5 UNAUDITED STATEMENT OF ACCOUNTS 2020/21

Prior to the discussion on the report, the Chair and Members wished to express their thanks to all staff who had worked on the preparation of the draft accounts.

The Committee received a report, which presented the Council's unaudited Statement of Accounts for the 2020/21 financial year. The report highlighted the overall financial position for the year and information on performance including improvements achieved in accuracy and quality. It was advised that the accounts had been published on the Council's website and to date no enquires had been received. Officers stated that it was positive that the accounts had been completed at this early stage and reminded members that the Council completed the 2019/20 accounts by the deadline, unlike a number of other Councils. It was also noted that the Council had received an unqualified response from the Council's external auditors Grant Thornton last year.

The Committee asked a number of questions as follows:-

The Chair asked in terms of Government Grants detailed within paragraph 23(d) of the report had any problems arisen through Internal Audit discussion. In response, it was reported that a lot of work had been done in the area, primarily in relation to business rates. As Committee were aware, the annual report presented a positive low incidence of fraud in January and since that, time there has been minimal problems identified. With regard to wider grants, it was advised that ongoing assessments were being undertaken in order to establish whether further detailed audit was required and no areas had been identified through this process at present.

Clarification was sought on the Council's position and whether it was clearer in terms of lost income, increased cost due to Covid and the position with regard to reimbursements from Central Government. In response, it was reported that, in terms of 2020/21, included in the accounts was all the Government money in terms of COVID, which details £166m additional grants from Government, included in that are

grants and reliefs provided to businesses. It was also noted that the outturn position and lost income in the collection fund position were also included.

It was reported that moving forward into 2021/22, it was advised that officers were monitoring the position very closely. Business rates and Council Tax are monitored in terms of the impact on those on a monthly basis and this will be reported through the quarter one report.

With regard to other income, it was advised that the Council will receive reimbursements for sales, fees and charges losses due to COVID for the first quarter. Officers will carry out a monitoring return and send to the MHCLG and the Council will receive reimbursement adjusted for 5% of the budget, the Council will receive 75% of the remaining loss. It was advised that officers were also closely monitoring other income streams such as car parking and income from the Herten Triangle and properties around the cinema, which will also be fed into the budget moving forward.

The Council also received for 2021/22 the fifth Tranche of the COVID emergency funding, equating to £9.8m of additional funding, which is also available to fund any further shortfalls in income. It was advised that there are a number of other grants and as the year progresses they continue to be extended such as the Local Support Grant and Infection, Prevention and Control, which have both been extended and officers are monitoring that closely as we proceed through the year.

Officers were asked if there were any instances where the Council had been expecting or promised funding from Government that were COVID related, that have not been received. In response, the Committee were assured that there were no instances of this.

In terms of the various grants received, it was asked whether there was any risk that it was likely to be any clawback for any reason. In response, it was reported that in terms of clawback, majority of the grants received do have requirements attached and the Council ensures that those requirements are met, reducing the risk of clawback or losing the grant funding.

Officers went on to state, that with regard to confidence about the application of previous monies the Council had received. As part of the Annual Governance Statement received at the last meeting, the work undertaken by Internal Audit and, the assessment officers have undertaken as part of arriving at that statement. Whilst there have been a lot of emergency decisions taken, reported also to Full Council, the speed at which the Council has had to respond, the Council has still maintained integrity of the governance arrangements and this was positively reported to Full Council.

The Committee were advised that going forward, its' been illustrated the complexity of the range of funding available to the Council and to some extent this was continuing. Whilst some may think, the Pandemic is reaching an end, the Council are still receiving funding albeit in a more organised approach with early notification, which ensures that decisions are made through the normal governance process. However, it was noted that there were still a lot of decisions that required a rapid application and the resources need to be committed for the current financial year. These were decisions that have been processed through the Rule 16 Special Urgency Provisions, which have been taken and signed both, by Mayor Ros Jones and the Chair of Overview and Scrutiny Management Committee.

Further to this and the impact going forward in terms of 2021/22, it was reported, that based on last year, the organisation has been managed really well. As stated previously, the Council received £166m of additional funding, which equates to a third larger organisation. It was noted that those resources of funding spanned over 30 different types of service delivery. The Council structured an arrangement in order to utilise them and delivered them within a year. Committee were advised that looking back to the report, there had been a need for some of those resources to be carried forward, which provides an explanation for some of the assets that have increased. It was important to note that the Council will still have quite a volatile arrangement going into 2021/22, its' still receiving resources, there was still a lot of work to be carried out in terms of responding to the response phase and recovery phase of COVID and there is still business as usual to be delivered. Members were advised that 2021/22 will, still be really challenging for the Council. However, reflecting back, officers felt that this was a good report in terms of the year the Council has had and how its' been managed.

Further questions in relation to the report had been submitted in writing by Kathryn Smart, Co-opted Member on the Committee who unfortunately was unable to attend the meeting. It was agreed by the Chair and Members, that Kathryn receive a written response to her questions following the meeting.

RESOLVED the 2020/21 Statement of Accounts be noted.

6 AUDIT COMMITTEE PROSPECTUS, TERMS OF REFERENCE AND WORK PROGRAMME 2021/22

Committee received a report on the Audit Committees Prospectus, Terms of Reference and Work Programme 2021/22.

The prospectus sets out the scope and standards applicable to the Audit Committee, and shows how these and the Terms of Reference enable the Committee to comply with Local Government Audit Committee standards and the Council's requirements of the Committee.

It was noted that the prospectus also included a draft work programme, which demonstrated how the Committee fulfils its Terms of Reference for the year. It also schedules an indicative programme of training and awareness sessions for Audit Committee Members.

The Chair highlighted paragraph 13 of the report and stated that Members would never stop learning and welcomed the training and briefings. In terms of the programme being reviewed, he asked whether items could be added as the year progresses. In response, Members were advised, that if any issues arose, then the work programme could be flexed to meet the Committees requirements.

RESOLVED that:-

- (1) the prospectus setting out the Audit Committee's scope, standards and work programme for the year be agreed; and
- (2) the unchanged Terms of Reference for the Audit Committee for 2021/22 Municipal Year be noted.

CHAIR: _____

DATE: _____



Date: 28th October
2021

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

ACTIONS FOLLOWING INQUORATE MEETING OF AUDIT COMMITTEE

EXECUTIVE SUMMARY

1. This report provides the opportunity for the Committee to formally receive and note the reports presented at an inquorate meeting of the Committee held on 29th July 2021.

EXEMPT REPORT

2. This is not an exempt report

RECOMMENDATIONS

3. That the Committee:
 - i. Formally receive and note the reports scheduled for consideration by the Audit Committee on 29th July 2021; and
 - ii. Receive and agree the notes of the inquorate meeting of the Audit Committee held on 29th July 2021 attached at Appendix 1.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. Formal receipt and noting of the reports will enhance public transparency.

BACKGROUND

5. At its meeting on 29th July the meeting was unable to establish a quorum. Those in attendance were advised that in the absence of a quorum the business on the agenda, could be discussed, but no formal decisions could be taken. The notes of any discussions and any proposed recommendations would be ratified by the Committee at a future meeting.
6. The inquorate meeting provided an opportunity for those present to discuss issues relating to the following reports:
 - Audit Committee Action Log.

- Covert Surveillance - Regulation of Investigatory Powers Act 2000 (RIPA) Update.
 - 2021 Draft Annual Governance Statement - Progress Update.
 - Internal Audit Strategy and Internal Audit Charter.
 - Internal Audit Progress Report for the period: April to June 2021.
 - Progress Report on North Bridge Stores Transformation Project.
 - Grant Thornton - Progress Report and Sector Update.
7. These reports have previously been published and made available to Members of the Committee and the public since 21st July. This has provided all Members with an opportunity to consider and raise issues with officers or seek further information outside of the meeting, these reports can be accessed via the following link:
<https://doncaster.moderngov.co.uk/ieListDocuments.aspx?CId=146&MId=3726>
8. As formal approval was required for the minutes of the Audit Committee held on 8th July, 2021 and the Internal Audit Strategy And Internal Audit Charter, these items have been scheduled for consideration as separate agenda items on today's meeting.
9. Members are also asked to agree the notes of the inquorate meeting. The notes provide additional information, summarise relevant issues and provide a record of the challenge and assurance provided by those in attendance. The Committee may wish to take account of these when formally noting the reports.

OPTIONS CONSIDERED

10. There are no other options to consider.

REASONS FOR RECOMMENDED OPTION

11. Providing the notes and links to the reports of the meeting held on 29th July provides an opportunity for the Committee to formally receive and note the reports.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

- 12.

	Outcomes	Implications
	<p>Doncaster Working: Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> • Better access to good fulfilling work • Doncaster businesses are supported to flourish • Inward Investment 	
	Doncaster Living: Our vision is for	

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

	<ul style="list-style-type: none"> • Working with our partners and residents to provide effective leadership and governance 	
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RISKS AND ASSUMPTIONS

13. There are no specific risks associated with this report

LEGAL IMPLICATIONS [Officer Initials: SRF 15.10.21.]

14. Council Procedure Rule 34.2 states that the quorum of a Committee shall be one quarter of the voting Members, and in any event no fewer than 3 voting Members. Agreeing notes of the meeting held on 29th July 2021 and formally receiving reports at a quorate meeting will support the Committee in effectively discharging its functions.

FINANCIAL IMPLICATIONS

15. No financial implications have been requested for this report. Any relevant implications are included within the body of the reports detailed at paragraphs 6 and 7.

HUMAN RESOURCES IMPLICATIONS

16. No human resource implications have been requested for this report. Any relevant implications are included within the body of the reports detailed at paragraph 6 and 7.

TECHNOLOGY IMPLICATIONS

17. No technology implications have been requested for this report. Any relevant implications are included within the body of the reports detailed at paragraph 6 and 7.

HEALTH IMPLICATIONS

18. No health implications have been requested for this report. Any relevant implications are included within the body of the reports detailed at paragraph 6 and 7.

EQUALITY IMPLICATIONS [Officer Initials AS... Date 14.10.21.]

19. There are no specific equality implications associated with this report.

CONSULTATION

20. None

BACKGROUND PAPERS

21. None

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

None

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**Debbie Hogg,
Director of Corporate Resources**

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DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

THURSDAY, 29TH JULY, 2021

NOTES of an INQUORATE MEETING of the AUDIT COMMITTEE, held at the COUNCIL CHAMBER - CIVIC OFFICE on THURSDAY, 29TH JULY, 2021, at 10.00 am.

PRESENT:

Chair – Councillor Austen White

Councillor Sophie Liu.

ALSO IN ATTENDANCE

Debbie Hogg	- Director of Corporate Resources
Faye Tyas	- Assistant Director of Finance
Scott Cardwell	- Assistant Director of Development
Peter Jackson	- Head of Internal Audit
Neil Concannon	- Head of Service Litigation and Regulatory
Dave Stimpson	- Head of Property Services
Gareth Mills	- Engagement Lead, Grant Thornton (External Auditor)
Perminder Sethi	- Engagement Senior Manager, Grant Thornton (External Auditor)

APOLOGIES:

Apologies for absence were received from the Vice-Chair, Councillor Glenn Bluff, Councillor Dave Shaw and Co-opted Member Kathryn Smart.

INQUORATE MEETING

With only appointed Members, the Chair, Councillor Austen White and Councillor Liu in attendance, the meeting was inquorate, therefore, no formal decisions could be made. The meeting was conducted to discuss and note the reports on the agenda. Any decisions relating to the reports on the agenda requiring endorsement would need to be ratified at the next quorate meeting of the Audit Committee.

7 DECLARATIONS OF INTEREST, IF ANY

There were no declarations of interest.

8 MINUTES OF THE MEETING HELD ON 8TH JULY, 2021

PROPOSED: The minutes of the meeting held on 8th July, 2021, be approved as a correct record. The minutes of this meeting will be submitted to the next meeting of the Committee for approval.

9 AUDIT COMMITTEE ACTION LOG

Peter Jackson, Head of Internal Audit presented a report which updated Members on actions agreed during Audit Committee meetings, allowing Members to monitor progress against actions, ensuring that satisfactory progress was being made.

It was noted that all actions were progressing well. Of the five actions requested at the April and July 2021 meetings, two had been completed, and the remaining three were in progress and were scheduled for completion at the October meeting of the Committee. There were no actions outstanding from earlier meetings.

PROPOSED that the progress being made against the actions agreed at the previous Audit Committee meetings, be noted.

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

Neil Concannon, Head of Service, Litigation and Regulatory presented the annual update report in relation to the Authority's use of the Regulation of Investigatory Powers Act (RIPA) 2000.

It was reported that since the last report to this Committee in January, 2021, there had been no surveillance authorised applications under the Regulations of Investigatory Powers Act. Legal Services had provided online training to 8 environmental/community officers on 9th June 2021 and prior to this, 5 training sessions had been completed with relevant Enforcement Officers covering 75 staff in 2019/2020. An online training module was available to all staff and members.

It was noted that there had been no further changes proposed to the Council's RIPA Policy and Procedures, further to minor amendments being approved by the Audit Committee in June, 2019, following the Investigatory Power's Commission Inspection recommendations.

In answer to a question, it was noted that pre-Covid-19 training had previously been undertaken face to face, however, due to the pandemic training was currently being held online. Moving forward it was anticipated that training would be held as a hybrid model, both face to face and e-learning. In view of new Members being appointed to the Committee and the time since other members had carried out their training, the Chair felt that training should be undertaken by all Members. The Head of Service, Litigation and Regulatory undertook to ensure that a reminder be sent to all Members of the Audit Committee to attend training, as a refresher for existing Members, or training for new Members of the Committee.

PROPOSED:

- (1) To note that the Council has had no surveillance applications authorised under the Regulation of Investigatory Powers Act (RIPA) 2000, since the last report to the Audit Committee on the 30th January, 2021 and on that occasion there had also been no surveillance authorised;
- (2) To note that online training presented by legal was made to 8 environmental /community officers on 9th June 2021 and prior to this, 5 training sessions have been completed with relevant Enforcement Officers covering 75 staff in 2019/2020. (The online training module is available to all staff and members); and
- (3) To note that there are no changes proposed to the Council's RIPA policy and procedure. The last minor amendments were approved by the Committee in June 2019, following the Investigatory Powers Commissioner's Inspection recommendations.

11 2020-21 DRAFT ANNUAL GOVERNANCE STATEMENT - PROGRESS UPDATE

Members received the draft Annual Governance Statement (AGS) update for 2020-21, which provided Members with an update on progress made against the significant governance issues identified within the current draft AGS, since the report was last presented to the Committee on 29th April, 2021. The report also provided an update on the progress against the improvement areas previously identified and those areas that remained an issue in the 2020-21 Annual Governance Statement.

The finalised AGS would be presented to the Audit Committee meeting scheduled in November, 2021, together with the 2020-21 Statement of Accounts. The issues in the draft AGS would be reviewed again and updated to reflect the latest position.

Discussion followed the presentation of the report, during which, the Director of Corporate Resources responded to questions from the Chair seeking clarity and assurance on a number of aspects within Appendix A of the report, in particular with regard to progress made on completion of the actions and whether the completion dates were achievable and it was noted that:

- The Food Safety and Trading Standard inspection arrangements are anticipated to remain on the Annual Governance Statement due to the continued reduction in capacity to complete some areas of statutory work and the national shortage of qualified Officers.
- In relation to the Partnership Recovery and Resilience Doncaster Children's Services Trust (DCST) – The effects of the Covid-19 pandemic over the last twelve months had presented major challenges nationally which had resulted in a demand for services, due to the increased number of children that have been referred within the care system, the complexity of cases and the demand for fostering and residential placements had also increased. In terms of the Council's relationship with DCST, it was noted that effective contract management mechanisms were in place in order to escalate any matters through the process supporting effective governance and ensuring that child protection arrangements were reviewed as far as possible through the Trust. This issue would continue to be closely monitored and would remain on the AGS for some time because of the Council's responsibility as a Corporate Parent and the financial impact it places on the Council.
- In connection with the Cyber Attacks Business Continuity risk – During the Covid pandemic, cyber-attacks had increased significantly due to more activity being done online rather than face to face. The Council had taken steps to enhance its online security to combat threats and in developing systems had regard to the lessons learnt from Redcar and Cleveland Authorities who had been affected by cyber-attacks. It was agreed that all members be offered a training/awareness session on the Council's security arrangements.
- Governance Functions – Mandatory training was to be held in September, 2021 as part of the senior management meetings for all senior staff to improve awareness of key governance policies, procedures and arrangements including training on the Council's Constitution, Financial Procedure Rules and Contract Procedure Rules.
- In relation to the Adult, Social Care Market Sustainability, it was reported that the development of the Market Position Statement had progressed. However, due to the ongoing unprecedented challenges over the past year due to Covid in dealing with infection control, ensuring staffing levels were maintained which had exacerbated the situation in residential care sector, the completion date of 21st June had not been achievable therefore the date was to be reviewed. A lot of work was taking place on an ongoing basis. Meetings were taking place with specific parts of the sector in order to ensure that the Council can respond to the situation accordingly.

In the absence of the Vice-Chair, Councillor Sophie Liu asked the following question on behalf of Councillor Glenn Bluff who was unable to attend this meeting

'With reference to Section 9, 'Doncaster Integrated Peoples Solution', given the number of outstanding actions how were these going to meet the November 2021 deadline. Have budget and resources been ring fenced and are they adequate?'

The Director of Corporate Resources advised that good progress was being made with regard to the programme for implementation of the integration technology solution. At the outset of implementation of the programme, it was necessary to carry out a review and redesign of all business processes in order to ensure that the resources associated with the people's solution were all in one place. Assurance was provided that all the necessary skills and competences and resources were now in one place and any shortfalls in skillset, had been sourced from a partner organisation, or a temporary agency provider.

It was noted that a Steering Group overseeing the work, chaired by the Director of Corporate Services, continues to meet regularly to maintain oversight of delivery. The Adults Case Management and Finance (Phase 1) went live in March and the Children's Social Care and Finance is planned to go live mid-August. Therefore, a significant proportion of work will be implemented prior to November 2021. A phased approach was being considered for Phase 2, with some aspects being implemented after November. Any changes would be reported within the final AGS at the Committee's meeting in November.

In response to a question from the Chair seeking assurance that all items would be completed for inclusion on the final AGS to be presented to the Committee in November, 2021, Members were advised that due to the unprecedented challenges faced by the Council including, Covid-19, some of the issues, including the Partnership Recovery and Resilience Doncaster Children's Services Trust would continue to remain as residual risks and Cyber Attacks would be a recurrent issue. It was pointed out that whilst the Council was in recovery phase, there would still be potential risks therefore the Council would need to continue to closely monitor the governance and delivery of activity.

PROPOSED: that the draft Annual Governance Statement for 2020-21, as attached at Appendix A of the report be noted.

12 INTERNAL AUDIT STRATEGY AND INTERNAL AUDIT CHARTER

Members considered a report which sought approval of the Internal Audit Strategy and Internal Audit Charter for the period 2021-24, as required by the Public Sector Internal Audit Standards.

The Strategy and Charter had been last reviewed in July, 2017, in order to take into account the significant changes to Internal Audit Standards and recommendations made in the peer review carried out by Kirklees Council in 2017. The Strategy and Charter had recently been reviewed further and updated to reflect recent changes to the operation and work of the Internal Audit Service with special regard to working during and after the Covid-19 pandemic.

In response to a question from the Chair, the Head of Internal Audit advised that presently he was confident that the Internal Audit team had the necessary skills, experience and capacity to deliver the changes to the Strategy and Charter. It was noted that in relation to capacity of the team, the Head of Internal Audit was to carry out a review of the resources and skills of the Internal Audit service. The team currently comprised of experienced Auditors who were able to deliver the service to meet the needs of the organisation going forward. It was noted that as part of the review, the Head of Internal Audit would be conducting a skills gap analysis of the service. However, it was anticipated that no fundamental changes would be made to the service, it would be a case of continuing to develop the team and evolving the service. Moving forward, the Assistant Director of Finance and Head of Internal Audit had discussed ways of how to share knowledge across specialisms within the Internal Audit service.

In the absence of the Vice-Chair, Councillor Glenn Bluff, who was unable to attend the meeting, Councillor Liu asked the following question on his behalf:

In reference to pages 45 and 46 of the Strategy, whether additional automated and system controls could be incorporated in recommendations and whether the use of data analytics /

automated auditing could be increased in audits. In response, the Head of Internal Audit gave an undertaking that he would look at the feasibility of introducing this approach and would reflect this within the Charter and Strategy.

PROPOSED: that the Internal Audit Strategy and Internal Audit Charter for the period 2021-24 be noted. The report will be submitted to the next meeting of the Committee for approval.

13 INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD: APRIL TO JUNE 2021

The Head of Internal Audit presented a report which provided an update of the work undertaken by Internal Audit for the period 1st April, 2021 to 30th June, 2021 and showed this in the context of the Audit Plan for the year. The report also included progress on the implementation of management actions arising from Internal Audit recommendations and performance information, as detailed in Sections 3 and 4 of the report.

A query was raised regarding two high risk actions in relation to the review undertaken on the Corporate Information Governance Audit current CCTV procedures, as detailed in paragraph 2.5 of Appendix 1 of the report. It was noted that with regard to CCTV, there was an ongoing work programme of actions required to achieve accreditation which was progressing well, however, there were still outstanding issues that required attention and needed finalising before accreditation which provided assurance regarding CCTV arrangements and also linked to Cyber Security.

In relation to a question raised regarding Internal Audit's involvement in supporting the Council's Covid response work and future related work, it was reported that whilst Internal Audit continued to provide support, the work had been considerably less than previous periods and mostly related to Covid grant work.

Arising from a further question regarding the high risk level management outstanding actions within the Trading Standards service area, it was reported that a further update had been received earlier today confirming that some of the outstanding actions had been completed. It was anticipated that the remaining actions would now be achieved in a shorter timescale as the pandemic impacts on the team lessened. However, it was noted that whilst some of the actions may still take some time to address, from an Annual Governance Statement perspective, they would be less significant. Internal Audit would continue to monitor and manage the situation. Members welcomed the progress made.

In answer to a question regarding the review of the risks of all management actions awaiting implementation, the Head of Internal Audit assured Members that the position was stable and was not a cause for concern. The Chair was pleased to see a reduction in the overdue management actions and hoped that this would continue.

The Chair requested an update in relation to Internal Audit performance, particularly, in view of reduced performance information being made available during last year due to the impact of Covid-19. It was noted that work was still progressing in developing more meaningful performance indicators regarding the work of Internal Audit. In terms of customer satisfaction, a Pulse survey had been recently been carried out with key stakeholders and the findings of this would be submitted to the next meeting of the Committee and proposals to develop the future delivery of the Internal Audit Service having regard to the Internal Audit Strategy.

It was noted that due to the Covid-19 pandemic, the Internal Audit team had undertaken lighter touch reviews in some areas, taking assurance from the outputs from Corporate systems. Moving forward, the Internal Audit team would continue the development and utilisation of technology to provide smarter, more efficient ways of working, in particular, by using data analytics and automated testing. The Internal Audit team would also undertake reviews as identified in the Audit Plan to build up assurance.

The Head of Internal Audit confirmed that his audit opinion was a snapshot of the current position and would be reviewed on an ongoing basis until the AGS was finalised. This would allow any issues of concern to be flagged up at an early stage and included on the AGS, where appropriate. The External Auditor was supportive of this approach.

PROPOSED that:-

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

14 PROGRESS REPORT ON NORTH BRIDGE STORES TRANSFORMATION PROJECT

Members received a progress report on North Bridge Stores operational activities 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 North Bridge Stores had been a long standing area of concern which had previously been brought before the Committee on numerous occasions due to a number of overdue recommendations.

Scott Cardwell, Assistant Director of Development and Dave Stimpson, Head of Property Services were in attendance to update Members on progress in implementing Internal Audit recommendations and to respond to questions.

It was reported that good progress was being made and more robust checks and balances were being implemented as part of the action plan in place and governance process, which was overseen by a Transformation Board. This comprised of senior management and was chaired by the Assistant Director of Development and accountable to the Director of Economy and Environment. The Board met on a monthly basis to monitor progress and review the actions that had been put in place and the impact on the Stores service. Stakeholder management meetings have involved key stakeholders within work areas that impacted, supported and used the Stores function. The Committee would be informed of progress through update reports at future meetings until the position was considered to be satisfactory.

Members raised a number queries in particular in relation to the following issues:-

- Lessons learnt from St. Leger Homes of Doncaster stores arrangements, it was noted that a report had been commissioned previously to combine DMBC Stores with SLHD Stores, but this had not progressed. Officers were however, liaising with SLHD in terms of best practice.
- Floods and Covid-19 related work, it was noted that the distribution and storage of PPE was a major operation for the service and had caused a shift in focus of the stores work and that this issue had been prioritised over other functions of the service. This had meant that the normal day to day business of the stores had changed the nature of the work in terms of the scope of the customer base, the receipt of large volumes of stock and how stock was processed and recorded, and changes to staffs working patterns.

- Internal Audit had recommended that a full management review be undertaken of the North Bridge Stores to initially get the stores operating effectively, to ensure that the stock was accurately recorded and ensure interaction with all the other operations and services that supported the stores function. Moving forward, the next stage would be to ensure that the stores was a modern stores function that was fit for purpose.

Members expressed their disappointment, that the issues regarding previous management actions had not been addressed and sought assurance that the failures in the stores was to be addressed as part of the review. Members were informed that positive feedback had been received from some Stakeholder groups who interacted with the stores service. The Assistant Director of Development assured Members that he was confident that the action plan and governance structure would bring about changes in the Stores service. This was welcomed by Members.

The Chair thanked the Assistant Director of Development and the Head of Property Services for their attendance at the meeting.

PROPOSED: to note the progress report on North Bridge Stores Transformational Project and that the outlined approach be supported.

15 GRANT THORNTON - PROGRESS REPORT AND SECTOR UPDATE

Members considered a paper from Grant Thornton that provided an update on delivering their responsibilities as the Council's External Auditors for the year ending 31st March, 2021 and Sector update.

Gareth Mills, Engagement Lead and Perminder Sethi, Engagement Senior Manager, Grant Thornton highlighted the key headlines in the report and provided an overview of the planned scope and timing of the statutory audit of the Council to comply with the statutory timescale in relation to:-

- Key Matters
- Group Audit Accounts
- Significant Risks
- Auditing estimates and related disclosures
- Other Matters
- Progress against prior year recommendations
- Materiality
- Revised Approach to Value for Money
- Audit Logistics and Team
- Audit Fees
- Independence and non-audit services

Gareth Mills explained that in the current regulatory framework, the threshold for providing quality documentary evidence to support audits was high, as recommended by the Financial Reporting Council. He reported on the challenges for External Auditors in completing the accounts this year. In relation to the External Auditors fee arrangement and the significant uplift in audit fees for Doncaster, it was confirmed that the Public Sector Audit Appointments (PSAA), third party regulatory body had reviewed the fees and the outcome of the Redmond Review had recognised that External Auditors fees had reduced significantly over previous years and that External Auditors work was now more complex.

Members briefly discussed the uplift in External Audit fees for this year and the timeframe for completion of the accounts in future years. In relation to the £15m funding to be provided by the Ministry of Housing, Communities and Local Government to support local authorities for the uplift in Auditors fees, Debbie Hogg, Director of Resources pointed out that the funding would not be sufficient to cover the increase in External Audit fees and would place further

financial pressures on the Council. Whilst acknowledging the External Auditors reasons for the delay to the timetable for completion of this year's accounts due to completion of NHS audits and the problems with recruiting and retaining Public Sector staff, the Director of Resources spoke of the challenges faced by the Finance Team in managing the cycle of budget activities in relation to the accounts, with the same level of resources, and explained how the timing of External Audit's work impacted upon the work of the Finance Team.

Faye Tyas, Assistant Director of Finance provided an update on actions in relation to the audit. It was reported that the recent training to Audit Committee Members on the evaluation techniques in respect of risk estimates had now been completed. With reference to Section 7 of the report regarding progress made against prior year audit recommendations in respect of the un-actioned recommendation in relation to the assessment of Economic lives, Infrastructure assets, this was currently being reviewed and an update would be provided to External Audit. With regard to the Value for Money assessment, a response would be provided to the External Auditor next week.

To conclude, the Chair thanked Gareth Mills and Perminder Sethi for their report and attendance at the meeting.

PROPOSED: that the External Auditor's progress report and sector update be noted.

CHAIR: _____

DATE: _____



Doncaster Council

Report

28th October 2021

To the Chair and Members of the AUDIT COMMITTEE

AUDIT COMMITTEE ACTIONS LOG

EXECUTIVE SUMMARY

1. The Committee is asked to consider the attached Audit Committee Actions Log, which updates Members on actions agreed during Audit Committee meetings. It allows Members to monitor progress against these actions, ensuring satisfactory progress is being made.
2. All actions are progressing. The action log includes three actions from the 29th July 2021 meeting and three actions from April 2021 meeting. There are no actions outstanding from earlier meetings. Of these:
 - Five are complete and the remaining item is scheduled for completion at the January 2022 meeting of the Audit Committee

EXEMPT REPORT

3. The report does not contain exempt information.

RECOMMENDATIONS

4. The Committee is asked to;
 - Note the progress being made against the actions agreed at the previous committee meetings, and
 - Comment if any further information / updates are required.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

5. Regular review of the actions agreed from the Audit Committee meetings enables the Committee to ensure it delivers against its terms of reference and is responding to important issues for citizens and the borough. The action plan update helps support openness, transparency and accountability as it summarises agreed actions from reports and issues considered by the Audit Committee.

BACKGROUND

6. The Audit Committee Actions Log, which is updated for each Audit Committee meeting, records all actions agreed during previous meetings. Items that have been fully completed since the previous Audit Committee meeting are recorded once as complete on the report and then removed for the following meeting log. Outstanding actions remain on the log until completed.

OPTIONS CONSIDERED AND RECOMMENDED OPTION

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

IMPACT ON THE COUNCIL'S KEY OUTCOMES

8.

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

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

RISKS AND ASSUMPTIONS

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

LEGAL IMPLICATIONS [SRF 13/10/21]

10. 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 [SJT 14/10/21]

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

HUMAN RESOURCES IMPLICATIONS [SH 14/10/21]

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

TECHNOLOGY IMPLICATIONS [PW 14/10/21]

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

EQUALITY IMPLICATIONS [13/10/21]

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

HEALTH IMPLICATIONS [RS 13/10/21]

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

CONSULTATION

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

BACKGROUND PAPERS

17. None

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

18. None

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**Faye Tyas
Assistant Director of Finance**

APPENDIX 1

AUDIT COMMITTEE ACTION LOG – 28th OCTOBER 2021

Follow-up actions from previous meetings:-

Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Meeting 29th July 2021			
Annual Governance Statement – Cyber Security A Training / awareness session will be organised for all members on the Council's cyber security arrangements	A training / awareness session was held on 19 th October which all members were invited to	Julie Grant	Y – training / awareness session took place
Adult Social Care Market Sustainability – a revised completion date to be assessed.	A revised date has been assessed and is included in the final Annual Governance Statement for approval at November's Audit Committee	Mark Wakefield	Y – revised date assessed
Internal Audit Charter and Strategy to be ratified at the next meeting of the Audit Committee incorporating changes from questions raised by the Vice-Chair.	The Internal Audit and Strategy is to be ratified at the October meeting of the Audit Committee	Peter Jackson	Y – Charter and Strategy scheduled as agenda item for ratification at October meeting
Meeting April 2021			
Breach and Waivers to the Council's Contract Procedure Rules - the Assistant Director of Finance and Head of Procurement to consider if any actions are required in relation to the use of waivers;	This will be covered in the October update report for Audit Committee	Faye Tyas	Y - Scheduled for October 2021 meeting
Breach and Waivers to the Council's Contract Procedure Rules - future reports to provide more details on the reasons for those breaches that continue to be reported	Future reports to provide further information requested	Holly Wilson	Y - Scheduled for October 2021 meeting

Minute/ Action	Progress update	Responsible Officer	Completed (Y/N)
Internal Audit Plan – 2021-2022 - The External Auditor and the Head of Internal Audit will meet to discuss what was considered as good practice elsewhere regarding qualitative reporting and also any possible use of Grant Thornton's "Inflow" software.	<p>Meeting held 21st June 2021 and further meeting to be scheduled to develop the reporting principles agreed.</p> <p>The use of "Inflow" was discussed and not felt to be of use for the Internal Audit Team</p>	Peter Jackson	Ongoing – target date of January 2022



Doncaster Council

Report

Date: 28th October 2021

To the Chair and Members of the
AUDIT COMMITTEE

BREACHES AND WAIVERS TO THE COUNCIL'S CONTRACT PROCEDURE RULES

EXECUTIVE SUMMARY

1. This report provides Members with details of all the waivers and breaches to the Contract Procedure Rules (CPR's) for the period **1st March 2021** to the **31st August 2021**.
2. The table below summarises the number of new waivers and breaches recorded for each Directorate since the last audit report presented in April 2021 and the one before that in October 2020. The details of each waiver and breach are summarised in the appendices to this report.

Directorate	1 st Mar 21 to 31 st Aug 21 (6 months)		1 st Sep 20 to 28 th Feb 21 (6 months)		1 st Jul 20 to 31 st Aug 20 (2 months)	
	Breaches	Waivers	Breaches	Waivers	Breaches	Waivers
AHW	0	11	0	3	0	4
LOCYP	2	2	2	2	0	0
CR	0	1	0	4	0	2
E&E	1	4	0	6	0	2
GRAND TOTAL	3	18	2	15	0	8

EXEMPT REPORT

3. This report is not exempt.

RECOMMENDATIONS

4. To note the information and actions contained in this report regarding waivers and breaches in relation to the CPR's.
5. To note any new procurement and contracting activity matters.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

6. There are no specific implications within this report.

BACKGROUND

7. The Monitoring Officer (MO) monitored compliance with the CPR's for the period covered by this report.
8. The impact of Covid-19 continues to cause challenges for the procurement and contracting of goods and services. There have been significant impacts across many sectors who the Council contract with such as issues with suppliers ability to tender, inflated pricing and supply chain disruption. There have also been delays to internal reviews especially within social care commissioning, staff have been, and continue to be, redirected in dealing with Covid-19 related pressures. Subsequently waivers continue to be higher than pre Covid-19, although this is not ideal it does show good governance with an adherence to the CPR's, as this is transparent and formalised decision-making. Alternatively breaches do not comply with the CPR's and spend has occurred outside the rules of the CPR's. SPT continue to be proactive and support departments to help alleviate increased pressures with regular reporting and attendance at key stakeholder meetings.

CONTRACT PROCEDURE RULES (CPR'S)

9. The Council's CPR's state the following thresholds where commensurate competition should be undertaken by officers to ensure value for money:-
 - **Up to £25,000** - use of an in-house supplier, Council wide contract, third party framework agreement or direct award where possible to a Doncaster based organisation.
 - **Between £25,000 and £189,330** – use of an in-house supplier, Council wide contract, third party framework agreement or obtain three formal quotes one of which should be from a Doncaster based organisation.
 - **Between £189,330 and £663,540 (Light Touch Regime (LTR) Services) or £4,733,252 (works)** - use of an in-house supplier, Council wide contract, third party framework agreement or obtain a minimum of three tenders one of which should be from a Doncaster based organisation
 - **Over £189,330 (Goods/Services) or £663,540 (LTR Services) or £4,733,252 (Works)** - use of an in-house supplier, council wide contract,

third party framework agreement or carry out a public contract regulations compliant tender process.

10. It is therefore important that steps be taken to ensure breaches are identified, investigated and plans quickly put in place to rectify the position.
11. There have been **three** new breaches, as well as updates on **three** existing unresolved breaches and **one** resolved breach.
12. **Appendix 1** shows the details of the **new, unresolved** and **resolved** breaches for this period.
13. Whilst the public procurement law thresholds are set within the legislation and, therefore, cannot be waived, it is recognised that from time to time discretionary thresholds within the CPR's may be a barrier to the delivery of the service and, therefore, Council Officers can request that the CPR's are waived in specific instances, in accordance with the following permissible exemptions.

Category	Description
1	Where the Director is able to demonstrate that only one specialist firm is able to meet the requirement
2	A contract to be placed as an emergency solution only where the Director is able to demonstrate immediate risk to persons or property or serious disruption to Council Services
3	To allow for the safe exit from a contract or to decommission
4	Forms part of a wider strategic programme of works

Breaches to CPR's

14. Breaches arise from either the aggregation of spend going over pre-prescribed limits, a complete absence of any identifiable contract, a failure to comply with requirements to obtain adequate competition or an extension of contract beyond its agreed term or lifetime.

Update to Breaches previously reported

15. In **April 2021**, there were **two** new breaches of the CPR's reported to Audit Committee as well as updates on **three** existing unresolved breaches and **one** resolved breach.

Waivers to CPR's

16. **Eighteen** waivers to CPR's have been approved for this **6** months period, which has increased from the last report in April 21 where there were **fifteen**. The number and value of waivers granted against the amount of contracts awarded for this period are shown in **Appendix 3**.

17. The waivers detailed in this report have been reviewed and agreed by either the MO or the CFO (for waivers linked to the Legal and Democratic Services Department).

REVIEW OF PROCUREMENT ARRANGEMENTS ABOVE £25,000

18. SPT (Strategic Procurement Team) continue to work closely with all Directorates to improve procurement practices and provide assurance that arrangements are robust and compliant with the CPR's. Officers provide regular updates to stakeholders on contract registers, procurement plans and spend analysis to ensure transparency and movement to ensure delivery of projects within timescales. Procurement Forward Planning Reports, for a period of 18 months, are currently being presented to departments across the Council.

19. A CPR Training Programme has been reactivated and, in the first instance, being targeted at areas of non-compliance and new officers into the Council.

OPTIONS CONSIDERED

20. Each waiver is examined through the robust waiver process and, where appropriate, challenged for alternative options prior to approval. Each waiver is approved by the Head of Procurement and escalated for authorisation to the MO or CFO.

REASONS FOR RECOMMENDED OPTION

21. It is important that the Council's CPR's are adhered to. Where breaches are identified, a corrective plan is formed and monitored by a SPT Officer in liaison with the service area.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

22.

Outcomes	Implications
<p>Doncaster Working: Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none">• Better access to good fulfilling work• Doncaster businesses are supported to flourish• Inward Investment	The CPR's state that quotations/tenders should be sought from at least one Doncaster based company. This is to encourage local spend where possible. SPT work closely with Business Doncaster.
<p>Doncaster Living: Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none">• The town centres are the beating heart of Doncaster	Effective procurement governance ensures best value is achieved from the budgets available.

	<ul style="list-style-type: none"> • More people can live in a good quality, affordable home • Healthy and Vibrant Communities through Physical Activity and Sport • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	
	<p>Doncaster Learning: Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> • Every child has life-changing learning experiences within and beyond school • Many more great teachers work in Doncaster Schools that are good or better • Learning in Doncaster prepares young people for the world of work 	Social value is considered in contracting activity. The CPRs state that for any procurement project above £189,330 must have a minimum of 10% weighting factored into the overall evaluation award criteria.
	<p>Doncaster Caring: Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> • Children have the best start in life • Vulnerable families and individuals have support from someone they trust • Older people can live well and independently in their own home 	Effective procurement mitigates the risks posed by contracting and ensures robust contracts.
	<p>Connected Council:</p> <ul style="list-style-type: none"> • A modern, efficient and flexible workforce • Modern, accessible customer interactions • Operating within our resources and delivering value for money • A co-ordinated, whole person, whole life focus on the needs and aspirations of residents • Building community resilience and self-reliance by connecting community assets and strengths • Working with our partners and residents to provide effective leadership and governance 	<p>Effective procurement ensures best value, effective partnership working and robust specifications to attain the best from the markets.</p> <p>SPT continue to drive adherence to governance.</p>

RISKS AND ASSUMPTIONS

23. Contractual arrangements with suppliers and breaches to the CPR's expose the Council to reputational, financial, legal and commercial risks. Compliance monitoring of the CPR's seek to counter these risks.

24. The Council is still in recovery phase and SPT are working with service areas to ensure projects are in accordance with the CPR's. The pandemic has resulted in a delay in commissioning and procurement activity that has continued to affect the amount of waivers granted.

LEGAL IMPLICATIONS [Officer Initials...NJD... Date.....08/10/21.....]

25. There are no specific legal implications arising from this report. Legal advice has been provided on the individual contracts and waivers detailed within the report and continued legal support will be provided to the Service areas in relation to these matters. It is accepted that many of the waivers detailed in the appendices are as a result of the current Covid-19 pandemic. Action should be taken to regularize these matters as soon as possible in order that the Council may comply with its obligations under procurement regulations

FINANCIAL IMPLICATIONS [Officer Initials...PH..... Date...01/10/21.....]

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

HUMAN RESOURCES IMPLICATIONS [Officer Initials SH Date 04/10/21.....]

27. There are no specific HR implications arising from this report.

TECHNOLOGY IMPLICATIONS [Officer Initials... PW Date 01/10/21....]

28. There are no specific technology implications in relation to this report. SPT continues to consult with Digital Strategy & Solutions in relation to breaches and CPR waivers involving the procurement of technology to ensure that the Technology Governance Board (TGB) has considered these, where applicable.

HEALTH IMPLICATIONS [Officer Initials... RSDate ...01/10/2021.....]

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

EQUALITY IMPLICATIONS [Officer Initials HW Date 16/09/21]

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

CONSULTATION

31. There has been consultation with the various directorates and applicable officers.

BACKGROUND PAPERS

32. None.

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

Contract Procedure Rules (CPR's)
Chief Financial Officer (CFO)
Monitoring Officer (MO)
Light Touch Regime (LTR)
Learning & Opportunities: Children & Young People (LOCYP)
Adults, Health & Wellbeing (AH&W)
Economy & Environment (E&E)
Corporate Resources (CR)
Strategic Procurement Team (SPT)
Information Communications Team (ICT)
Technology Governance Board (TGB)

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APPENDIX 1

BREACHES

- **New** CPR breaches that have been identified between the **1st March 2021 to the 31st August 2021**
- **Unresolved** breaches, reported to the Audit Committee previously and;
- **Resolved** breaches reported previously

No.	Directorate	Status New Unresolved Resolved	Initial Date Reported	Contract Description	Value	Reason for breach	Proposed action to be / has been taken in relation to the breach	Timescale for resolution
1.0	LOCYP	New	Oct 21	Education System	£53,000	Contract expired	Oct 2021 Note – Initially the service area believed the system was to be replaced with an alternative as part of a larger project. Once confirmation that this system was out of scope of the larger project, the correct governance route for ICT extensions was conducted, via the Technology Governance Board (TGB), where the service area was advised that they would need to put forward a waiver to allow a review and re-procurement, if necessary. There was a misinterpretation of this advice and officers concluded after conversations that one was not required although a contract with the provider was formalised. SPT are now working with the project lead in the responsible area to put something in place to rectify this breach when the breached contract ends on the 31 Mar 22.	Apr 22
1.1	LOCYP	New	Oct 21	Conservation Contract	£31,000	Exceeded allowable direct award threshold	Oct 2021 Note – Spend analysis has shown aggregated spend with the same supplier above the allowable direct award threshold of £25k. The department exceeded due to emergency additional works and failed to put in a CPR Waiver Report under the 'emergency category'. This contract is set to end and the continued provision be through a compliant route to market. Training is being given to officers involved.	Oct 21
1.2	LOCYP	Unresolved	Apr 21	Archive Offsite Storage	£39,700	Contract expired	Oct 2021 Note – The movement of the archives are dependent on the development of the old museum site. There have been delays in moving this project forward because of complexities linked to the site. 1. Enquiries by Heritage England as to the historical importance of the site 2. Issues with the fabric of the building resulting in significant works and milestones to be achieved before movement can be commenced 3. Review of the allocated budget due to rising material costs – resulting in a need to redesign to bring costs down 4. The need to ensure the building meets the National Archives Standards The Internal Audit Team have been involved in the project group.	Revised: Apr 22 Oct 21

							The plan is due to be finalised for moving the archives back and signed off by the 18 th October, with the date for completion being the 28 th March 22. Due to the above, the existing breached contracts (1.2 and 1.3) will need to be extended to continue to stores the archives until the building is developed to the required standard. This will continue as a breach to ensure close monitoring to obtain the resolution. Apr 2021 Note – Movement of archives into the old museum site. Retrospective waiver requested and rejected. Project plan agreed with the service area to enable a route to compliance. Capital investment underway.	
1.3	LOCYP	Unresolved	Apr 21	Archive Offsite Storage	£83,814	Contract expired	Oct 2021 Note – As per 1.2 – these breaches are interdependent. Apr 2021 Note – Movement of archives into the old museum site. Retrospective waiver requested and rejected. Project plan agreed with the service area to enable a route to compliance. Capital investment underway.	Revised: Apr 2022 Oct 2021
2.0	AHW	Unresolved	Apr 17	YMCA Goodall House	£170,000	Contract expired.	Oct 2021 Note – This is a long standing unresolved breached contract where the risks of contractual coverage have been mitigated but until resolved this will remain, for transparency reasons, on this report to ensure the Audit Committee have sight once resolved. Apr 2021 Note – as per the note from Sept 2020. In addition, there is contractual coverage to mitigate risks to the Council. Sept 2020 Note – agreed exit strategy, ODR signed the contract to run up to the 31 st Mar 2022. This will remain breach until the contract ceases. June 2020 Note – agreed exit strategy through liaison with legal, procurement and provider. Tapered funding arrangement to minimise service disruption to young people coinciding with an alternative funding model secured by the provider. ODR drafted and submission being progressed. March 20 Note - Service included in the review of the Homelessness Strategy approved by Cabinet on 5 th Nov 19. Awaiting service area decision end Sept 20. Oct 19 Note - Decision over the future of the service put on hold until the approval of the Homelessness and Rough Sleeping Strategy presented at cabinet on the 5 th Nov 19. The service will be considered as a part of the overall commissioning plan for the	Mar 2022 Subject to Cabinet Report 5 th Nov 19 Revised: Sept 19 Mar 19

							implementation of the Strategy. Apr 19 Note - report written but still to be agreed - recommendation to decommission the contract – if agreed in Apr 19 then contract will require 6 months exit strategy period. Oct 18 Note - Review and potentially redesign.	
3.0	E&E	New	Oct 21	Seed Order	£66,630	One off order out of contract	Oct 21 – Transaction of £60k picked up to a supplier that was no longer in contract and a non-compliant order in accordance with the CPR's. A Grounds Maintenance and Associated Equipment Framework is currently being set up that encompasses this category of spend and will be in place by November 21 to counter the risk of this occurring in the future. Training by SPT Officers is taking place with 25 members of the team where the breach occurred.	Nov 21
3.1	E&E	Resolved	Apr 19	Glass and Glazing supplier for the supply & install of doors, windows and board ups	£102,000	No contract. Out of scope of contract being used	Oct 21 Note – Resolved contracts awarded Apr 21 – Procurement delayed, currently mitigating the risk by getting quotes for each job. Procurement project started to cover the aggregated contract value and is due to complete Aug 21. Sept 20 Note – Following COVID-19 SPT are working with the service area on procurement exercise. Due to award Jan 21 June 20 Note – Delayed due to COVID-19. New award date Jan 21. Mar 20 Note – Procurement are currently drafting specification with a view to award June 20 Oct 19 Note - SPT are working with the Service Area on completing a tender. Procurement exercise to be completed.	Revised Aug 21 Jan 21 Jun 20 Apr 20

APPENDIX 2

WAIVERS

CPR waivers that have been agreed covering the period **1st March 2021 to the 31st August 2021**, together with an explanation of the reasons for the waiver.

No.	Directorate	Title	Waiver Category	Waiver Value (£)	Waiver Period Start Date	Waiver Period End Date	Reason for the Waiver
1.00	AHW	Public health lead Well Doncaster	1. Sole Provider/Niche Market	£48,000	01/03/2021	28/02/2022	The provider is a Doncaster based charity that has been providing support and care to cancer patients across Doncaster and Bassetlaw for over 20 years. The Covid pandemic has emphasised the bewilderment and isolation that so many cancer patients suffer from the earliest signs of their disease. This charity have been awarded this contract as they are a niche provider based in Doncaster and have deep understanding of the challenges faced by the disease; the proposal builds on the belief that supporting and empowering patients in the community puts the patient at the centre of their care.
2.00	AHW	Dance On	1. Sole Provider/Niche Market	£110,078	22/03/2021	31/03/2023	The provider is a local provider who have been commissioned as they are uniquely located and have the ability to deliver this contract.
3.00	AHW	Harrogate Court	2. Emergency Situation	£26,250	01/04/2021	01/01/2022	The extension of 9 months to this contract will allow additional time for recovery of services, especially in light of developments such as the vaccination programme, thus providing a degree of resilience in the event of changes resulting from a procurement exercise.
4.00	AHW	Extra Care Housing	2. Emergency Situation	£781,500	01/07/2021	01/01/2022	The schemes covered by the waiver have experienced COVID-19 outbreaks, and the operating environment remains challenging in ensuring the staffing and safe delivery of care to Residents of the services. These 6 months will provide additional time for recovery of services, especially in light of developments such as the vaccination programme, thus providing a degree of resilience in the event of changes resulting from a procurement exercise. This contract has been procured and awarded and will meet the contract start date of the 1 st January 22.
5.00	AHW	Supported Lettings Service for the Rapid Rehousing Project	4. Forms Part of a Strategic Plan/Review	£7,500	01/04/2021	30/06/2021	This waiver is seeking approval to award the funding directly to this provider by way of extending the existing arrangement for a further 3 months to support continued delivery of the Tenancy Sustainment Worker. This will enable to Council to submit its proposal for the new funding round, and enable to requisite contractual arrangements to be made.
6.00	AHW	Supported Accommodation and Support Service for Vulnerable People with Multiple Complex Needs- Rapid Rehousing Services Variation	4. Forms Part of a Strategic Plan/Review	£15,000	01/04/2021	30/06/2021	This waiver is for a period of 3 months under their existing agreement to support continued delivery of two Tenancy Sustainment Workers. This will enable to Council to submit its proposal for the new funding round, and enable to requisite contractual arrangements to be made.
7.00	AHW	Supported Accommodation and Support Service for Vulnerable People with Multiple Complex Needs- Rapid Rehousing Services Variation	4. Forms Part of a Strategic Plan/Review	£22,500	01/07/2021	31/03/2022	This waiver awarded funding directly to the provider by way of extending the existing Contract for a further nine months to ensure continued delivery of the Tenancy Sustainment Worker. The funding was received and short-term. The Aggregated value of the initial term, extension, and that under waiver CPR/21/03/008 is £57,625.

8.00	AHW	Public Health Nursing service for 5-19 year olds - School Nursing	3. Safe Exit from a contract	£398,264	01/04/2022	31/07/2022	Waiver to integrate the School Nursing and Project 3 services into one delivery model, with one provider overseeing provision of public health services for 5-19 years olds across Doncaster. The short extension of 4 months to the current agreements are to minimise potential disruption of ending the contacts during the school year.
9.00	AHW	Young People's Health and Wellbeing service – Project 3	3. Safe Exit from a contract	£232,691	01/04/2022	31/07/2022	As above point 8.00, integration of 2 contracts into 1.
10.00	AHW	Homelessness Accommodation and Support Service	4. Forms Part of a Strategic Plan/Review	£743,000	10/09/2021	09/09/2022	The current contract is due to expire in September 2021 (with no further extensions available) following a previous waiver to extend granted in 2020 due to the impact of the COVID pandemic and the former Commissioning and Contracts team being deployed and solely focussed on COVID response (essentially supporting contracted providers and the wider market through daily contact to maintain service provision, manage outbreaks and provide a range of support to ensure continued service delivery/viability).
11.00	AHW	Mortuary Service	2. Emergency Situation	£30,000	01/09/2021	30/11/2021	The current contract held with Doncaster and Bassetlaw Hospitals NHS Foundation Trust will end on the 31st August 2021.
12.00	AHW	Accommodation for Ex-Offenders	4. Forms Part of a Strategic Plan/Review	£68,000	01/11/2021	31/10/2021	Approval of additional funding to an existing supported housing contract with Target Housing to provide 2 x Tenancy Sustainment workers with a value of £68,000 pa.
13.00	E&E	Partnership agreement for sponsorship and bowling green maintenance	4. Forms Part of a Strategic Plan/Review	£43,155	01/04/2021	31/03/2022	As part of an alternative way to sustain and improve standards and support a long-term future for bowling throughout Doncaster borough an agreement was entered into with Doncaster & District Bowling Association (DDBA) in 2017.
14.00	E&E	Shopappy	1. Sole Provider/Niche Market	£24,000	05/03/2021	31/03/2022	After the lifting of the Covid lockdown restrictions, it is important to encourage residents and visitors back into Doncaster retail, leisure and hospitality venues across the town centre and the outlying shopping areas in the borough. This app is a unique platform to deliver the objectives. The spend figure is below the need for a CPR waiver but if successful the contract may be extended into a second year hence the waiver
15.00	E&E	Ecologist Planner	1. Sole Provider/Niche Market	£230,899	01/04/2022	30/03/2032	Co-dependent award to adjacent landowner of the contract for fencing for council land relating to a bio-diversity project.
16.00	E&E	Green Waste Communications	2. Emergency Situation	£53,000	25/08/2021	05/09/2021	Waiver for the mailing to every household in the borough to inform residents about interim changes to Green Waste collection days to facilitate re-introduction of the service on 7th September 2021 – Green Waste collection services have been suspended since 26th July 2021.
17.00	LOCYP	Transport for Education and Social Services related contracts	2. Emergency Situation	£9,500	12/04/2021	31/07/2021	Due to the Coronavirus Pandemic The Ridge Employability college have been undertaking their own transport in order to transport their students within bubbles and at staggered times to meet their needs.
18.00	LOCYP	Partnership Improvement Board - Chair	4. Forms Part of a Strategic Plan/Review	£15,000	21/05/2021	31/12/2021	The purpose of the contract is for the Chair to work closely with partners to drive the improvement of services for children and shape the development of the Improvement Board. In addition to leading the board, the Chair is key in setting the agenda, overseeing and challenging the performance of partners, and representing the board with major stakeholders and customers where required to ensure that the overarching roles and responsibilities of the Board are achieved.

APPENDIX 3

Total Contracts Award 1st March 2021 to the 31st August 2021 versus the number of waivers

Directorate	Total Contracts Awarded 1st Mar 21 to 31st Aug 21	Value of Contracts Awarded	Number of Waivers	% Overall Number of Waivers	Value of Waivers	% Value of Waivers against Total Awarded
E&E	114	£32,928,814.31	4	3.51%	£351,054	1.1%
AHW inc. Public Health	28	£62,533,685.08	11 (3 Public Health)	39.2%	£2,452,783 (£556,362 Public Health)	3.9%
LOCYP	31	£47,425,842.47	2	6.5%	£24,500	0.1%
CR	48	£4,968,616.00	1	2.1%	£30,000	0.6%
Total	221	£147,856,957.86	18	8.1%	£2,858,337	1.9%

The % overall for the period **1st March 2021 to the 31st August 2021** of waivers granted against contract awarded was **8.1%** which is sustained on the previous period between the **1st September 2020 to the 28th February 2021** of which was **8%**.

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Doncaster Council

Report

Date: 28th October 2021

To the Chair and Members of the AUDIT COMMITTEE

INTERNAL AUDIT REPORT FOR THE PERIOD: July 2021 to September 2021

EXECUTIVE SUMMARY

1. The report attached at **Appendix 1** updates the Audit Committee on the work undertaken by Internal Audit for the period of July to September 2021.
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 our agile approach to auditing. Section 1 sets out further detail and further changes to date.

Section 2: Audit Work Undertaken During the Period

5. During the period July to September, the majority of our work has been on our routine and planned audits as well as resource intensive, ongoing, responsive work, both Covid and non-Covid related. Operationally and as previously reported, the majority of the teams work is being delivered virtually which carries both positive and negative implications. The team is part of the Pilot Scheme for the use of the Civic Office which may bring about some changes to working practices.

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

6. This has continued to be a high priority area of work and we have worked extensively with management in this area. Management have implemented a number of actions, which we have been able to agree as fully implemented. Where this has not yet been possible, we have continued working with management in agreeing appropriate revised timescales and any mitigations that might be put in place before full implementation. We have also agreed prioritisation of actions where possible i.e. with a view to mitigating higher risks at the earliest opportunity. Some revised dates have had to be extended to reflect the ongoing Covid-19 situation and other work prioritisations. Accordingly, this report records the current status in respect of outstanding and / or overdue actions.
7. There are 3 high risk level overdue management actions i.e. actions that had passed their original agreed implementation dates which are all with Trading Standards and Food Safety. All these 3 (as reported for previous period) high risk management actions have revised implementation dates agreed by the incoming Assistant Director who has confirmed that service pressures due to Covid response prioritisation are being faced nationally and the implementation of audit recommendations will inevitably be impacted upon. Details of these, including the revised implementation dates, are recorded at Appendix B.
8. The total number of overdue medium and low risk level management actions was 34 (36 reported for previous period). Revised implementation dates have been agreed for these actions requiring a further extension of time. The majority of these fall within the Economy & Environment (25) directorate.
9. Having undertaken a thorough review of the risk in this area, we have assessed the situation as satisfactory and will continue to tightly monitor and manage this area.

Section 4: Performance Information

10. Key indicators are over the timeliness of the issue of draft and final reports and these have all been issued within target timescales.
Results relating to major recommendations and customer satisfaction remain very positive, with 100% of critical or major recommendations agreed and 100% of Customer Satisfaction Surveys rated Satisfactory or above.
11. The outcomes from the Internal Audit Pulse Survey were extremely positive with an 86% response rate providing strong ratings on the 5 key questions asked as well as very positive comments. It also sets out some areas for potential development / improvement that have been drawn from the responses and these areas are captured within an Improvement Plan that the team are working on. This is covered in detail within the report.
12. The Service is currently undergoing an External Quality Assessment in the form of a Peer Review by Rotherham Council's Head of Internal Audit against the

United Kingdom Public Sector Internal Audit Standards. The outcome of this review will be reported to Audit Committee in January 2022.

13. The plan for the remainder of the Financial Year has been assessed and the Head of Internal Audit considers that sufficient work will be delivered to be able to provide his opinion on the Council's risk, governance and control arrangements. Any changes to this situation will be reported at the first available opportunity to the Audit Committee.
14. 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 2020/21. Additionally, work for 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

15. 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 councils risk, governance and control arrangements

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

16. 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

17. 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

18. Not applicable – for information only

REASONS FOR RECOMMENDED OPTION

19. Not applicable – for information only

IMPACT ON THE COUNCIL'S KEY OUTCOMES

20. Internal Audit assesses how effectively the Council is managing risks that threaten the achievement of the Council's objectives. Any improvement in the

management of the risks will have a positive impact thereby increasing the likelihood of the Council achieving its objectives. Internal Audit's work is, therefore, relevant to all priorities.

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

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

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

LEGAL IMPLICATIONS [SRF 13/10/21]

22. 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 [SJT14/10/21]

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

HUMAN RESOURCE IMPLICATIONS [SH 14/10/21]

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

TECHNOLOGY IMPLICATIONS [PW14/10/21]

25. There are no specific technology implications in relation to this report

EQUALITY IMPLICATIONS [PJ 14/10/21]

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

HEALTH IMPLICATIONS [RS 14/10/21]

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

CONSULTATION

28. 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

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

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

30. None

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**Peter Jackson
Head of Internal Audit**



**Doncaster
Council**

Doncaster Council

Internal Audit Progress Report

July to September 2021

Section 1: Revisions to the Audit Plan

1.1. The 2021/22 Audit Plan was approved by the Audit Committee on 29th April 2021.

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 / added to the plan is resourced by the deletion or deferral of the assessed lowest risk current plan items. Significant changes to the plan for the year are set out below.

1.2. The following audits have significantly increased in scope / time required:-

- North Bridge Stores Transformation Project – more time is required due to the extended timeline of the project
- Covid-19 Grants (non-business rates) – further time is required to that originally planned due to the number and size of the grants received to date

1.3. New significant pieces of work added to the workplan are:

- Suez Supplier Relief and Support - to provide assurance over the process in calculating the value of the relief and the checks and controls over the calculation and underlying evidence supporting the additional work incurred by the contractor.
- Local Area Delivery Grant – Grant Certification required by Central Government

1.4. Items of work removed from the plan are set out below;

- Safeguarding Adults – The service would not benefit from a review at this time due to an ongoing management review
- DCST Governance Review – This review is currently not required due to other governance review work taking place
- Disabled Facility Grant – This has been removed from the plan as no grant certification is required
- Street Lighting Costing / Billing Review - this has been deferred from the plan to resource the additional time for the North Bridge Stores Transformation Project and will be reassessed for 2022/23
- Homes and Community Agency (HCA) Audit – the HCA have confirmed that no audit is required this year
- Joint Procurement with St Leger Homes – review no longer required due to a change of procurement arrangements between Doncaster Council and St. Leger Homes

1.5. We continue to work with all relevant teams within the Council to ensure our plan throughout the year remains relevant and this work will also provide information to help shape the Internal Audit Plan for 2022/23. 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 July to September, the majority of our work has been on our routine and planned audits as well as resource intensive, ongoing, responsive work, both Covid and non-Covid related. Operationally and as previously reported, the majority of the teams work is being delivered virtually which carries both positive and negative implications. The team is part of the Pilot Scheme for the use of the Civic Office which may bring about some changes to working practices

2.2 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

2.3 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

2.4 Summary conclusions on all significant audit work completed July to September 2021 and any completed work not previously reported, are set out in **Appendix A**.

Audits providing 'limited' assurance opinions

2.5 There were no reports issued in the period with a limited assurance opinion.

Responsive Audit Work and Investigations

2.6 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. During this reporting period, we have continued to undertake work in support of the Authority response to the Covid-19 situation, although this continues to be considerably less than the previous periods. A summary of work carried out in this area will be set out in the Annual Fraud Report at the November 2021 committee.

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. 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 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.
- 3.4 This has continued to be a high priority area of work and we have worked extensively with management in this area. Management have implemented a number of actions which we have been able to agree as fully implemented. Where this has not yet been possible, we have continued working with management in agreeing appropriate revised timescales and any mitigations that might be put in place before full implementation. We have also agreed prioritisation of actions where possible i.e. with a view to mitigating higher risks at the earliest opportunity. Some revised dates have had to be extended to reflect the ongoing Covid-19 situation and other work prioritisations. Accordingly, this report records the current status in respect of outstanding and / or overdue actions.
- 3.5 There were a total of 37 actions (39 previous period) which were overdue i.e. that have passed their original agreed implementation date. A breakdown of these via Directorate is detailed in the table below. All these 37 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.
- 3.6 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 at 30/09/2021					Number of medium / lower risk level management actions overdue at 30/09/2021				
	At 29/09/ 2020	At 31/12/ 2020	At 11/4/ 2021	At 28/6/ 2021	At 30/09/ 2021	At 29/09/ 2020	At 31/12/ 2020	At 11/4/ 2021	At 28/6/ 2021	At 30/9/ 2021
Adults, Health & Wellbeing (AHWb)	0	0	0	0	0	4	3	3	2	1

Economy & Environment (EE)	4	4	4	3	3	31	31	31	27	25
Corporate Resources (CR)	1	0	0	0	0	17	12	12	7	8
Learning Opportunities, Skills & Culture	0	0	0	0	0	0	0	0	0	0
TOTAL	5	4	4	3	3	52	46	46	36	34

3.7 The main area where there has been significant delays is:

Trading Standards (Economy & Environment)

The first actions became overdue on 31/12/2019 and all actions were originally due to have been implemented by 30/06/2020. Delays are, in the main, due to the teams resources being needed to support the Covid-19 situation, which is still very much an ongoing issue. In addition to their existing responsibilities and workloads they are responsible for interpreting and enforcing ongoing changes in Covid related legislation and guidance and have a critical role in ensuring the safety of PPE for schools, care homes and all other users of PPE. Revised dates and actions for the major rated actions are set out in Appendix B and any available resource is being prioritised to address these areas. There are currently 24 actions awaiting implementation, of which 3 are high risk, 19 are medium risk and 2 are low risk level actions. Due to the ever developing Covid situation we have agreed further revised extensions with the incoming Assistant Director. Work is ongoing with the Head of Service to provide assurance over the seized goods held in the secure store by carrying out a stock check and reconciling these to underlying records to ensure that all goods are accounted for. We have agreed with service management that this is priority area to be progressed whilst their resources are currently so limited. Ongoing monitoring of their outstanding actions remains a priority and progress will be made where possible. The incoming Assistant Director has confirmed that service pressures due to Covid response prioritisation are being faced nationally and the implementation of audit recommendations will inevitably be impacted upon.

3.8 Any individual high risk level management actions that are not implemented in line with agreed timescales as well as number of lower level actions are reported as part of the Council's quarterly Performance Management Framework, as well as being routinely reported to Audit Committee. Additionally, regular reports are provided to Directorate Management teams and to the relevant Assistant Director who must also authorise any time extensions requested by their managers.

Directorate	No. of actions at 29/09/2020	No. of actions at 31/12/2020	No. of actions at 11/04/21	No. of actions at 30/06/2021	No. of actions at 30/09/2021
Adults, Health and Wellbeing	4	3	3	4	1

Economy & Environment	35	35	35	30	28
Corporate Resources	23	26	12	9	9
Learning Opportunities, Skills & Culture	0	0	0	3	0
TOTAL	62	64	50	46	37

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

3.10 Having undertaken a thorough review of the risk in this area, we have assessed the situation as satisfactory and 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 Minimal performance information was made during the last year due to the impact of Covid-19 on the audit plan. As stated in the Annual Report of the Head of Internal Audit, we are looking to develop more meaningful indicators with particular reference if possible to the “value added” aspect of our work. This is still work in progress and includes a “pulse” survey of our key customers which is set out further below

4.3 Key indicators are over the timeliness of the issue of draft and final reports and these have all been issued within target timescales.

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

The indicators are shown below along with current performance for the period July to September 2021:

Performance Indicator	Target	July to September 2021	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%
Percentage of Customer Satisfaction Surveys rated Satisfactory or above	90%	100%	+10%

Internal Audit Pulse Survey

- 4.5 In July 2021 Internal Audit issued a pulse survey to its key customers and stakeholders. This is just one component of Internal Audit's ongoing quality and assurance improvement programme. It will also be used to help inform the Strategy and Resource Review to be undertaken by the Head of Internal Audit in the coming months.
- 4.6 To ensure the process was swift and concise, only 5 key questions were selected with a choice of 6 ratings. The ratings were Excellent, Good, Adequate, Less than Adequate, Weak and poor, with the option to provide comments. The survey allowed for both quantitative and qualitative responses to be obtained. It was pleasing to note that we received a high response rate. Responses were received from 31/36 key customers / stakeholders surveyed giving an 86% response rate.

For each question a breakdown of the responses is set out in the table below:

Question	Excellent	Good	Adequate	Less than Adequate	Weak	Poor	Total Responses
1 - Audit Services - How important do you regard Internal Audit work to be?	54.8% 17	45.2% 14	9.7% 3	0.0% 0	0.0% 0	0.0% 0	31
2 - Audit Staff – How well have ‘we’ as a service performed?	64.5% 20	35.5% 11	0.0% 0	0.0% 0	0.0% 0	0.0% 0	31
3 - Audit Outcomes – How well does the audit work address your needs?	45.2% 14	51.6% 16	9.7% 3	0.0% 0	0.0% 0	0.0% 0	33*
4 - Audit Reporting – How clear, concise and factually correct are our audit reports?	48.4% 15	48.4% 15	3.2% 1	0.0% 0	0.0% 0	0.0% 0	31
5 - Customer Service – Do our services meet your needs?	48.4% 15	45.2% 14	6.4% 2	0.0% 0	0.0% 0	0.0% 0	31

- * 2 respondents provided 2 responses
- 4.7 It was rewarding to note that there were many positive and constructive comments, with many respondents making the same comments. For example:
- The audit team are 100% professional in their approach;
 - Methodical and ambassador's for the service
 - A supportive and knowledgeable service that goes beyond the norm
 - Excellent / positive / quality service – standards are consistent across the Team
 - Excellent critical friend
 - Flexible when needed
 - Responsive approach helpful engagement and awareness of service areas within directorate
 - Helpful and on hand to provide advice
 - Open and honest with feedback
 - Challenge service delivery
 - Timely, clear, concise, easy to follow reports
- 4.8 Importantly, also, it sets out some areas for potential development / improvement that have been drawn from the responses and these areas are captured within an Improvement Plan that the team are working on. These areas are:
- Join forces more with other teams to share intelligence / deep dives with other service areas
 - Follow –up process
 - Timing of audits
 - Resource review
 - Too helpful / responsive

External Quality Assessment

- 4.9 The Service is currently undergoing an External Quality Assessment in the form of a Peer Review by Rotherham Council's Head of Internal Audit against the United Kingdom Public Sector Internal Audit Standards. The outcome of this review will be reported to Audit Committee in January 2022.

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

- 4.10 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. Any changes to this situation will be reported at the first available opportunity to the Audit Committee.
- 4.11 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 2020/21. Additionally, work for 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 / Not Previously Reported

APPENDIX A

Audit Area	Assurance Objective	Final Report to Management.	Overall Audit Opinion	Summary of Significant Issues
LEARNING AND OPPORTUNITIES: CHILDREN & YOUNG PEOPLE				
Schools Financial Value Standard - Self Assessment Frameworks	Undertaking an independent review of the School's SFVS returns to ensure they are adequately completed by the schools and returned to the LA on time.	July 2021	Not Applicable -	No issues raised.
CORPORATE RESOURCES				
Core Financial Processes - Benefits	Ensure that the right benefits are paid to the right individuals at the right time.	September 2021	Substantial Assurance	No issues raised.
ECONOMY AND ENVIRONMENT				
Highways Grants - No 31/3693, No.31/3221 and No.31/3296	Confirm expenditure and that it is in keeping with conditions of the grant. Sign off the grant statement as true and fair as stipulated by the grant.	September 2021	Not Applicable – Grant Claim	Grant signed, no issues raised.
Local Area Delivery Grant	Confirm expenditure and that it is in keeping with conditions of the grant. Sign off the grant statement as true and fair as stipulated by the grant.	September 2021	Not Applicable – Grant Claim	Grant signed, no issues raised.
ADULTS HEALTH & WELLBEING				
Adult Social Care Fees and Charges	Provide advice and consultancy to those areas rolling out the charges	N/A – ongoing advice and	Not Applicable – Advisory Work	

Audit Area	Assurance Objective	Final Report to Management.	Overall Audit Opinion	Summary of Significant Issues
Implementation Support	to ensure that they are robustly delivered and that any associated risks are well managed.	support		
Troubled Families Grant - (July to September 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.

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
ECONOMY AND ENVIRONMENT						
Trading Standards and Food and Animal Safety RE Team Structure	<p>The Food and Animal Health team consists of 11 staff (2 vacant posts currently) all directly reporting to the Food and Animal Health Manager.</p> <p>The Trading Standards team consists of 22 staff all directly reporting to the Trading Standards Manager.</p> <p>These structures do not follow the HR Structure Review Policy and Procedure in terms of spans of control and are considered to be excessive.</p>	<p>Appropriate spans of control do not exist therefore the Managers are unable to support all staff adequately.</p> <p>The quality of work cannot be effectively reviewed with such minimal levels of supervisory time.</p>	<p>The Food and Animal Health and Trading Standards team structures will be reviewed to ensure appropriate spans of control exist to ensure Managers are able to fully support the staff within the teams.</p>	31/12/19	<p>31/03/24 30/06/24 30/09/24 31/03/22</p>	<p>The Trading Standards & Licensing structure has been revised to reduce the number of direct reports to the manager from 22 to 12 and this has been in effect for the past 6 months. Food Safety, Animal Health and Health and Safety direct reports remains at 15 and this has been the case for the past 6 years. Structure of Food Safety, Animal Health and H&S is under review – recruitment is underway for both permanent staff and consultants , although shortage of competent officers in the market place proving problematic. Vacancies have increased since initial audit. Once establishment populated move toward reducing spans can be completed</p>

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
Trading Standards and Food and Animal Safety Lone Working	<p>To ensure the welfare of staff when working alone, food staff have recently been reminded by email of the lone worker scheme. This scheme requires staff to ring in with their pin number to register onto the system as lone working. However, not everyone in the food team are registered and utilising the Lone Worker System.</p> <p>Given threats against staff and the nature of the work undertaken this is essential and its use should be enforced.</p>	<p>Staff may be in danger when working alone as no one knows their location or whether they should be expected back (and are therefore missing).</p>	<p>Management will ensure that all food staff are registered on the lone worker scheme.</p> <p>Management will check that staff are utilising the system and further remind staff of the importance of using the lone worker scheme and the process to follow.</p>	31/03/20	31/03/24 31/08/24 31/03/22	All officers are now on the lone working system and they use this when working alone – however this is rare given the ongoing Covid compliance issues. Most visits are in pairs until the return to business as usual when risk assessments will again be reviewed. Corporate security fob system will be implemented when finalised.

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
Trading Standards and Food and Animal Safety 28 day deadline	<p>All inspections should be completed within 28 days of their inspection due date. However, this target is never met and it is understood this situation is not unique to Doncaster and is common amongst other local authorities.</p> <p>The team however, do work in priority order and, therefore, higher risk premises will be inspected prior to the lower risk premises.</p> <p>Testing revealed that there are a number of inspections in the higher risk categories that are overdue. All Category A and B overdue inspections have now been</p>	Inspections not being completed in time resulting in criticism from the Food Standards Agency.	<p>Inspections will be allocated in plenty of time in order for staff to be able to plan their work to be able to complete inspections within the 28 day deadline of their due date.</p> <p>Priority will be given to any inspections becoming due (in particular higher risk categories) to ensure they are completed as soon as possible to their due date.</p> <p>Spot checks will be carried out to confirm that inspections are being allocated promptly to ensure deadlines are being met.</p>	30/04/20	31/03/24 30/06/24 30/09/24 30/11/21	Impact of Covid has meant the Food Standards Agency have now issued a Local Authority Recovery Plan for the period 1st July 2021 to 2023/2024. The guidance and advice aim to ensure that during the period of recovery from the impact of COVID-19, local authority resources are targeted where they add greatest value in providing safeguards for public health and consumer protection in relation to food. It also aims to safeguard the credibility of the Food Hygiene Rating Scheme (FHRS). The department has secured some funding to identify businesses that have registered over the last year and who are still trading. This project which ends 30th September will enable the back log of inspections of new businesses to be reduced and enable focus on high risk new businesses, to ensure inspection within 28 days.

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
	allocated to officers. It is noted that the Food and Animal Health team currently have 2 vacant posts and that this will have an impact on this work.		Performance reports that show this information will be circulated at team meetings.			

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Doncaster Council

Report

Date: 28th October 2021

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

PROGRESS REPORT ON NORTH BRIDGE STORES TRANSFORMATION PROJECT

EXECUTIVE SUMMARY

1. This report provides members a quarterly progress update on 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.
2. This is the second update on the activities that have commenced. The original assessment of the Stores function has identified work that is required in many cross-functional operational links which lead into and work to compliment the Stores function and this work is currently in progress. The work undertaken is Director led and the successful delivery of the project has senior management support and commitment.

EXEMPT REPORT

3. There are no exemptions in this report.

RECOMMENDATIONS

4. Audit Committee are asked to note the updates to the report and support the outlined approach.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

5. An efficient and effective Stores function will allow the Council to be able to support services to the people of Doncaster through our customer facing stores function in a timely way and at the best quality and price.

Full adherence to audit standards will provide financial protection and a stable and accurate stock management process.

BACKGROUND

6. There has been historic and cultural non-compliance to agreed operating procedures for several years, despite previous internal audits and agreed management actions that have not either been implemented or maintained when put in place.

The general operating processes of the Stores changed in early 2020 due to the pandemic and focus was necessarily aligned to the processing of Personal Protective Equipment that was required across the Borough. As a result of this and also due to other mitigating factors (such as the floods) there has been impact upon the day to day processes.

The service offered by Stores was identified as falling short of the necessary standards. This shortfall encompasses operating processes, product/supplier pricing and management, stock control, stock management/storage and invoice processing.

The lack of thorough stock control and systems management is compounded by the suitability of the physical buildings used for Stores – many of which are in a poor state of repair and also the work streams currently been carried out by the Stores team – some of which do not fall within the scope of the operating procedures and is due, in part to historical decisions.

The Stores function, based at North Bridge is a long-established operation. In late 2017 a new ordering and stock control system was introduced which was not successfully embedded into the daily operating processes with current day to day custom and practice is not fully aligned to the requirements of the new system.

To address the issues identified by Internal Audit a Stores Management Review was proposed to ensure longer lasting/sustainable improvements for the Stores function moving forward. This management review was implemented in May 2021.

The review has identified the key issues that are driving the shortfalls and a plan is now executed to correct the issues and operate Stores by the correct operating processes by the end of December 2021, with a further review period to assess wider service area impacts to take place until the end of March 2022. The review is also looking at the interactions of other service areas and processes that are involved with the entire Stores process, either as a customer or a stakeholder.

7. PROCESS GOVERNANCE

Given the previous history with lack of improvement a more focussed approach has been established to drive the delivery and provide assurance of the improvement project. Delivery of the North Bridge Stores review is overseen by a Transformation Board (as shown below) which monitors progress monthly against the activities identified from the Internal Audit review and subsequent Stakeholder Management monthly meetings. The Transformation Board is accountable to the Director of Economy & Environment for management reporting and service improvement and Audit Committee as part of the 2021/22 Audit Committee Work Programme.

Transformation Board meets monthly and representatives include:

- Assistant Director – Economy and Development
- Head of Service – Property
- Head of Service – Internal Audit
- Strategy and Performance Improvement Manager
- HR & OD Officer
- Other Heads of Service from SMM's by exception

Stakeholder Management meetings operate to both identify and address improvement activities, whether they fall within the Stores service or with the Stakeholder and to embed good practice and service improvement between the stakeholder and the Stores service.

The monthly Stakeholder Management meetings involve key stakeholders from:

- Procurement
- Transactional Processing
- Highways
- Metro Clean
- Professional Buildings Maintenance
- Streetscene
- HR

8. ACTIVITY

Since May 2021 considerable activity has been carried out to look into the feedback given by the internal auditors.

The Stores Transformation Project has identified key stakeholders within all of the work areas that impact, support or use the Stores function so that these issues can be fully investigated to allow a comprehensive understanding of the reasons why and the actions required to fix on a permanent basis.

This work includes stakeholders from across many functions in the Council. Stakeholders for Stores are customers from within the service areas that purchase goods via Stores and also staff that work within the associated areas such as Procurement, Transactional Processing and Finance who will manage the supplier contracts and the prices charged by the external suppliers from whom Stores purchase the items on behalf of the Council.

Information gathered and feedback collated has enabled the launch of an initial six-month plan which will run from July 2021 until December 2021 to bring operational concerns up to an acceptable standard. On-going works will then be undertaken to improve processes further once this initial establishing of basic processes and procedures has been implemented.

Full Standard Operating Procedures were issued when the new process was launched at the end of 2017 and these are currently being reviewed again and will be agreed by management ahead of re-implementation during October 2021, allowing improved management control of variances to the expected standards. This process is on schedule and individual operating procedures are being re-written utilizing involvement from several stakeholders.

A suite of Key Performance Indicators (KPI's) will be developed as part of this programme to provide both a baseline and a best practice operating standard for ongoing review and embedding as business as usual. These KPI's will be reported monthly once all operating procedures are identified and confirmed. The KPI's will be in place at the beginning of 2022.

There are many strands being worked on concurrently and these will pull together the overall success of the Stores operation and this is supported by a detailed project plan that includes tasks and responsibilities across all stakeholder groups.

The initial six month summary highlights the following key activities:

- Thorough clean, tidy and organisation of the physical Stores buildings to make best use of available space
- Labelling and identification of all stocks and locations
- Storage of all similar/related products in close proximity to ensure all stocks are available and are utilized
- Review of all supplier contracts and pricing/invoice agreements to ensure that we pay the agreed price and that invoice mis-matches are reduced to only the disputed lines and instances of supplier payments being delayed will be reduced
- Review of the product/supplier catalogue and products stocked to ensure all regular purchases are held within Stores to prevent teams purchasing directly themselves and paying a potentially higher price
- Review and agreement of operating procedures with training provided to bring all staff up to the required standards so that effective monitoring and management of the adherence to these procedures can be carried out
- Communication to the wider customer base to advise them on how the Stores function should and will operate - this will include emailing of processes and procedures being sent to all users to explain how the ordering process works
- Review of the processes used to manage non-stock items, including the implementation of a specific storage area and communication made to teams that purchase non-stock items to ensure the process is understood
- Full stocktake to be carried out at the end of September with detailed investigation of all variances before commencing a full adherence to all processes operation from the start of October.
- Monitoring and follow-up activity for all issues that arise after the stocktake to embed a culture of adherence. (Between October and the end of December feedback will be provided to managers for any teams or individuals who do not operate to the new procedures)

9. PROGRESS UPDATE

- The Stores Supervisor left the Council on October 1st 2021. The notice period for the post necessitated an adjustment of operational tasks due as part of the improvement programme and some tasks due for August and September were moved to October and November 2021.
- The key milestone of the initial period (July-Sept) was to complete a full stock count over the weekend of October 1st-October 4th. This stocktake was moved forward in the planned works to September 18th, to ensure that we had completed the stocktake before the Stores Supervisor departed. The stocktake was completed in September.
- The full stocktake was carried out after discussions with the Stores team to identify reasons for the issues that were reported at the last count. The team were made fully aware of the importance of ensuring that counts were completed accurately and any variances were thoroughly

investigated. To support this on-going work detailed variance reports will be checked and individual item variances will be further analysed to help resolve any potential long term stock issues.

- All necessary reports were submitted to audit which identifies the counts that were completed as part of the stock take process.
- The full variance analysis will be the first time that Stores will have this level of stock take investigation since the implementation of the new system in 2017 and represents a significant move forward for the team.
- Stocktake variances have revealed many negative and positive levels. This indicates that some stock reported at the last stock take in March 2021 was amended incorrectly and was not investigated properly at the time. Due to the on-going issues at the time, staff from other departments carried out the counts and some stocks were not counted correctly.
- The temporary Supervisor (who will be in place until the year end) has been thoroughly involved in the works that are required and is involved with re-aligning the actions required in this second phase of the works (October-December)
- Some layout alterations have been completed and all products stored have been labelled. The stocktake process and documentation has helped identify old and obsolete stocks which will now be removed to allow a more efficient storage of products.
- The thorough clean up and re-lay of Stores is currently on-going and will be completed by the new temporary Stores Supervisor who will be in place for the final quarter of the year.
- All similar type products have now been re-positioned into similar areas.
- The creation of a specific 'Goods In' and 'Goods Out' area has been identified and will be implemented in this phase.
- Work on Contract Management is on schedule in conjunction with Strategic Procurement with Managers identified for each supplier. Further work to define the roles and responsibilities of the Contract Managers is continuing.
- Monthly Stakeholder meetings have identified many areas of work that interact with the Stores function and through open and regular communication, we have been able to make significant operational improvements in these areas.
- Product pricing has now been added onto the system and pack size issues have been identified and forwarded to Finance for amendment. This work has now been done, and on-going pack size issues will be reported as they are discovered.
- All Operating Processes are being reviewed by managers and these reviews are taking place with key stakeholders in attendance to ensure acceptance in advance of forming the framework for Stakeholder Service Level Agreements. Progress has been good to date and the different needs of stakeholders is being included within the revised processes.
- Once the operating procedures are agreed, then they will be communicated out to all Stores users and training will be made available for any person that requires it. This communication will be made before the end of the year, to ensure the processes are embedded for the start of 2022.

Overall, the first three months of the initial six month phase have been impacted by the resignation of the Stores Supervisor. We have re-allocated works to a new temporary Supervisor and have completed a full and comprehensive stock take to ensure the best possible fresh start for the new role. At the date of reporting, activities planned for implementation by the end of the three month review period have progressed well.

Many of the physical layout and organisational tasks that were planned to be completed have been moved in the schedule to a time after the new temporary Supervisor is in position. Full recruitment for a permanent Stores Supervisor is on-going.

The priority of the works between July-Oct was to ensure we had a defining stock check completed – which we have achieved.

10. RISKS & ASSUMPTIONS

Risks associated with ‘do nothing’ or ‘unsuccessful project’ scenario:

Risk/issue	Outcome	Likelihood
Contracts with suppliers out of date	No agreements in place for stock Accounts could be placed ‘on hold’ and the supply chain could be compromised Reputation of the Council could be damaged	High
Pricing charged by suppliers is not checked	Council pays a higher price for stock than expected	High
Stocks held are not matched to customer needs	Stocks held become obsolete. Internal customers purchase stock from outside Stores	High
Physical storage areas not organised and clean	Stock is damaged, not counted, misplaced or stolen	Medium
Staff not fully trained on IT systems	Council does not benefit from processes and reporting functions that are available to make Stores more efficient	High
Operating Procedures not used	Impacts on all of the above and prevents accountability	High
Regular communications between Stores and internal customers	Lack of communications means that minor issues become significant problems	Medium

If the Stores function does not function effectively, residents of the borough would be impacted because many of our internal services (such as Highways, Streetscene, etc.) use materials purchased and supplied to them by Stores. If they are unable to obtain such material in a timely manner, then this will impact on the borough. This was highlighted during a recent Covid alert which resulted in Stores being closed for a day.

Failure to manage contractors and pricing of materials being bought into Stores will risk additional costs to the Council.

11. LEGAL IMPLICATIONS [Officer Initials - SRF Date 14.07.21]

There are no specific legal implications arising from this report. Legal advice can be provided in relation to any matters raised by the Committee.

12. FINANCIAL IMPLICATIONS [Officer Initials JC Date 16/07/21]

The financial implications of this report are not quantifiable, failure to implement the audit actions could result in:

- Customers being under/over charged resulting in fluctuations within the stores budget.
- Council not receiving the correct price/best value from suppliers.
- Stock being written off due to obsolescence or damage.
- The financial impact of the full stock take should be reviewed at the end of October to identify any impact on the service budget for 21/22.

The report also questions the suitability of the stores building and identifies the building is in need of repair. The nature, value and urgency of the works should be considered and if additional resources are required these should be requested through either the revenue or capital budget setting process. If there is an intention to undertake capital works the scheme should be outlined and included on the Council's pipeline of capital schemes for consideration.

13. HUMAN RESOURCES IMPLICATIONS [Officer Initials AA Date 16/07/2021]

There are no direct HR Implications in relation to this report, but continuation of consultation with HR via the board transformation meetings will still be required. If in future staff are affected or additional specialist resources are required, then further consultation will need to take place with HR.

14. TECHNOLOGY IMPLICATIONS [Officer Initials - PW Date 14/07/21]

There are no specific technology implications in relation to this progress report

15. HEALTH IMPLICATIONS [OFFICER INITIALS – RS DATE 15/07/2021]

The safe and effective operating of Stores is important to protecting the health and wellbeing of the workforce. The pandemic and the need for an effective process to manage Personal Protective Equipment (PPE) is a case in point. The activities identified in this report should improve the performance of the service area. Committee members will want to ensure that these activities do not widen or cause any inequalities.

16. EQUALITY IMPLICATIONS [Officer Initials - IK Date 14/07/21]

In line with the corporate approach for compliance against the Equality Act 2011 due regard must be shown across all activity within the Council. After considering the equality implication for the Stores Transformation Project none have been identified so a full due regard assessment was not required.

17. CONSULTATION

The project has consulted a broad group of stakeholders to ensure that feedback is as wide ranging as possible. The Board was implemented in May 2021 to oversee the decisions. The Board includes Assistant Director and Head of Service level individuals and this meets monthly. To support this, there are fortnightly or monthly stakeholder meetings that include representatives from Procurement, Transactional Processing, Finance and also key service areas including Streetscene, PBM, Highways and Metro Clean in addition to the Stores Supervisor.

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

The following acronyms and abbreviations are used above:

- SMMM's – Stakeholder Management Meetings
- SOP – Standard operating procedures
- IT – Electronic support systems
- PPE – Personal protective equipment
- KPI's – Key Performance Indicators

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Doncaster Metropolitan Borough Council Audit Progress Report and Sector Update

Year ending 31 March 2021

11 October 2021



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Introduction

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

The paper also includes:

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

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

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

Progress at 11 October 2021

Financial Statements Audit

We undertook our initial planning for the 2020/21 audit in February 2021, and interim audit in July and August. We began our work on your draft financial statements during September.

In July we issued a detailed Audit Plan, setting out our proposed approach to the audit of the Authority's 2020/21 financial statements.

Members of the Audit Committee will be familiar from previous discussions regarding the challenging nature of the availability of specialist public sector external audit staff, and the volume of local authority audits which continued after last year's target date of completion of 30 November 2020. This background coupled with the impact of Covid-19 remote working and the need to prioritise our NHS clients given their earlier audit deadline of June 2021, means that we are behind in our local authority work compared to our normal timings and profile of delivery.

We have noted that MHCLG has set an indicative date of 30 September 2021 for audited local authority accounts. Given the context set out above, we believe this is highly unrealistic for 2020-21 audits (but as a firm we are fully supportive of this in a 'normal' year). We are proposing to target completing our audit fieldwork on your accounts and signing our audit opinion by 30 November. There are no financial or reputation issues arising from having your accounts signed after the 30 September.

As part of the audit of the 2020-21 financial statements, our Technical Team is undertaking a 'Hot Review' of the draft financial statements to consider the content and presentation of your draft accounts with appropriate technical standards and guidance. The aim to further enhance your draft financial statements.

We continue to meet on a weekly basis with the finance team to consider progress on the audit and remain on track to complete the audit by 30 November, subject to no material issues arising. A summary of our interim audit findings are included on pages 7 and 8.

Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue the Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. The extended deadline is now no more than three months after the date of the opinion on the financial statements. We expect to issue our Auditor's Annual Report during January 2022. We wrote to the Audit Committee on this matter in late September.

To progress the new approach to value for money work, we have been engaging with Council Officers in each of the three value for money areas, financial sustainability, governance and improving economy, efficiency and effectiveness.

Progress at 11 October 2021 (cont.)

Other

Meetings

We continue to meet with senior officers including the Chief Financial Officer and the Director of Corporate Resources as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in June to discuss the Authority's strategic priorities and plans.

Events

We provide a range of workshops, along with network events and publications to support the Council. Your officers attended our Financial Reporting Workshop earlier in the year, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

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

Audit Deliverables

2020/21 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.	July 2021	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	October 2021	Complete (Included within this report)
Audit Findings (ISA260) Report The Audit Findings Report will be reported to the November Audit Committee.	26 November 2021	Not yet due
Auditors Report This is the opinion on your financial statements.	30 November 2021	Not yet due
Auditor's Annual Report This Report communicates the key issues arising from our Value for Money work.	January 2022	Not yet due

Results of Interim Audit Work

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

Audit area	Work performed	Conclusions and recommendations
Internal audit	We have considered internal audit's work on the Authority's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.	Our consideration of internal audit work has not identified any weaknesses which impact on our audit approach.
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements, including: <ul style="list-style-type: none">• Communication and enforcement of integrity and ethical values• Commitment to competence• Participation by those charged with governance• Management's philosophy and operating style• Organisational structure• Assignment of authority and responsibility• Human resource policies and practices	Our work has identified no material weaknesses which are likely to adversely impact on the Authority's financial statements.
Review of information technology controls	Our information systems specialists performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. Whilst this work remains on-going, IT controls reviewed were observed to have been implemented in accordance with our documented understanding.	Our work to date has identified no material weaknesses which are likely to adversely impact on the Authority's financial statements. We will report our findings from the IT in the Audit Findings (ISA260) Report in November.

	Work performed	Conclusions and recommendations
Walkthrough testing	<p>We have completed walkthrough tests of the Authority's controls operating in areas where we consider that there is a significant risk of material misstatement to the financial statements, including valuation of land and buildings, the valuation of the net pension liability and the process for manual journal entries.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Authority in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.
Journal entry controls	<p>We have reviewed the Authority's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Authority's control environment or financial statements.</p>	Our work has not identified any weaknesses which impact on our audit approach.

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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

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

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

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

Public Sector

Local
government

The new approach to Value for Money

The nature of value for money work

Section 20 and 21 of the Local Audit and Accountability Act 2014 (the Act), require auditors to be satisfied that the body “has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources”. The auditor’s work on VFM arrangements is undertaken in accordance with the Code and its supporting statutory guidance. The Comptroller and Auditor General has determined through the 2020 Code and guidance that the key output from local audit work in respect of VFM arrangements is the commentary as reported in the Auditor’s Annual Report. It is therefore not a VFM arrangements ‘conclusion’ or an ‘opinion’ in the same sense as the opinion on the financial statements themselves. The Act and the Code require auditors to consider whether the body has put in place ‘proper arrangements’ for securing VFM. The arrangements that fall within the scope of ‘proper arrangements’ are set out in ‘AGN 03 Auditors’ work on VFM arrangements’, which is issued by the NAO. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria:

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services, including how the body:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them; plans to bridge its funding gaps and identifies achievable savings; plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;

- ensures that 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; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Governance

How the body ensures that it makes informed decisions and properly manages its risks, including how the body:

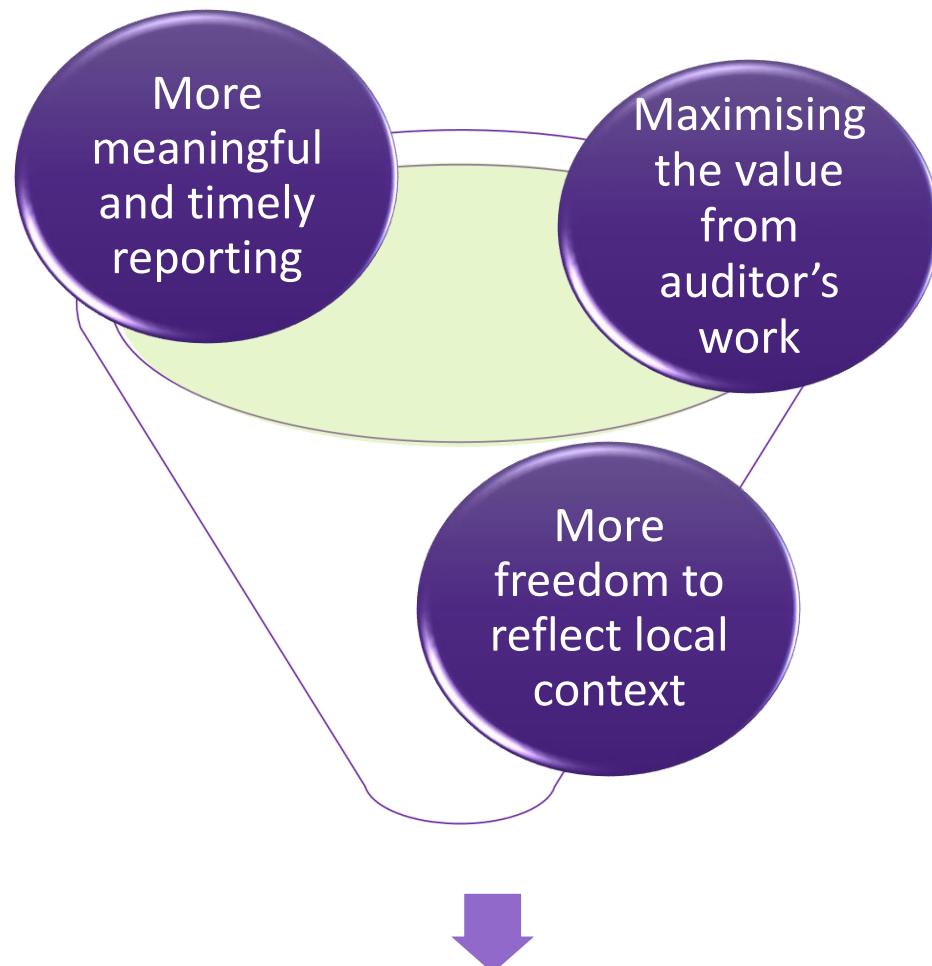
- monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- 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; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The new approach to Value for Money

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the body evaluates the services it provides to assess performance and identify areas for improvement;
- how the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.



VFM arrangements commentary and recommendations

The new approach to Value for Money

The table below details what will be reported in the Auditor's Annual Report:

Section of report	Content
Commentary on arrangements	An explanation of the VFM work that has been undertaken during the year, including the risk assessment and any further risk-based work. It will also highlight any significant weaknesses that have been identified and brought to the body's attention. The commentary will allow auditors to better reflect local context and draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the body itself.
Recommendations	Where an auditor concludes that there is a significant weakness in a body's arrangements, they report this to the body and support it with a recommendation for improvement.
Progress in implementing recommendations	Where an auditor has reported significant weaknesses in arrangements in the previous year, the auditor should follow up recommendations issued previously and include their view as to whether the recommendations have been implemented satisfactorily.
Use of additional powers	Where an auditor uses additional powers, such as making statutory recommendations or issuing a public interest report, this should be reported in the auditor's annual report.
Opinion on the financial statements	The auditor's annual report also needs to summarise the results of the auditor's work on the financial statements.

The table below details the three types of recommendations that auditors can make. Auditors may make recommendations at any time during the year.

Type of recommendation	Definition
Statutory recommendation	Where auditors make written recommendations to the body under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014. A recommendation of this type requires the body to discuss and respond publicly to the report.
Key recommendation	Where auditors identify significant weaknesses in a body's arrangements for securing value for money, they have to make recommendations setting out the actions that the body should take to address them
Improvement recommendation	Where auditors do not identify a significant weakness in the body's arrangements, but still wish to make recommendations about how the body's arrangements can be improved

Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs [UK]) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of the Authority we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end provisions and accruals
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 and level 3 financial instruments.

The Authority's Information systems

In respect of the Authority's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Authority uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Authority (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management addresses this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to include:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

How can you help?

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquires are completed by management and confirmed by those charged with governance at an Audit Committee meeting. For our 2020/21 audit we will be making additional enquires on your accounting estimates in a similar way (which will cover the areas highlighted above). We understand management responses to our enquiries will be considered by the Audit Committee at its meeting on 28 October 2021.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Insight into accounting for grants in local government financial statements – Grant Thornton

The government has provided a range of financial support packages throughout the COVID-19 pandemic.

We have issued a brief bulletin aimed at helping local government bodies identify the key things they should consider when determining the accounting treatment for these grants in their financial statements for 2020/21.

There are no changes to the accounting treatment for grants as required by the CIPFA Code of Practice on Local Authority Accounting. What has changed, is the extent of additional funding to support the cost of services, to offset other income losses along with grant packages to be paid out to support local business. Local authorities need to consider the nature and terms of the various COVID-19 measures in order to determine whether there is income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement in 2020/21.

The report highlights the factors to consider, including:

- Where the funding is to be transferred to other parties, is the authority acting as principal or as agent?
- Are there grant conditions outstanding?
- Is the grant a specific or non-specific grant?

Our bulletin provides you with links to further information on the various support packages and summarises features that may be relevant to your judgements as you determine the appropriate accounting treatment.

Local authorities need to demonstrate their judgements on the accounting treatment to be reasonable and soundly based and, where these have a significant effect on the accounts, to ensure they include sufficient disclosures to meet the requirements of IAS 1:122.

Please ask Perminder for the full report:



What can be learned from Public Interest Reports? – Grant Thornton

2020 will be remembered as a tumultuous year in local government, with the pandemic creating unprecedented pressure on the sector. It also saw the appearance of two Public Interest Reports (PIRs), followed by another in January this year – the first to be issued in the sector since 2016. PIR's can be issued by local auditors if there are significant concerns around council activity, such as major failings in finance and governance.

The recent PIRs have made headlines because, up to this point, very few have ever been issued. But, as our latest report “Lessons from recent Public Interest Reports” explores, all three illustrate some of the fundamental issues facing the wider sector and provide a lesson for all local authorities around: weaknesses in financial management; governance and scrutiny practices; and council culture and leadership; which, when combined, can provide fertile ground for the kind of significant issues we might see in a PIR.

The COVID-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

- 1) Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.
- 2) Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.

- 3) Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.
- 4) Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The PIRs at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. Local authorities have a variety of different governance models. These range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models. However, in the recent PIR cases, and for many other local authorities, it's less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.

There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which are explored further in our report:

- 1) The context of local government in a COVID-19 world
- 2) Governance, scrutiny, and culture
- 3) Local authority leadership.

The full report is available here:

[Lessons from recent Public Interest Reports | Grant Thornton](#)

Annual Transparency Report – Grant Thornton

As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

The transparency report provides details of our:

- Leadership and governance structures
- Principle risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



Transparency report

Grant Thornton UK LLP year ending 31 December 2020

April 2021

The full report is available here:

[Transparency report 2020 \[grantthornton.co.uk\]](https://www.grantthornton.co.uk)

Local government finance in the pandemic – National Audit Office

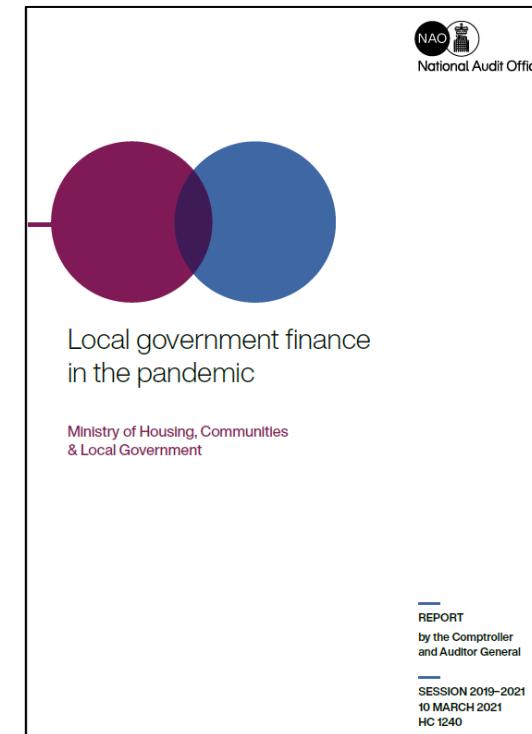
The National Audit Office (NAO) report, published in March, notes “The COVID-19 pandemic has been an unprecedented public health and economic emergency. Local authorities in England have made a major contribution to the national response to the pandemic, working to protect local communities and businesses, while continuing to deliver existing services. The pandemic has in turn placed significant pressure on local authorities’ finances, which in many cases were already under strain going into the pandemic.”

The NAO report examines if the Department’s approach to local government finance in the COVID-19 pandemic enabled it to assess and fund the costs of new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector.

The NAO report concludes “Steps taken by the government, led by the Department, have supported local authorities in the COVID-19 pandemic response. The Department’s successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector has averted system-wide financial failure at a very challenging time and means that the Department has managed the most severe risks to value for money in the short term.”

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020-21 year-end budgets. Despite continuing support into 2021-22 the outlook for next year is uncertain. Many authorities are setting budgets for 2021-22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.”

The NAO report found that “the combined impact on spending and non-tax income in 2020-21 is £9.7bn – equivalent to 17.6% of revenue expenditure. So far the government has announced £9.1bn of financial support, leaving a deficit of £605m.”



The full report can be obtained from the NAO website:

[Local government finance in the pandemic - National Audit Office \(NAO\) Report](#)

Local authority Covid-19 pressures – MHCLG

Outturn figures from the Ministry for Housing, Communities and Local Government (MHCLG) show that local authorities in England reported additional financial pressures of £12bn relating to Covid-19 in 2020-21. Overall, local authorities spent £6.9bn responding to the pandemic last year, with the largest share of additional expenditure going on adult social care services at £3.2bn.

Additional expenditure due to COVID-19 by class and service area (£ millions) (2020-21)						
	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Adult Social Care – total	0.473	1,254.880	848.656	663.404	413.842	3,181.254
Children's social care - total (excluding SEND)	0.000	94.933	131.127	89.799	62.987	378.846
Housing - total (including homelessness services) excluding HRA	63.129	5.254	74.949	42.281	112.971	298.584
Environmental and regulatory services - total	33.564	68.097	67.512	66.704	63.556	299.433
Finance & corporate services - total	48.222	53.445	83.984	76.923	78.284	340.858
All other service areas not listed in rows above	184.550	634.578	584.924	564.737	395.137	2,363.926
Total	329.937	2,111.187	1,791.153	1,503.848	1,126.777	6,862.902



The figures are available in full here:
<https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

	Income losses due to COVID-19 by class and source of income (£ millions) (2020-21)					
	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Business rates	276.498	0.000	194.192	207.351	537.667	1,215.708
Council tax	399.037	0.000	217.633	191.219	232.727	1,040.616
Sales fees and charges	516.426	194.923	553.907	396.745	475.728	2,137.728
Commercial income	82.448	24.159	120.629	204.211	52.154	483.600
Other	33.494	39.947	27.163	53.664	45.166	199.435
Total	1,307.903	259.029	1,113.524	1,053.190	1,343.441	5,077.087

CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management, providing a common understanding within a council of their financial position.

The Index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA over the past five seven years, public consultation and technical stakeholder engagement.

Section 151 officers may also use the index in their annual report to the council setting out the proposed budget for the year and medium-term financial strategy.

While the impact of COVID-19 resulted in a delay to the publication of the index, it is still able to provide a comprehensive pre-COVID baseline, illustrating the financial resilience of authorities as they entered the pandemic."

CIPFA found that "there was a real-terms reduction of £800m in the level of reserves in 2020 compared with the previous year. At the end of March 2020 council reserves levels stood at £24.6bn, around 3% lower than £25.4bn recorded at the same period in 2019."

CIPFA note "The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."



The Financial Resilience tool is available on the CIPFA website below:

<https://www.cipfa.org/services/financial-resilience-index-2021?crdm=0>

Good practice in annual reporting – National Audit Office

The National Audit Office (NAO) state that the guide, launched in February, “Sets out our good practice principles for good annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance

The NAO also state that the guide “provides further examples where bodies have made their context more understandable to the reader through use of graphics and clear language and signposting.”

However, The NAO observe “Done well, reporting in the public sector enables the public and Parliament to understand – with ease and confidence – an organisation’s strategy and the risks it faces, how much taxpayers’ money has been spent and on what, and what has been achieved as a result.”

Further, the NAO note “The significant impacts of the pandemic emerged in the UK in mid-March 2020. This means that, for many organisations, the reporting impact will be greater in 2020-21 than in the prior year. Transparent annual reporting will help stakeholders understand the impact of COVID-19 on an organisation’s strategy, plans and operational and financial performance.”



The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/good-practice-in-annual-reports-february-2021/>

Government response to Redmond review – MHCLG

Government has published an update on the Ministry of Housing, Communities & Local Government response to Sir Tony Redmond's independent review into the effectiveness of external audit and transparency of financial reporting in local authorities.

The MHCLG press release states "The Audit, Reporting and Governance Authority (ARGA) – the new regulator being established to replace the Financial Reporting Council (FRC) – will be strengthened with new powers over local government audit, protecting public funds and ensuring councils are best serving taxpayers.

The new regulator, which will contain a standalone local audit unit, will bring all regulatory functions into one place, to better coordinate a new, simplified local audit framework.

ARGA will continue to act as regulator and carry out audit quality reviews as the FRC does now. It will now also provide annual reports on the state of local audit and take over responsibility for the updated Code of Local Audit Practice – the guidelines councils are required to follow.

The government has confirmed that the Public Sector Audit Appointments (PSAA) will continue as the appointing body for local audit, in charge of procurement and contract management for local government auditors.

On the immediate term, MHCLG will set up and chair a Liaison Committee, which will comprise senior stakeholders across the sector that will oversee the governance of the new audit arrangements and ensure they are operating effectively."

The press release goes on to state the "measures finalise the government's response to Sir Tony Redmond's independent review into local audit, carried out last year.

The government has already announced £15 million to support councils with additional costs in audit fees, and recently consulted on the distribution of this funding. Government is also consulting on improving flexibility on audit fee setting and has extended the deadline for when councils must publish their audited accounts.



The press release can be found here:

<https://www.gov.uk/government/news/government-publishes-update-to-audit-review-response>

2019/20 audited accounts – Public Sector Audit Appointments

In December 2020 Public Sector Audit Appointments (PSAA) published figures relating to the audit of 2019/20 local authority financial statements.

PSAA report “Audit arrangements in local councils, police, fire and other local government bodies are continuing to exhibit signs of stress and difficulty. In the latest audit round, focusing on 2019/20 financial statements and value for money arrangements, fewer than 50% of bodies’ audits were completed by the revised target of 30 November.

Figures compiled by PSAA, the organisation responsible for appointing auditors to 478 local bodies, reveal that 55% (265) of audit opinions were not issued by 30 November. This is a further deterioration on 2018/19 audits when 43% of opinions (210 out of 486) were delayed beyond the then target timetable of 31 July.”

By 30 November, Grant Thornton had signed 113/208 audits (a 55% completion rate), meaning that only 45% of audit opinions were not signed by 30 November, compared to the 55% all firms average.

PSAA go on to note “This year’s timetable has been deliberately eased by Ministers in recognition of the underlying pressures on the audit process and the significant added complications arising from the Covid-19 pandemic. The pandemic has posed practical challenges for bodies in producing accounts and working papers, and for auditors to carry out their testing. Both sets of staff have had to work remotely throughout the period, and the second national lockdown came at a critical point in the cycle.

Questions and concerns about the potential implications of the pandemic for some bodies have meant that both finance staff and auditors have needed to pay particular attention to the financial position of each entity. Additionally, following a series of increasingly challenging regulatory reviews, auditors have arguably been more focused than ever on their professional duty to give their opinion only when they are satisfied that they have sufficient assurance.”



The news article can be found here:

[News release: 2019/20 audited accounts – PSAA](#)

Consultation on 2023-24 audit appointments – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) is consulting on the Draft prospectus for 2023 and beyond.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and
- establishing arrangements that are able to evolve in response to changes to the local audit framework.”

The plans include proposals to adjust the procurement ratio between quality and costs from an equal 50:50 to 80:20, as well as trying to bring new suppliers in to the market.

The consultation on the PSAA’s proposals closes on 8 July.



The news article can be found here:

<https://www.psaa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/prospectus-2023-and-beyond/draft-prospectus-for-2023-and-beyond/page/7/>

Councils given power to build more homes for first time buyers and for social rent – MHCLG

The Ministry of Housing, Communities & Local Government (MHCLG) has announced that councils in England will have more freedom on how they spend the money from homes sold through Right to Buy to help them build the homes needed in their communities.

The MHCLG press release states the “package will make it easier for councils to fund homes using Right to Buy receipts, including homes for social rent, and give them greater flexibility over the types of homes they provide to reflect the needs of their communities.

It will also give councils more time to use receipts and to develop ambitious building programmes. The government wants homes supplied using Right to Buy receipts to be the best value for money, and to add to overall housing supply, to help towards delivering 300,000 new homes a year across England by the mid-2020s.”

The press release goes on to note “New measures include:

- extending the time councils have to spend Right to Buy receipts from 3 years to 5 years
- increased cap on the percentage cost of new homes councils can fund from Right to Buy receipts raised from 30% to 40% per home, making it easier to build replacement homes
- allowing receipts to be used for shared ownership, First Homes, as well as affordable and social housing, to help councils build the homes their communities need
- introducing a cap on the use of Right to Buy receipts for acquisitions to help drive new supply.”



The press release can be found here:

<https://www.gov.uk/government/news/councils-given-power-to-build-more-homes-for-first-time-buyers-and-for-social-rent>

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Doncaster Council

Report

28th October 2021

To the Chair and Members of the AUDIT COMMITTEE

INTERNAL AUDIT STRATEGY AND INTERNAL AUDIT CHARTER

EXECUTIVE SUMMARY

1. The Committee is asked to consider the attached Internal Audit Strategy and the terms of reference for Internal Audit, which are set out in the Internal Audit Charter. The Committee has responsibility for considering the Internal Audit terms of reference.
2. The Strategy and Charter were reviewed in July 2017 in order to take into account the significant changes to Internal Audit Standards and recommendations made in the peer review carried out by Kirkless Council in 2017. Since then, the documents have been fully reviewed and updated on an annual basis to take into account changes required, primarily through the latest guidance issued in the form of an Application Note from CIPFA. This year a full in depth review has been undertaken to take into account current changes in the way the team is operating and ways of working and sets out the strategy for the period 2021-2024. The Strategy has been produced to meet the evolving needs of the Council and will continue to be revised to complement the digital, innovative and intelligence led organisation that it is striving to be.

EXEMPT REPORT

3. The report does not contain exempt information.

RECOMMENDATIONS

4. The Committee is asked to:
 - Approve the Internal Audit Strategy for the period 2021-2024.
 - Approve the Internal Audit Charter.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

5. Regular reviews of the Internal Audit Charter and Strategy ensures the service has considered the service it is offering to the Council and is operating to best current professional practice. The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council and its partners, which add value to the authority and citizens of Doncaster. It also enhances and protects organisational value in line with the mission of Internal Audit as set out in its professional standards.

BACKGROUND

INTERNAL AUDIT STRATEGY

6. The overall strategic direction of the Council's Internal Audit Service for 2021-2024 is set out within the Internal Audit Strategy. The Strategy has been reviewed in line with the requirements of the UK Public Sector Internal Audit Standards and current best practice and has been updated to reflect current practices. No key changes were required to the Strategy due to the changes previously made in 2017 that were required in order to comply with the 2017 Standard changes.
7. The Internal Audit Strategy supports the delivery of the Corporate Plan, focusing on enhancing and protecting organisational values, improving the effectiveness of risk management, control and governance processes. The unprecedented circumstances of the coronavirus pandemic have shaped the stance for 2021/22 and future ways of working. Existing Council risks have changed during the pandemic forcing them to be considered and viewed differently. This led to rapidly evaluating what Internal Audit could deliver in 2020/21, frequently revisiting agreed audit priorities and plans with managers to determine new key priorities. By exploiting this agile approach, we were able to provide real time assurance that was targeted at the risks of greatest concern.
8. The strategy for 2021/22 and going forward is to accelerate this approach by exploiting this more agile, nimble and quick approach indefinitely; continuing to be forward-looking, proactive and continuing to work as closely with the Council as possible, in order to understand its risks and needs. This independent, agile and flexible approach provides for insight as required by our professional standards into the Council and its risks during what is considered to still be a challenging period for the Council. This audit strategy drives the internal audit plan for 2021/22 and beyond.

INTERNAL AUDIT CHARTER

9. The Internal Audit Charter sets out the Terms of Reference for the Internal Audit Service. The Internal Audit Charter must comply with the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) and be consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for Professional Practice of Internal Auditing, the Code of Ethics and the Definition of Internal Auditing). The Charter also confirms the authority and responsibility conferred by the Council on its Internal Audit Section with respect to carrying out its agreed functions.

10. There are three new sections added to the Charter these are detailed below:

- a. Agile Audit Approach: Whilst we have for many years operated in a flexible and customer focused manner, we are focusing on adopting and embedding an ‘agile-audit’ approach. The main differences being flexibility and to help the Council look forward and address issues that could affect performance. We have a core focus on collaboration and communication between the Audit team and all stakeholders throughout the entire process and experience. While audit quality is always a key driver and consideration, the priority is on speed and efficiency. The benefit of this approach allows a clear direction and ongoing communications, which results in a collaborative / iterative approach by continually reviewing and assessing our audit plans. This approach focuses on individuals and interactions and accelerates the delivery of insight. We will continue to develop this approach during the period of the strategy and learn best practice from others.
- b. Agile Audit Plans - An agile auditing planning approach is in operation, which provides flexibility. Instead of rigid, single-phase planning, agile auditing centres around fluid, iterative planning on an ongoing basis. The elastic planning cycle of agile audit allows for the prioritisation of tasks based on risks and the Council’s needs.
- c. Assurance Services provided by External Parties - Internal Audit have commissioned specialist IT audit services from a Local Authority Internal Audit Team who have produced an IT Audit Needs Assessment. The outcome from this is incorporated into future internal audit plans. Some of the IT audits are delivered by the contracted Local Authority Internal Audit Team to provide addition capacity and benefit from the specialist expertise.

OPTIONS CONSIDERED

11. Not Applicable – for information only

REASONS FOR RECOMMENDED OPTIONS

12. Not Applicable – for information only

IMPACT ON THE COUNCIL’S KEY OUTCOMES

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

	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	

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

	<p>aspirations of residents</p> <ul style="list-style-type: none"> • Building community resilience and self-reliance by connecting community assets and strengths • Working with our partners and residents to provide effective leadership and governance 	
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RISKS AND ASSUMPTIONS

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

LEGAL IMPLICATIONS (SF 15/07/21)

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

FINANCIAL IMPLICATIONS [ST 15/07/21]

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

HUMAN RESOURCES IMPLICATIONS [RH 19/07/21]

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

TECHNOLOGY IMPLICATIONS [PW 15/7/21]

18. There are no specific technology implications in relation to this report. As outlined in the body of the report, an IT Audit Needs Assessment has been produced and incorporated into future internal audit plans.

EQUALITY IMPLICATIONS [PJ 20/07/21]

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

HEALTH IMPLICATIONS [RS 14/07/21]

20. Good governance is important for healthy organisations and for healthy populations. The audit strategy and charter demonstrate this. Specific health implications should be addressed through individual audits and action plans.

CONSULTATION

21. This report consults with members of the Audit Committee over the Internal Audit Strategy and Internal Audit Charter for the period 2021-2024.

BACKGROUND PAPERS

22. The United Kingdom Public Sector Internal Audit Standards.

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**DONCASTER COUNCIL
INTERNAL AUDIT SERVICES**

INTERNAL AUDIT STRATEGY 2021 to 2024



1. Introduction

Doncaster's Borough Strategy sets out the joint vision of the council and its partners in Team Doncaster, framed around six wellbeing goals which seek to balance the wellbeing of people and places with the wellbeing of the planet that connect the collective effort to ensure quality of life improvements are shared by all residents and communities.

The council's purpose is "To enable Doncaster and its people to thrive. We will ensure that value for money is at the heart of everything we do." To achieve this, the council's Corporate Plan sets the direction for the council, details the vision, objectives and the things we must focus on to ensure we are a connected Council that is ready for the future. It is the council's contribution to the Borough Strategy.

The Internal Audit Strategy supports the delivery of the Corporate Plan, focusing on enhancing and protecting organisational values, improving the effectiveness of risk management, control and governance processes.

The unprecedented circumstances of the coronavirus pandemic have shaped the stance for 2021/22 and future ways of working. Existing Council risks have changed during the pandemic forcing them to be considered and viewed differently. This led to rapidly evaluating what Internal Audit could deliver in 2020/21, frequently revisiting agreed audit priorities and plans with managers to determine new key priorities. By exploiting this agile approach, we were able to provide real time assurance that was targeted at the risks of greatest concern.

We will continue to face increasing demands to improve performance whilst striving for greater value for money and delivering significant savings across the Council. We need to be more adaptable, agile and capable of moving resources to meet the changing needs of our communities. This Internal Audit Strategy sets out how we will accelerate and embed the agile auditing approach, continuing to be forward-looking, proactive and prioritised in accordance with our risks and needs. We will utilise our resources astutely to balance the managing of immediate, short and long-term assurance needs.

This independent, agile and flexible approach provides for insight, as required by our professional standards, into the Council and its risks during what is considered to still be a challenging period for the Council.

2. Main Drivers in Direction Setting

The work of the Internal Audit team is driven by our priorities and risks, responding to a number of needs, some of a statutory nature and some arising from within the Council itself. In summary, the main service drivers are:

1 The corporate responsibilities for Section 151 of the 1972 Local Government Act and the requirement to provide assurance and support to the appointed Section 151

2 The Accounts and Audit (England) Regulations 2015.

3 The requirement to meet the service scope and standards set out in the United Kingdom Public Sector Internal Audit Standards (UKPSIAS), which came into force on the 1st April 2013 and as updated in March 2016 and March 2017.

4 The dependencies of the External Auditor on the internal audit function.

5 The achievement of the Council's wellbeing goals and objectives set out in the Corporate Plan

6 Continuing to meet the needs of internal and external customers

7 The contributory role in assisting in the embedding and informing of risk management across the Council.

8 Ensuring value for money is at the heart of everything we do

9 The need for the council to maintain both an effective counter-fraud culture and counter-fraud and corruption arrangements.

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

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

Reg 5 (1)

“ conduct a review of the effectiveness of the system of internal control ”

Reg 6 (1) (a).

The UKPSIAS now provides a Mission Statement for Internal Audit, which articulates what internal audit aspires to accomplish within an organisation

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

The UKPSIAS provides a new definition of Internal Audit:

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

Further drivers in direction setting is ensuring compliance with UKPSIAS ‘Core Principles for the Professional Auditing’ These are achieved through individual auditors and the audit function working to the defined standards set out within UKPSIAS. The Core Principles are:

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

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

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

- Fully understand the Council, its needs and objectives
- Understand its position with respect to the other sources of assurance and plan its work accordingly.
- Be seen as a catalyst for change at the heart of the Council, constantly seeking and suggesting opportunities for improvements
- Add value and assist the Council in achieving its objectives
- Be forward looking – knowing where the Council wishes to be and aware of the national agenda and its impact
- Be innovative and challenging
- Help to shape the ethics, governance and standards of the Council
- Ensure the right people, with the right skills, working in the right way, within effective roles, recognising that the skills mix, capacity, specialisms, qualifications and experience requirements all change constantly
- Aligned to the purpose and values of our Team Doncaster Charter

- Share best practice and seek opportunities for joint working

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

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

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

The service will continue to meet the needs of the Council to strive to be responsive to customers and their individual needs and to add value to the organisation. It largely does this through acting as a control assurance function providing assurance, to managers and to the organisation as a whole, on the state of its internal control arrangements. The service further supporting managers in the management of key risk, governance and control areas, increasing the overall likelihood of successful, joined up and customer responsive Council services.

Advice - Internal audit staff continuously provide advice on risk, governance and control, as experts in these areas. They do this when in the field on matters not part of their designated audit, or in response to direct approaches to Internal Audit by clients seeking help and support. These skills can also be deployed. They use their skills to meet organisational needs through a flexible approach in deploying their transferrable skills into areas where they are not the experts in the field. This helps to ensure the sound and effective control of business, strategic and operational risks within the Council.

Counter fraud - is regarded in central and local government as its own profession with separate professional training, and in the case of central government, with its own specific standards. For us in Local Government, our strategy is set collaboratively at a national level in the Fighting Fraud and Corruption Locally

Strategy. This strategy makes it clear that professionally trained and accredited staff must be used for counter fraud work and is specifically states that if auditors undertake counter fraud work, they too must be trained in this area. Whilst some elements of the Public Sector Internal Audit Standards do apply to the profession (such as the standard principles of public life), much of counter fraud work and investigative work is driven by the law surrounding the powers that are being used and not by auditing standards which are designed specifically for the audit profession. Where these are applicable to a specific piece of work, they are used but most counter fraud and investigative work instead relies on the Police and Criminal Evidence Act, the Data Protection Act (and related investigation legislation), the Prevention of Social Housing Fraud Act, Money Laundering Regulations and, to ensure successful prosecutions and investigations, guidance on criminal standards and burdens of proof as defined by the Crown Prosecution Service.

3. What This Means We Need To Do

In meeting these drivers and organisational needs, the Council's Internal Audit Service will:

- Provide an assurance on the Council's internal control systems. This includes the audit of areas of financial risk, non-financial risk and reviews of key governance areas and systems.
- Internal Audit services are designed to add value and insight to the organisation by providing a risk based and objective assurance and providing advice.
- Audit the main financial systems and other systems related to possible material misstatements, regardless of comparative risk.
- Deliver risk based assurance on those controls that manage significant risks.
- Fully comply with the mandatory United Kingdom Public Sector Internal Audit Standards.
- Better integrate the outcomes and other information gathered as part of the internal audit process, with the risk management processes of the Council.
- Maintain ongoing effective relationships with the External Auditor and deliver complimentary plans of work to deliver an efficient audit service collectively, for the Council.
- Ensure the staff working in the Internal Audit team possess the right skills and experience, work in the right way within effective roles to deliver the whole plan of work.
- Improve the efficiency and effectiveness of operations of the Internal Audit Service and of the services that it audits.
- Promote good corporate governance and control practices and contribute to a good governance culture.
- Work in a positive manner alongside clients, supporting them in the effective management of risk and service delivery.
- Provide support to managers in the undertaking of investigations into irregularities whether they be proven or suspected.

- Support and develop an anti-fraud culture within the Council and its partners.
- Provide audit services to schools and partner organisations (such as the audit of St Leger Homes and schools if required).
- Support good governance and good risk management in the monitoring of strategic partnerships and strategic contracts.
- Share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service provider to ensure proper coverage and minimise duplication of efforts.
- Ensuring Auditors are proactive with evaluations, offering new insights and consider future impact will ensure the credibility and value of Internal Audit is enhanced.

4. How We Will Do This

Agile Audit Approach

Whilst we have for many years operated in a flexible and customer focused manner, we focused on adopting an ‘agile-audit’ approach. The main differences being flexibility and to help the Council look forward and address issues that could affect performance. We have a core focus on collaboration and communication between the Audit team and all stakeholders throughout the entire process and experience. While audit quality is always a key driver and consideration, the priority is on speed and efficiency.

The benefit of this approach allows a clear direction and ongoing communications which results in a collaborative / iterative approach by continually reviewing and assessing our audit plans. This approach focuses on individuals and interactions and accelerates the delivery of insight.

We will continue to develop this approach as we progress and learn from others what works best over the period covered by this strategy.

We use this agile and flexible approach to:

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

- risk management arrangements
- the Council’s strategic and, where available, operational risk registers
- the Council’s risk appetite
- financial information from key financial systems
- other sources of assurance on which reliance can be placed
- consultations with the Council’s Directors and Assistant Directors
- known upcoming significant changes to internal control environments or changes in key systems and key governance arrangements
- known upcoming changes to the law or external environment
- external demand for services (including requirements to audit and sign

- off of grant claims for the government)
- the development of best practice from regulatory or other bodies
- work requested by the Council's External Auditor.

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

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

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

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

Relationship with Risk Management – Internal Audit is not responsible for the management of the Council's risks; this is the responsibility of managers. However, all of our audits consider risk and report on risks to managers. Issues and recommendations are risk assessed according to the Risk Management Framework to give comparative implementation priorities to managers and so that they can be taken into account in their risk management activities. These risk assessments form the basis of the audit opinion given at the end of an audit. We will continue to emphasise the importance of risk management to all managers in the Council as part of the delivery of our service.

We recognise that through our work we are assisting managers to better understand risk management. This important educational / informative role adds value to the organisation. We will submit information through our routine audit and from all other forms of work on risks to risk owners for inclusion on the Council's risk registers.

Relationship with External Auditor – we will endeavour always to work with the External Auditor and share plans to deliver an effective corporate assurance service to the Council. We will maintain a process of regular liaison meetings with the External auditor.

Efficiency Improvements – Our developing agile internal audit approach allows us to be flexible and to react to issues that could affect the Council's performance. This streamlines the reactive audit planning process with the priority being on speed and efficiency. Internal Audit uses an electronic audit package to improve efficiency of

both individual audits and for the management of the service. This includes all aspects from audit planning from carrying out audits to tracking the implementation of agreed management actions. Internal Audit also make use of assistive technologies, specifically computer based auditing techniques to analyse raw data to inform our audits. These techniques and packages allow us to analyse and give opinions using large volumes of data, which is statistically more significant than opinions based on traditional audit sampling techniques. Accordingly, this will lead to an increased use of data analytics / automated auditing in our audits. We continue to develop our application of this and other technologies to save on administration, management, audit time, and hence deliver as much resource as possible to front line audit work.

We will seek to minimise the time spent on audits whilst at the same time delivering effective audits. We also aim wherever possible to arrange our audit work to minimise disruption and distraction to our clients' normal service delivery, by carrying out work at convenient times and by specifying in advance our information needs.

We will comment on the efficient, economic and effective use of resources, where appropriate, in our internal audit work.

Promoting Good Corporate Governance – More than ever in the light of the current environment, in all we do we will seek to promote good corporate governance, including in the giving of advice and the assessment of internal controls. We review the Council's Corporate Governance Framework as part of our audit planning process and provide coverage of elements of corporate governance within our annual audit plan. Improving governance is an integral aspect of many reviews we undertake. We will also contribute to the Council's counter fraud culture. How we will deliver this is covered in the Council's Anti-Fraud, Bribery and Corruption Framework. Audits applicable to the prevention and detection of fraud and error and the improvement of the Council's counter fraud culture will continue to be part of the overall Internal Audit Plan but enhanced through having a separately identified plan. We will promote this culture via our work, on our intranet site, in coordination with the External Auditor and through our contribution to the Council's Governance Group.

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

5. Other Work

The business of local authorities is becoming increasingly diverse, with a broader range of delivery methods and greater focus on improving partnership working. Internal Audit aims to help the Council safeguard its interests by carrying out work as appropriate where various delivery methods are employed. The Corporate Plan includes key priorities to work in partnership across regional boundaries, increase the resilience of the Children's Safeguarding Partnership and improve population physical and mental health and reduce health inequalities through strategic commissioning and the creation of key partnerships, including with the NHS, businesses, research organisations, and the Voluntary, Community, Faith and Social Enterprise sector. We will continue to build on the well-established arrangements with St Leger Homes and provide support to other partners such as Internal Drainage Boards based within the

Borough where the Council appoint persons to their Boards.

Joint audit work can be commissioned for St Leger Homes and the Council, for example on housing strategy or joint governance arrangements to provide joint assurance opinions and mutual benefits to both parties.

Internal Audit also carries out audit of schools within the Council. Many schools have achieved academy status with the remainder to follow. Such academies make their own arrangements for Internal Audit although Council audit functions are promoted and available should any academy request it.

6. Resources and Prioritisation

Internal Audit will endeavour to maintain an effective service to undertake the required workload and with effective systems of operation. We will deploy staff in the most effective way in accordance with their experience and skills and in accordance with the UKPSIAS.

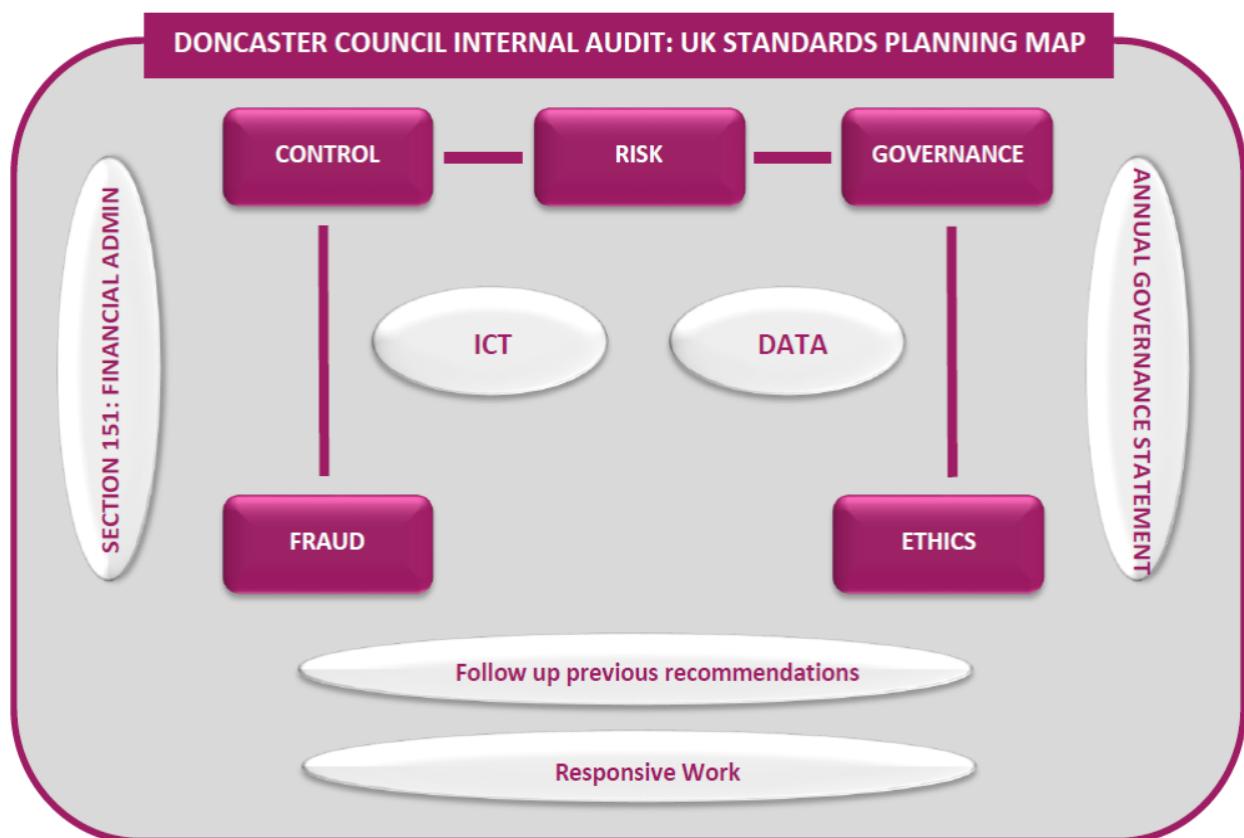
Internal Audits annual planning process has evolved and been updated in line with changes in the UKPSIAS professional standards

Internal audit work is identified following a full assessment of risks across the Council (the audit universe) and after taking into account other forms of assurance available to oversee and mitigate some risks identified (for example external audit work or improvement board activities).

The planning methodology for 2021/22 fully complies with the Standard. Standard 2010 of UKPSIAS states 'that the Chief Audit Executive must establish a risk based approach to determine the priorities of the internal audit activity, consistent with the Council's objectives'. It is a risk based plan that has been complied following a risk assessment of the Council's functions, services and risk, control and governance arrangements supplemented by discussions with Directors, Assistant Directors and key officers throughout the Council. This risk assessment has been used to compile a list of audit needs.

To provide a more flexible approach and to take account of changes in the Council and the risk environment, we also meet regularly with senior management to discuss their latest risks, concerns and requirements. The Head of Internal Audit meets weekly with the Chief Financial Officer (Section 151 Officer) and has regular informal meetings with the Chair and Vice Chair of the Audit Committee to keep them fully sighted on the fluid audit plan.

The overall approach is shown diagrammatically below:



Our work that we identify as an audit need falls generally into the areas of governance, risk and control. Audits that concentrate on controls generally support our audit work in providing assurance to the Council's S151 Officer (the Chief Financial Officer), whilst audits concentrating more on the governance elements support the Council's annual governance statement. It should be noted that our audits can and do cover more than one of these areas (governance, risk and control). Wherever we look at control work, we will consider fraud as a matter of course and will consider ethics during any of our governance work. In all of our work, we seek to examine ICT and data / information management risks wherever they are applicable to our work, as ICT and data underpin all of the Council's activities.

During the period of this strategy, we will further develop our agile approach centred around fluid, iterative planning on an ongoing basis instead of a rigid, single phase planning approach. The elastic planning cycle of agile audit work allows prioritisation of audits based on risks and the needs of the Council instead of following a rigid 'out of date' audit plan.

Where there are any deficiencies arising in resources at any stage, the Head of Internal Audit and Chief Financial Officer (Section 151) work on a prioritised approach in evaluating the relative priorities of the work plan to ensure that resources are focused on mandatory activities and limiting the work undertaken for external parties, risk related work or responsive work.

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

7. Producing the Audit Plan

The Council has positively demonstrated that it was able to adapt and be flexible in its response to the Covid-19 pandemic. The internal audit plan was constantly reviewed and updated during 2020/21, providing greater focus on the auditing of grants that the Council have administered on behalf of the Government outside of the Business rates grants. For example, support for social care providers, Fighting Back Fund, ward based members grants that were being awarded in the response period of the Covid-19 pandemic in 2020. Internal Audit have been carrying risk assessments on these grants to assess the processes that are in place and to establish if there are any that require a more in depth review, which may be because there is a statutory return required etc.

The 2021/22 audit plan has been drafted whilst the Covid-19 pandemic is still very much present and so has to reflect uncertainty that we operate in and how we will be operating for considerable time to come. The plan will continue to be reviewed on an ongoing basis during 2021/22. The initial impact of the Covid-19 pandemic has reinforced the necessity of ongoing and regular review to ensure the work of the service remains relevant to the needs of the organisation whilst remaining compliant to standards.

'Fighting Fraud and Corruption Locally' guidance issued in 2020 has resulted in the audit plan being presented in a different way to previous years, in that it has a plan for both non-fraud and fraud work. Having a clearly set out plan of our proactive and reactive fraud work is a particular important feature of the overall work for the team this year. This is due to the millions of pounds of central government Covid grant monies along with the heightened risk of other fraud due to the pressures created by the Covid-19 pandemic.

Inevitably, when we undertake our risk assessments, there are more needs / demands than available resources to review all the areas identified as having a certain level of residual audit risk. This situation has been exacerbated even more because of the Covid-19 pandemic. As a result, needs were ranked with a priority rating and those audits / projects that added lower overall value to the Council as agreed with the relevant Directors were excluded from the plan as usual.

An increased contingency has been allowed for within the plan to deal with new and emerging risks and issues and an increased separate allowance for the investigation of fraud or irregularities that may be referred to us or uncovered during the year.

However, when all new risks emerge, they are compared to those items of need that did not make it into the final plan to ensure that we continue to concentrate on those areas where there is the greatest need and we can add the highest value from our activities. If, towards the end of the financial year, there are unused elements of either contingency, items of need from the list that did not make the final plan will be re-considered for inclusion. This has historically been an unlikely scenario.

The risk assessment process used to identify items for the audit plan has considered:-

- Specific risk assessments of Covid related grant monies and other Covid related changes
- The Doncaster Growing Together (DGT Plan) and the Corporate Plan and associated outcomes and objectives;
- The Council's Annual Governance Statement
- Risks including corporate strategic risks and service specific risks;
- Key governance and ethical frameworks that govern the Council and its activities;
- Financial and budgetary information;
- Procurement activities and items of high procurement / commissioning spend;
- Service plans and their associated risks;
- Corporate projects and known / planned technological changes;
- Information assets and business systems within service areas (or their absence);
- Data protection risks
- Legislative changes (where appropriate) and national initiatives such as the NFI;
- Fraud risks; - these are covered in detail within the Counter Fraud Report
- Partnership risks and significant partnerships;
- Concerns or service changes as identified by key officers, Directors or Assistant Directors; and
- Areas highlighted for consideration at a regional or national level.

The Counter Fraud plan is separate from the Audit Plan. It has different drivers, different requirements for the skill sets of the counter fraud professionals working on it and whilst it does use internal information to inform direction, is more focused on external risks and environmental changes that could affect the fraud landscape or provide further opportunities for fraudsters. The Counter Fraud agenda is the subject of a separate Policy, Strategy and Response Plan (that contains roles, responsibilities and rights of access to information). This is collectively known as the Anti-Fraud, Bribery and Corruption Framework. It is published on the Council's Intranet site and is approved separately by the Audit Committee. It is the strategy in this document that drives the Counter Fraud plan and not this Internal Audit Strategy

8. FURTHER FACTORS IN PRODUCING THE PLAN

Key factors taken into consideration include:

- Ongoing work requiring completion from the work in 2020/21.
- Core work required to deliver our basic assurance needs e.g. key financial systems and work to discharge the duties of the team e.g. in reporting to Audit Committee. This also covers ICT audit work where we use the ICT Audit expertise of another Council Team who provide their services to over thirty other local authorities and other public bodies.
- A significant allowance for detailed risk and assurance assessment work is included within the resource plan to help keep the work of the team during the year being risk focused through fluid planning and in generating the plan for 2022/23, which all incorporates regular liaison with management.
- Covid related work in grant verification and consequent proactive and reactive fraud work features in both the mainstream audit plan and the separate fraud plan.
- A strong allowance for contingency to be able to deal with inevitable risks and issues that will emerge during the year.
- An increase in the amount of time to deal with both proactive and reactive fraud in this period of heightened fraud risk.
- Development time for more efficient auditing in the future.
- An increased allowance for time for some types of audit, which require further validation and verification due to working virtually.
- An Increased allowance for some overheads due to virtual working (e.g. team meetings, 121's and welfare calls). This is needed to ensure effective communications are maintained and staff welfare, morale and motivation is retained.
- A consequent reduction in service type reviews within directorates to help support the above work.
- The plan reflects closer working arrangements with Financial Management, Performance, Insight and Change and other appropriate teams to support a more collaborative approach and maximise the value added from each audit.
- As stated every year, the actual level of responsive work cannot be accurately predicted and this stands even more so this year. Should this level of

resource need to be increased, then audits shall be removed from the plan and conversely if this level of resource is not required, further planned audits will be added from the reserve list of audits as is our established practice.

**Peter Jackson,
Head of Internal Audit.
July 2021**

INTERNAL AUDIT CHARTER

1. THE CHARTER

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

2. MISSION, ROLES AND OBJECTIVES OF INTERNAL AUDIT

- 2.1 We operate to the Public Sector Internal Audit Standards (PSIAS) which define Internal Audit as:
- 2.2 '*Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'*
- 2.3 Internal Audit's mission statement as defined by UKPSIAS is:
- 2.4 '*To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'*

- 2.5 Clearly, Internal Audit's achievement of its mission will help the organisation achieve its objectives and improve its services.
- 2.6 The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the organisation whether these arrangements are in place and operating properly and efficiently. The annual internal audit opinion, which informs the annual governance statement, both emphasises and reflects the importance of this aspect of internal audit work. The organisation's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.
- 2.7 To provide optimum benefit to the organisation, internal audit should work in partnership with management to improve the risk, governance and control environment and assist the organisation in achieving its objectives. This partnership must operate in such a way as to ensure that legal requirements and those of the UKPSIAS are met.
- 2.8 Internal audit provides an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. It may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.
- 2.9 Internal Audit may provide assurance services where it has previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.
- 2.10 Internal Audit provided valuable input to Council priorities during the Covid pandemic, which was not considered usual internal audit work but was considered paramount to be undertaken. This work not only enhanced and protected the organisational value and did not impair our independence or objectivity and was used to inform the Head of Internal Audit's annual opinion.
- 2.11 Internal Audit's objectives are therefore as follows:
- To provide independent assurance and advice to management and the Audit Committee on risk management, governance and internal control.
 - To add value in all areas of audit work and to provide an excellent service to all our customers
 - To develop and promote our role to make a significant contribution to the Council's aim to deliver efficiencies, service improvements for our customers.

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

- Reviewing and appraising risks related to the achievement of objectives and business goals and evaluating the adequacy and effectiveness of the system of internal control related to those risks.
- Appraising the relevance, reliability and integrity of information.
- Reviewing compliance with those policies, plans, procedures, statutory requirements and regulations, which could have a significant impact on the achievement of the Council's objectives and business operations.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Appraising the economy, efficiency and effectiveness for the deployment of resources and the delivery of services in a best value manner.
- Reviewing operations or projects to ascertain whether results are consistent with the Council's established objectives and goals and whether the operations or projects are being carried out as planned and with due regard to the management of risk.
- Maintaining a program of review and assessment to enhance the integrity and usefulness of the Council's risk management processes.
- Conducting special assignments and investigations into any matter or activity affecting the interests of the Council. It should be noted that it is normally management's responsibility to undertake such investigations and Internal Audit's involvement is governed by UKPSIAS and the Council's financial rules.
- Reviewing the Council's corporate governance arrangements with appropriate input from other professional services including HR and Legal.

2.13 Section 6 of the Internal Audit Strategy identifies the agile approach to internal audit planning and the way in which Internal Audit resource requirements are considered and managed in response to emerging needs and priorities.

3. INDEPENDENCE

3.1 The Council's Internal Audit Services are an appraisal and advisory function having independent status within the Council. These arrangements have been reviewed and assessed against (UKPSIAS)audit standards and are considered to be compliant with these standards

- The Head of Internal Audit: -
Shall have direct access to the Mayor, Deputy Mayor, Chief Executive, Chief Financial Officer (Section 151), the Monitoring Officer and any other officer or member or external body, including the External Auditor, as the Head of Internal Audit shall determine.

- Shall have access to the Chair and Vice-Chair of the Council's Audit Committee.
- Shall not be involved in the day-to-day operations of the Council.
- Shall be able to make appropriate provisions for the undertaking of an objective assessment of the resource requirements of Internal Audit Services.

4. AUTHORITY

- 4.1 The authority of the Head of Internal Audit is derived from the Council, the Chief Financial Officer (Section 151) the Monitoring Officer and the Council's Financial Procedure Rules. It is based on what is required to discharge the statutory obligations of the Council through the establishment of an effective internal audit function.
- 4.2 The Head of Internal Audit and his audit staff shall: -
 - Have access at all reasonable times to the records, assets, personnel and premises of the Council including accounting records, documents, invoices, vouchers, correspondence and other data, whether held manually or electronically, of the Council which are necessary for the proper performance of internal audit duties.
 - Have the right at all reasonable times to enter any premises of the Council to request any employee to furnish all information and explanation deemed necessary for them to form an opinion on the adequacy of systems and/or controls or to complete required investigations. The employee concerned shall respond promptly to such enquiries.
 - Shall have rights of access to those items listed above where held by partner organisations as they affect the business of Doncaster Council or its control environment.
- 4.3 The Council's employees and members shall render every assistance to the auditors in carrying out their audit duties.
- 4.4 Managers shall respond promptly to internal audit reports and requests for information relating to the implementation of agreed management actions by the date requested.
- 4.5 The relevant Director must ensure that sufficient resources are in place to implement the agreed management actions and will be required to account to the Council's Audit Committee where such actions are not achieved.

5. RESPONSIBILITIES

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

6. SCOPE OF INTERNAL AUDIT WORK

- 6.1 The scope of internal audit work shall be sufficiently comprehensive to meet the needs of management, the Council and the United Kingdom Public Sector Internal Audit Standards. Work areas for review will be identified through a risk-based process based upon a risk assessment, which will be derived from the Council's risk registers where available and will be compatible with the Council's Risk Management arrangements.
- 6.2 Where the risk management processes are mature enough, the Head of Internal Audit will seek to use the results of these processes to inform the scope of internal audit work to be undertaken. Where the registers are not judged to be of sufficient quality or scope to allow their use, then the scope of Internal Audit work shall be based upon a risk assessment undertaken by the Head of Internal Audit and his staff.
- 6.3 Internal audit coverage will embrace the control environment of the Council and will extend to all areas of the Council and its controlled / related entities.
- 6.4 Particular attention will be given to any aspects of the risk, governance and control environment affected by significant changes to the Council's risk environment and the changes due to the Covid pandemic response.
- 6.5 Counter Fraud - The Counter Fraud plan is separate from the Audit Plan. It has different drivers, different requirements for the skill sets of the counter fraud professionals working on it and whilst it does use

internal information to inform direction, is more focused on external risks and environmental changes that could affect the fraud landscape or provide further opportunities for fraudsters. The Counter Fraud agenda is the subject of a separate Policy, Strategy and Response Plan (that contains roles, responsibilities and rights of access to information). This is collectively known as the Anti-Fraud, Bribery and Corruption Framework.

7. AUDIT APPROACH

- 7.1 Standard 2010 of the Public Sector Internal Audit Standards states that the chief audit executive must establish a risk-based approach to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 7.2 As such, we operate a risk-based approach to all our work. Therefore, we have aligned our internal audit activity with the Council's risk registers. We operate an agile auditing approach, which provides flexibility and takes account of changes in the Council and the risk environment; we also meet with senior management to discuss their latest risks, concerns and requirements. In this way, we are fully up to date with, and aware of, emerging issues and are able to focus our resources in areas of greatest priority and risk. In agile auditing, there is a core focus on collaboration and communication between the audit team and stakeholders throughout the entire experience.

8 AGILE AUDIT PLAN

- 8.1 We will continue to develop and embed an agile auditing planning approach, which provides flexibility. Instead of rigid, single-phase planning. Agile auditing centers around fluid, iterative planning on an ongoing basis. The elastic planning cycle of agile audit allows for the prioritisation of tasks based on risks and the Council's needs.
- 8.2 A fluid audit plan providing for the review of significant operations of the Council, based on an assessment of risk pertaining to the achievement of Council objectives, shall be prepared for the approval of the respective Directors and the Council's Audit Committee.
- 8.3 As appropriate, the plan will take account of the role and objectives of internal audit and shall provide for the work of the internal audit team on an annual basis, based upon an assessment of risk. The plan will be prepared in consultation with management to obtain an understanding of the organisation's strategies, key business objectives, and associated risks and risk management processes, for the approval of the Audit Committee. As is consistent with professional practice, the plan will have an annual dimension but is agile and flexible to allow for the prioritising of audits based on risks and organisational need but may also reflect an intention to review risks over a longer period.

9. AUDIT REPORTS

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

and

- 9.3.3 A statement on conformance with UKPSIAS and the results of the Internal Audit Quality and Assurance and Improvement Programme (see below).

10. AUDIT STANDARDS

- 10.1 Internal auditing standards shall be consistent with the United Kingdom Public Sector Internal Audit Standards. These standards define how the "Core Principles for the Professional Practice of Internal Auditing" are delivered which ultimately contribute to the function delivering to the Mission Statement of Internal Audit which is "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight"
- 10.2 Compliance with these will be assessed through a "Quality Assurance and Improvement Programme". (QAIP) The QAIP is an aid to evaluate conformance with the Code of Ethics and the Standards

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

- The maintenance of detailed audit procedures
- Auditors work to a Code of Ethics and complete a Declaration of Interest to ensure any conflicts can be managed

- Detailed job descriptions for each internal audit post
- Regular performance appraisals
- Regular 1:2:1 meetings to monitor progress with audit engagements
- Training plans and associated training activities
- Agreement of the objectives, scope and expected timescales for each audit engagement with clients before detailed work commences (audit specification / audit brief)
- The results of all audit testing work documented using the Service's automated working paper system (Teammate)
- File review by supervising officer and sign-off of each stage of the audit process
- A debrief is carried out for each piece of completed work. This identifies any means of improving future reviews of that or similar areas in the future and also any development opportunities for the auditors
- Final sign-off of each job by a Principal Auditor, Audit Manager or Head of Internal Audit
- Post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- Performance against agreed targets reported to the Audit Committee on a regular basis
- As part of the annual appraisal process, each internal auditor is also required to assess his or her current skills and knowledge. Where necessary, training and/or support will be provided to address any development needs
- Team meetings are held frequently and away days are held involving review of factors affecting the future of internal audit. Strategic actions required are noted and built into team development & service plans as appropriate
- The Head of Internal Audit and the Internal Audit Manager and Principal Auditors are also members of various professional networks and obtain information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

10.3 Ongoing quality assurance and improvement checks

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

- The Head of Internal Audit will maintain a self-assessment against the Standards to confirm conformance with the Standards.
- Audit files are subject to review on a sample basis by the Head of Internal Audit to confirm quality standards are being maintained. The

results of the reviews are documented and any key learning points shared with the internal auditors (and the relevant audit manager) concerned. Appropriate action is then planned in response to QA findings.

- From time to time Internal Audit will seek feedback from clients on the quality of the overall internal audit service. Feedback will generally be sought using surveys. A recent (2021) pulse survey has been undertaken focussing on key fundamental areas to assess the service overall performance and identify areas for development and improvement that is included as part of our overall continuous improvement programme.
- At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application and conformance with the Code of Ethics and the Standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Audit Committee. Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

10.4 In February 2017, the service had an external assessment undertaken that confirmed that Doncaster's Internal Audit Service meets the highest of the three possible ratings within the standards, i.e. that the service "Generally Conforms" with the standards. This is an important assessment as it enables the Audit Committee and other key stakeholders to have confidence that the annual opinion of the Head of Internal Audit is supported by a professional and competent service and is evidenced based. It also provides stakeholders with the reassurance that they can place reliance on the quality of the work that Internal Audit delivers.

10.5 An external assessment is required every 5 years and as such, Internal Audit is to subject to a further external assessment in 2021/22.

10.6 The results of the Quality Assurance and Improvement Programme are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in a Team Development Plan. Specific actions may also be included in Internal Audit's Service plan and/or individual personal development action plans. The outcomes from this exercise, including details of the Team Development Plan, are used to evaluate overall conformance with the Standards, the results of which are reported to senior management and the Audit Committee as part of the annual report of the Head of Internal Audit.

11. RELATIONSHIPS

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

12. ETHICAL STANDARDS

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

13. CONTRIBUTIONS TO ACHIEVING CORPORATE OBJECTIVES

- 13.1 To provide optimum benefit to the organisation, internal audit should work in partnership with management to improve the control environment and assist the organisation in achieving its objectives. Internal Audit's mission statement per UKPSIAS is defined as, "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight". Clearly, Internal Audit's achievement of its mission will help the organisation achieve its objectives.
- 13.2 This partnership must operate in such a way as to ensure that legal requirements and those of the UKPSIAS are met.
- 13.3 Internal audit provides an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Any consultancy services and investigative reviews are undertaken subject to there being no impact on the core assurance work and the availability of skills and resources.

14. ASSURANCE SERVICES PROVIDED TO EXTERNAL ORGANISATIONS

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

15. ASSURANCE SERVICES PROVIDED BY EXTERNAL ORGANISATIONS

- 15.1 Internal Audit have commissioned specialist IT audit services from a Local Authority Internal Audit Team who have produced an IT Audit Needs Assessment. The outcome from this is incorporated into future internal audit plans. Some of the IT audits are delivered by the contracted Local Authority Internal Audit Team to provide addition capacity and benefit from the specialist expertise.

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Audit Committee

PSA Informing the audit risk assessment 2020-21

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Informing the audit risk assessment for Doncaster Metropolitan Borough Council 2020/21



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Doncaster Metropolitan Borough Council's external auditors and Doncaster Metropolitan Borough Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Please consider the questions in this document from both a standalone Council and group accounts perspective

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

General Enquiries of Management

- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Doncaster Metropolitan Borough Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	<p>COVID-19</p> <p>The outbreak of COVID-19 has impacted global financial markets and market activity has been impacted. The Government's lockdown, announced on 20th March 2020, has increased the level of estimation uncertainty. It is not yet clear what those effects could be but there could be an impact on all of the items in the table above.</p> <p>On the 18th March 2020, the Royal Institute of Chartered Surveyors (RICS) published guidance to the property profession in relation to material valuation uncertainty created by COVID-19 in respect of individual markets. Further RICS guidance: Impact of COVID-19 on Valuation, was issued on 15th April 2020. This guidance advised valuers that the impact of the pandemic on property market activity was likely to mean that during the period of market disruption, for valuations which rely on comparable market data it may be appropriate to attach less weight to market evidence than usual. Therefore less certainty and a higher degree of caution would be attached to such valuations than would normally be the case.</p> <p>Asset valuations have been approached based on existing market transactional evidence. Likewise, the depreciated replacement cost valuations are based on existing cost information. The impact of coronavirus is unknown at the date of valuation and whilst it is recognised it is causing disruption to businesses and economic uncertainty, property assets are generally held for the long term and whilst transactions are likely to reduce in the short term we anticipate the impact should be short term and that confidence should return to the market. RICS has established a material uncertainty position which has been adopted as both a professional practice statement and as a reference point for potential valuation impacts but at this stage any risk of value changes is not known.</p> <p>As a result of COVID-19, a material valuation uncertainty was disclosed in both the Council's property valuers reports and also the pension fund's property valuation reports.</p>

General Enquiries of Management

Question	Management response
2. Have you considered the appropriateness of the accounting policies adopted by Doncaster Metropolitan Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Accounting policies are reviewed on an annual basis, there have been no significant changes in accounting policy during 2020/21.
3. Is there any use of financial instruments, including derivatives?	Yes all financial instruments are shown in the note in the Statement Of Accounts (SOA). There are no derivatives.
4. Are you aware of any significant transaction outside the normal course of business?	COVID-19 funding received from Government used to pay out business grants.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	None
6. Are you aware of any guarantee contracts?	Only those disclosed in the Financial Instruments note in relation to pension guarantees.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Doncaster Metropolitan Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Forbes (open litigation) Brown Jacobson Trowers Womble Bond Dickinson Constantine Canon (via lga) (open litigation various local auths as plaintiff) Kennedys Via insurance Weightmans Kennedys Dawson & Burgess DAC Beachcroft (appointed by Municipal Mutual Insurance and DMBC are responsible for 25% of costs)

General Enquiries of Management

Question	Management response
9. Have any of Doncaster Metropolitan Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	Nothing material
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	These are the two in relation to finance: Link Group – Treasury PricewaterhouseCoopers (PWC) – Tax Other consultants are engaged across the council on a project by project basis, further information can be supplied if required.

Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Doncaster Metropolitan Borough Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- ~~an~~ assessment that the financial statements could be materially misstated due to fraud,
- ~~a~~ process for identifying and responding to risks of fraud, including any identified specific risks,
- ~~the~~ communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Doncaster Metropolitan Borough Council's management.

Fraud risk assessment

Question	Management response
<p>1. Have Doncaster Metropolitan Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Annual audit report completed on an annual basis that sets out potential fraud risk.</p> <p>Annual assessment also provided by Head of Internal Audit and Chair of Audit Committee – previous low risk assessment still stands</p> <p>Fraud risks are identified in the annual audit plan and risk assessment. Annual fraud report identifies low incidence of fraud and nothing of impact on the financial statements</p> <p>Risk of fraud impacting upon financial reporting is classified as low.</p>
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	<p>These are all set out in the Fraud risk register – cyber fraud is identified as the highest risk.</p> <p>There are a series of measures to manage all risks identified</p>

Fraud risk assessment

Question	Management response
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Doncaster Metropolitan Borough Council as a whole or within specific departments since 1 April 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Low level fraud reported to Audit Committee in Annual fraud report
4. Have you identified any specific fraud risks? Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Doncaster Metropolitan Borough Council where fraud is more likely to occur?	The is a detailed fraud risk register maintained by Internal Audit These are identified in the Fraud Risk Register These are identified in the Fraud Risk Register
5. What processes do Doncaster Metropolitan Borough Council have in place to identify and respond to risks of fraud?	Internal audit plan and progress reports and annual reports all cover both proactive and reactive work covering fraud Some proactive fraud work covers data matching, continual analytics, fraud awareness training, specific anti-fraud and corruption reviews

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for Doncaster Metropolitan Borough Council, including:</p> <ul style="list-style-type: none">the existence of internal controls, including segregation of duties; andthe process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>Positive opinion given in previous Head of Internal Audit Annual reports and will be for 20/21 year</p> <p>Positive opinion given in previous Head of Internal Audit Annual reports the Annual Governance Statement and will be for 20/21 year</p> <p>These are set out in Internal Audit progress reports and individual internal audit reports and other forms of correspondence</p> <p>All are covered in previous responses</p> <p>There is always this risk present especially with collusion but this is low risk and especially in the public sector</p>
7. Are there any areas where there is potential for misreporting?	Yes – but minimised reporting structure Assessed as low risk

Fraud risk assessment

Question	Management response
8. How do Doncaster Metropolitan Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?	Monitor Contract Procedure Rules and elements of the Financial Procedure Rules and report to audit committee.
How do you encourage staff to report their concerns about fraud?	Communication through the annual Performance and Development Review (PDR) scheme, Doncaster charter and sections of the council constitution states the code of conduct for employees.
What concerns are staff expected to report about fraud? Have any significant issues been reported?	Members of professional bodies agree to ethical standards. Staff are expected to report their concerns to their manager or if inappropriate , elsewhere as set out in whistleblowing policy / Antifraud and corruption policy Such concerns have been low level for several years and have remained so throughout 20/21
9. From a fraud and corruption perspective, what are considered to be high-risk posts?	All set out in the Fraud risk Register
Q How are the risks relating to these posts identified, assessed and managed?	All set out in the Fraud risk Register
C 10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	No. Declaration of interest completed by all officers and members.
How do you mitigate the risks associated with fraud related to related party relationships and transactions?	

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Annual Report of the Head of Internal Audit and Annual Fraud report</p> <p>Has oversight and awareness through the above report and seek assurance over the outcomes of these including management implementing actions to address weaknesses</p> <p>These arrangements have continued as normal during the 20/21 year.</p>
12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	Whistle blowing has traditionally been very low and this has continued in 20/21. All such incidents follow the appropriate processes.
13. Have any reports been made under the Bribery Act? 146	No

Law and regulations

Issue

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Doncaster Metropolitan Borough Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Doncaster Metropolitan Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Service managers ensure service is compliant with relevant laws and regulations. Annually, assurances provided to this for the Annual Governance Statement (AGS) which is then thoroughly checked and challenged as required</p> <p>Service managers ensure service compliant with relevant laws and regulations. Legal services team help and support as required</p>
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with? P age 34	Through the AGS, Internal Audit progress and annual reports. Reports on compliance with Contract and Financial procedure rules and other reports from management
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?	None identified
4. Is there any actual or potential litigation or claims that would affect the financial statements?	All potential items are shown in the contingent liabilities note in the Statement of Accounts

Impact of laws and regulations

Question	Management response
5. What arrangements does Doncaster Metropolitan Borough Council have in place to identify, evaluate and account for litigation or claims?	These are referred to Legal Service team and Insurance teams as required
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None

Related Parties

Issue

Matters in relation to Related Parties

Doncaster Metropolitan Borough Council are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Doncaster Metropolitan Borough Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Doncaster Metropolitan Borough Council's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none">• the nature of the relationship between these related parties and Doncaster Metropolitan Borough Council• whether Doncaster Metropolitan Borough Council has entered into or plans to enter into any transactions with these related parties• the type and purpose of these transactions	Process the same as in previous years looking at all members and Heads of Service and above Officers declaration forms. Please refer to related parties working paper for members and Officers for more details.
<p>2. What controls does Doncaster Metropolitan Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	Declarations of Interest completed by all officers annually or when a change in circumstance arises. Reviewed and approved by line management. Members complete the form termly or when a change in circumstance arises.
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	Forms are reviewed and approved by line management any issues will be highlighted.
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	As above

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Material classes of transaction - Property, plant and equipment and pension. Material conditions – Pandemic, natural disaster
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	Appendix A lists all the significant uses of accounting estimates, e.g. valuations, provisions, accruals etc. All are reviewed as part of the closure of accounts process. The possibility of misstatement is mitigated by quality assurance checks. Provisions are reviewed regularly and reserve balances are in place to mitigate any potential shortfall.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Evidence and assumptions used to form the basis of estimates is reviewed to ensure it is still relevant and suitable for use.
4. How do management review the outcomes of previous accounting estimates? 153	Rolling reviews of assets, review asset population not revalued in year based on current year revaluations, asset verification exercise carried out on a rolling programme. Schools identified as a large value asset group and are therefore now revalued annually. Pension assumptions reviewed annually. Provisions reviewed annually
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	<p>Use actuary for pension information.</p> <p>Qualified officers used for asset valuations.</p> <p>District valuer used for dwelling valuations.</p> <p>Link used to supply fair value for financial instruments.</p>
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	<p>Valuers are issued with instruction letter and contract with requirements in place with the district valuer.</p> <p>Pension – DMBC participate in the annual bulk exercise to obtain the IAS19 disclosures.</p> <p>Quality Assurance is carried out.</p>
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts? D E S G P	<p>Valuations – variances over a certain % are reviewed and challenged, district valuer beacon sheets reviewed</p> <p>Pensions – finance officers review assumptions to ensure they are in line with expectations</p> <p>Quality Assurance is carried out.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>Audit committee – unaudited and audited accounts presented to audit committee with report highlighting high risk areas</p> <p>Audit Committee chair – briefed before meeting</p> <p>Training offered to new audit committee members and refresher training offered to existing members.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	Yes, COVID-19
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Audit committee – unaudited and audited accounts presented to audit committee with report highlighting high risk areas

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Appendix A Accounting Estimates

Note: this appendix must be included unless Those Charged with Governance consider the PSA significant judgements and estimates management response for each material estimate

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of Land & Buildings	DRC, EUV, Fair Value, Historic Cost. Valued as at 31 st March	BCIS rates, local information such as sale prices, rental income	Valuations reviewed by RICs qualified officers	Stated on individual valuation certificates	No
Valuation of Council Dwellings	current value, determined using the basis of existing use value for social housing (EUV-SH). Valued as at 31 st March	Value based on achievable sale prices then reduced	Yes – District Valuer	41% EUV – use of this % is supported by local evidence.	No
Valuation of Surplus Assets	Fair Value. Valued as at 31 st March	local information such as sale prices, rental income	Valuations reviewed by RICs qualified officers	Stated on individual valuation certificates	No

Appendix A Accounting Estimates

Note: this appendix must be included unless Those Charged with Governance consider the PSA significant judgements and estimates management response for each material estimate

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation (useful economic lives)	Straight line method, based on opening value as at 1 st April.	Treatment of asset classifications and UEL applied as per policy	Only in obtaining the most recent asset valuations used.	Asset is still in use, useful economic life.	No
Valuation of Net Pension Liability Page 157	Liabilities have been assessed on an actuarial basis using the projected unit credit method.,.	An estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc	The liabilities have been estimated by Mercer Limited, an independent firm of actuaries, estimates for the Council fund being based on the latest full valuation of the scheme	Rates of inflation, longevity, increase in salaries, increases in pension and rate for discounting liability.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Expenditure accruals	Automatic system accruals, manual – guidance provided	Budget holder monitoring, significant variances, review of new year transactions	N/A	Potential uncertainty around value Most appropriate estimate used	No
Provisions estimate (specifically business rates & insurance fund)	Appeals provision model based on previous appeals success %. Insurance – based on previous claims data	Insurance Team	N/A	Methods used and associated % used is changed each year.	No
PFI liabilities	Waste – based on Rotherham due to being lead authority Schools – PFI model	Based on model used	N/A	PFI model is most appropriate estimate	No

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Doncaster Council

Report

Date: 28th October, 2021

To the Chair and Members of the
AUDIT COMMITTEE

ARRANGEMENTS FOR THE 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 options for appointing External Auditors from April 2022 resulting from the Local Audit and Accountability Act 2014, and the advantages and disadvantages of each option
 - b) to support a recommendation to the full Council in January 2022 to appoint the Public Sector Audit Appointments Ltd to negotiate and appoint the External Auditor for Doncaster Council.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

5. It is important that a robust appointment process takes place for an external auditor. 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 2020/21 is £212,430.
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. Not all accounting firms will be eligible to compete for the work as they will need to demonstrate that they have the required skills and experience, and be registered with a Registered Supervising Body approved by the Financial Reporting Council.

OPTIONS CONSIDERED

9. There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act): -

Option 1 To make a stand-alone appointment

Option 2 Set up a Joint Auditor Panel/local joint procurement arrangements

Option 3 Continue to take part in the national procurement undertaken by PSAA

10. **Option 1:** In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act and must be chaired by an independent member. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. The new independent auditor panel established by the Council would be responsible for selecting the auditor.

Advantages/benefits

- a) Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

Disadvantages/risks

- a) Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on going expenses and allowances.
- b) The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.
- c) The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

- d) The external audit market has become very challenging, with firms unable to recruit staff. Often audited bodies nationally in the public and private sector have found that they have at most one bidder for their audit. Consequently single-procurement risks having very little or no choice of audit provider.
11. **Option 2:** The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities/public sector bodies to assess the appetite for such an arrangement.

Advantages/benefits

- a) The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
- b) There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks

- a) The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used, or possibly only one elected member representing each council, depending on the constitution agreed with the other bodies involved.
- b) The choice of auditor could be complicated where individual councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for a council. Where this occurs, some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.
- c) Discussions with Directors of Finance from Barnsley, Rotherham and Sheffield Councils has not indicated any particular appetite for this option, which would be likely to mean that the Council would not be acting with its most obvious partners if it were to pursue a joint procurement option.
- d) The problems in obtaining a range of audit firms prepared to bid, as discussed in Option 1, are unaltered by this arrangement.

12. **Option 3:** As with around 98% of local authorities, the Council opted in to the national procurement arrangement run by PSAA in 2017, covering the audits of the Council's 2018/19 to 2022/23 accounts. This option proposes a continuation of this arrangement.

Advantages/benefits

- a) The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities.
- b) By offering large contract values, the firms would be able to offer lower fees than are likely to result from local negotiation.

- c) Any conflicts at individual authorities would be managed by the PSAA who would have a number of contracted firms to call upon.
- d) The appointment and subsequent audit is demonstrably independent of the Council.
- e) Utilise PSAA expertise in compiling the tender, to undertake all the procurement process, so there would be no costs or resource requirements from the Council. PSAA also provide the on-going contract management, quality assurance of contract delivery and agreement of additional fee requests. Given the Council's current budgetary position, Finance officer time needs to be prioritised on producing a balanced budget for the next 3 years.
- f) PSAA manage any subsequent fee disputes and can apply their knowledge from other clients to determining a reasonable fee.
- g) Supports the local authority collective national procurement process.

Disadvantages/risks

- a) Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.
- b) In order for the national process to be run, Councils have to indicate that they wish to opt-in by Friday 11th March 2022.
- c) The re-procurement exercise in 2017 resulted in very considerable reductions in audit fees. However the auditing firms have not been able to deliver audits for these fees, resulting in increases in fees. Appointing as part of a smaller group or individually might make the firms more reluctant to ask for fee increases, or at least the Council might have more influence over fee negotiations as these would be directly with the firm.

The way forward

13. The Council must make an appointment before the start of the 2023/24 financial year. In practical terms the option selected will determine the timescale required for a formal decision.
14. If option 1 or 2 are preferred this needs to be agreed by Spring 2022 in order that the contract negotiation process can be carried out during 2022. However, in the case of option 3 – the sector-led option – the PSAA has stated that councils wishing to use the PSAA to make external audit appointments on their behalf must advise the PSAA of their intention to do so by Friday 11th March 2022.
15. Option 3, the sector-led route, is an opt-in option. In accordance with Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, any decision to choose the sector-led route must be made by the Full Council. Although it is a Council decision, the Audit Committee should consider the options and is asked to support officers' recommendation to Council to adopt the sector-led route.
16. Consultation with neighbouring local authorities has identified a preference by all to choose the sector-led option.

REASONS FOR RECOMMENDED OPTION

17. This report recommends that option 3 be recommended to full council for approval on the basis of the financial benefits anticipated through: -

- a) The PSAA's ability to offer large contract values to firms who would be able to offer better rates and lower fees than are likely to result from local negotiation and
- b) Removing the costs of setting up a local audit panel.

There are also advantages in that conflicts of interest would be managed by the PSAA who would have a number of contracted firms to call upon and that the appointment process would be more independent than by a local panel

IMPACT ON THE COUNCIL'S KEY OUTCOMES

18.

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

	<p>beyond school</p> <ul style="list-style-type: none"> • 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>Ensuring proper procurement processes are followed and utilising a national Sector Led Body (Public Sector Auditor Appointments Limited) will ensure 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>

RISKS AND ASSUMPTIONS

19. This report presents Members with options available to appoint the Council's external Auditors and the advantages and disadvantages and associated risk with these options. Option 3 to appoint PSAA is considered the option most likely to manage risk associated with failing to follow appropriate procurement processes and obtain value for money within these arrangements.

LEGAL IMPLICATIONS [Officer Initials...SRF Date...07/10/2021]

20. 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. If the Council decides not to partake in the national procurement exercise it will be required to carry out its own procurement process in compliance with Contract Procedure Rules.

FINANCIAL IMPLICATIONS [Officer Initials...RLI Date...06/10/2021]

21. The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above would need to be estimated and included in the Council's budget for 2021/22 if either of these options was preferred by the Council. This will include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances.
22. Opting-in to a national sector-led option provides maximum opportunity to limit the extent of any fee increases by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel.
23. Government announced £15 million to support principal local bodies to meet the anticipated rise in audit fees in 2021/22, driven by new requirements on auditors, including the 2020 Code of Audit Practice, and to enable local authorities to develop standardised statements of service information and costs. Doncaster's share is £65k. The 2021/22 budget for external audit fees, including the additional allocation, is £263k. This funds the main external audit contract, plus the costs of auditing specific grants per the relevant terms and conditions.

HUMAN RESOURCES IMPLICATIONS [Officer Initials...SH Date...14/10/2021]

24. There are no identified human resources implications arising from this report.

TECHNOLOGY IMPLICATIONS [Officer Initials...PW Date...07/10/2021]

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

HEALTH IMPLICATIONS [Officer Initials...RS Date...07/10/2021]

26. There are no direct health implications arising from this report. However good governance contributes to good health and wellbeing and this includes the appointment of the external auditors.

EQUALITY IMPLICATIONS [Officer Initials...RLI Date...06/10/2021]

27. 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.

CONSULTATION

28. Consultation has been carried out with neighbouring local authorities which identified no appetite for a local appointment process and all provisionally seeking to use the PSAA.
29. This report seeks to consult with members of the Audit Committee and seek their support to a recommendation to the full Council to opt-in to the sector-led approach.

BACKGROUND PAPERS

30. PSAA – Procurement and Appointment of Auditors

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

LGA	Local Government Association
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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