



# Doncaster Council

## Report

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Date: 5<sup>th</sup> April 2018

To the Chair and Members of the  
AUDIT COMMITTEE

### ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2017/18

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

#### EXECUTIVE SUMMARY

1. This report provides information on the work of Internal Audit during 2017/18 including its overall opinion on the Council's governance, risk management and internal control arrangements. The report is also used to inform the Council's annual governance statement

#### Appointment of Head of Internal Audit

- 1.1 Colin Earl, Head of Internal Audit left employment with DMBC in March 2018. Peter Jackson has been appointed to the post of Head of Internal Audit.
- 1.2 This annual report reflects the views and opinions of both the outgoing and incoming Heads of Internal Audit who have jointly prepared this report.

#### Head of Internal Audit Annual Report 2017/18

- 1.3 It is a requirement of the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) that an annual report is produced by the Head of Internal Audit on the work undertaken by the Audit Section. Headlines from the annual report, which is attached at **Appendix 1**, are as follows:
  - Internal Audit's net controllable expenditure for 17/18 is an estimated £482k compared with a budget of £460k.

- The service delivered 1443 chargeable audit days during the year, which was 92% of the budgeted level. The main reason for the shortfall was that one member of staff left at the start of the year. The post was not filled due the planned Service Review which scheduled to take place later in the year. Additional temporary staffing reduced this loss but was partly offset though increased training overheads incurred. This in turn resulted in a slightly higher cost per chargeable day.
  - Approximately 25% of Internal Audit time was used responsively to address issues which arose during the year. This is higher than in recent years and an increased allowance for this type of work has been made in the 2018/19 to reflect this trend.
  - 69% of internal audit recommendations have been implemented. The number of outstanding major recommendations has reduced, and a there has been a reduction in the number and proportion of all recommendations not yet implemented and late. Work is ongoing with services to improve implementation rates and time.
  - The service has achieved good overall performance against its key performance indicators.
  - In particular, the service was rated as 'satisfactory' or 'very satisfactory' in 100% of client surveys received.
  - The service carried out a range of investigations during the period, some of which resulted in disciplinary and / or Police action.
- 1.4 Based upon the audit work undertaken during the year, we can confirm that the Council's governance, risk management and internal control arrangements were adequate and operated satisfactorily during the year.
- 1.5 Internal Audit has identified three areas to be considered for inclusion in the Council's 2017/18 Annual Governance Statement (AGS):
- DOLS, (Deprivation of Liberties Safeguard Assessment)
  - Direct Payments
  - Management and Stock Control relating to the Smart Lights Project
- 1.6 Other weaknesses not considered significant enough for inclusion in the AGS have been highlighted by Internal Audit's work during the year and these have been brought to management's attention. The weaknesses do not change Internal Audit's overall opinion on the Council's governance, risk management and internal control arrangements.

### **Internal Audit conformance with the Public Sector Internal Audit Standards**

- 1.7 The Head of Internal Audit has undertaken an annual self-assessment of the Service's compliance with auditing standards. This concluded that Internal Audit is compliant with the requirements of the Standards with one exception;

i.e. the standards require the Audit Committee to approve decisions relating to the appointment and removal of the Head of Internal Audit. This does not currently reflect local government practice and is not regarded to be a material non-compliance issue and so no change is proposed.

- 1.8 The auditing standards require an external assessment of the internal audit service to be conducted at least once every five years. In February 2017, the service was reviewed by the Head of Internal Audit and Risk and an Audit Manager from Kirklees Council. The assessment has confirmed that Doncaster's Internal Audit arrangements meet the highest of the three possible ratings within the auditing standards, i.e. that the service "Generally Conforms" with the standards. Seven observations were raised as part of the review and it is pleasing to report that all of these have been implemented during the course of the year.

### **Quality Assurance Improvement Programme**

- 1.9 A Quality Assurance Improvement Programme, consisting of a full service review, team development activities and a review of a sample of audit work by the Head of Audit, has confirmed audit standards have been maintained and the Service has continued to develop.

### **EXEMPT REPORT**

2. Not applicable, for information only.

### **RECOMMENDATIONS**

3. The Audit Committee is asked:
- To note the Internal Audit Annual Report for 2017/18, including confirmation that the Council's governance, risk management and control arrangements were adequate and operated satisfactorily during the year.
  - To note the Head of Internal Audit's self-assessment and the confirmation from the external peer assessment in 2016/17 that the service is compliant with the Public Sector Internal Audit Standards

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

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

### **BACKGROUND**

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

## OPTIONS CONSIDERED

6. Not applicable - for information only.

## REASONS FOR RECOMMENDED OPTION

7. Not applicable - for information only.

## IMPACT ON THE COUNCIL'S KEY OUTCOMES

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

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

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

## RISKS AND ASSUMPTIONS

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

## LEGAL IMPLICATIONS (HMP 14/03/18)

10. 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.

## FINANCIAL IMPLICATIONS (AT, 14/03/18)

11. There are no specific financial implications associated with this report. The overspend for 17/18 is a one-off and has been resolved for 18/19.

#### **HUMAN RESOURCE IMPLICATIONS (MLV, 14/03/18)**

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

#### **TECHNOLOGY IMPLICATIONS (PW, 14/03/18)**

13. There are no specific technology implications associated with this report. Where applicable, technology implications have been provided in the separate reports referenced in Appendix 1 below.

#### **HEALTH IMPLICATIONS (RS, 14/03/2018)**

14. There are no direct health implications of this report. The work on Deprivation of Liberty and Direct Payments should lead to improved health and wellbeing.

#### **EQUALITY IMPLICATIONS (PRJ 14/03/18)**

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

#### **CONSULTATION**

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

#### **BACKGROUND PAPERS**

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

#### **REPORT AUTHOR & CONTRIBUTORS**

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**ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2017/18**

**1. Purpose of the report**

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

**2. Introduction**

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

**Appointment of Head of Internal Audit**

- 2.3 Colin Earl, Head of Internal Audit left employment with DMBC in March 2018. Peter Jackson has been appointed to the post of Head of Internal Audit.
- 2.4 This annual report reflects to views and opinions of both the outgoing and incoming Heads of Internal Audit who have jointly prepared this report.

**3. Legislation Surrounding Internal Audit**

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

**4. Reviewing the Service**

## Internal Audit Resources

- 4.1 Internal Audit's net expenditure in the year was £482k <sup>\*1</sup> compared with a budget of £460k. Income was generated by providing an Internal Audit service to St Leger Homes throughout the year.
- 4.2 During 2017/18, Internal Audit had an establishment of 9.1 full time equivalent (FTE) staff. The establishment will reduce to 7.9 (FTE) for 2018/19, and the overall available audit days will decrease to 1,345 days for that year.
- 4.3 This decrease in resources is caused by reductions in overall staff numbers after a service review and a temporary vacancy caused by the resignation of a member of the team.
- 4.4 A careful approach to risk based planning and robust performance management of our resources is essential given the level of available resources, but it is the opinion of the Head of Internal Audit that current resource levels provide sufficient capacity to provide an adequate level of assurance about the Council's risk, internal control and governance arrangements to the Audit Committee and the Chief Financial Officer for the previous 2017/18 year and for the forthcoming 2018/19 year.

## Audit Work Undertaken

- 4.5 A breakdown of time spent in 2017/18 is summarised below:

### **Internal Audit Plan v Actual Days April 2017 to March 2018:**

	<b>Plan</b>	<b>%</b>	<b>Actual</b>	<b>%</b>
Assurance Work	1083	69.4%	924	64%
Consultancy Work	25	1.6%	28	2%
Responsive Work	331	21.2%	374	26%
Follow-up Work	122	7.8%	117	8%
<b>Total</b>	<b>1562</b>	<b>100%</b>	<b>1443</b>	<b>100%</b>

- 4.6 The reason for the difference between planned and actual time was due to a member of staff leaving the authority at the start of the year. The post was not filled due the planned Service Review which scheduled to take place later in the year. Additional temporary staffing reduced this loss but was partly offset though increased training overheads incurred
- 4.7 An influx of responsive work took place during the year and additional resources were made available to the team by the Chief Financial Officer in accordance with assurances previously given should these circumstances arise. The additional resources were in the form of a

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<sup>1</sup> Estimate at March 2018

secondment from another team and through providing additional budget to pay for an experienced auditor through the council's agency agreement.

- 4.8 There were variances across the original categories of work, but priority was given to ensuring sufficient work was completed to enable the Head of Audit to form an opinion on the internal control environment and be responsive to management for their requests for advice and support. The 'contingency' provision available at the start of the year is absorbed into unplanned work during the course of the year, or used to carry out lower priority risk work not included in the agreed audit plan.

Implementation of Recommendations

- 4.9 The Internal Audit Team continues to work closely with managers to encourage a high level of implementation of recommendations that are aimed at improving the level of internal control. The extent to which managers within the Council implement recommendations within agreed timescales is as follows:

	<b>Number of recs made</b>	<b>Implemented (number / %)</b>	<b>In Progress but still in time (number / %)</b>	<b>Not yet Implemented &amp; out of time (number / %)</b>
<b>2017/18</b>	282	194 / 69%	40 / 14%	48 / 17%
<b>2016/17</b>	405	292 / 72%	0 / 0%	113 / 28%
<b>2015/16</b>	565	328 / 58%	137 / 24%	100 / 18%

- 4.10 The table shows that since 2015/16 management overall is responsive to and takes action to implement audit recommendations.
- 4.11 The significant decrease in the number of recommendations made is attributable to the reduction in school and establishment audits which generated large numbers of lower rated recommendations. There has been an improvement in the recommendations that have not yet been implemented and are late.

4.12 The table below shows the improved response made by Directorates to implement actions within the agreed time.

	Number of rec'd Not yet Implemented & out of time	Overdue rec's at (last date reported to Audit Committee) 1 Feb 2018	Number of rec'd Not yet Implemented & out of time
	April 2017	Feb 2018	March 2018
Adults, Health & Wellbeing	22	24	11
Regeneration & Environment	37	19	16
Corporate Services	12	16	13
Learning & Opportunities (Children & Young People)	28	10	7
Corporate	14	14	1
<b>Total</b>	<b>113</b>	<b>83</b>	<b>48</b>

4.13 Within the above figures, the number of overdue major recommendations has also fallen from 19 in March 2017 to 10 in March 2018. Any major recommendations that are not implemented in line with agreed timescales are reported as part of the Council's quarterly performance and finance challenge process, as well as being routinely reported to Audit Committee. This process has now been extended to include all significant recommendations.

Directorate	Overdue recommendations April 2017				Overdue recommendations March 2018			
	Major	Sig	Mod	Total	Major	Sig	Mod	Total
Adults, Health and WellBeing	2	15	5	22	3	8	0	11
Regen & Environment	0	33	4	37	1	8	7	16
Corporate Services	5	20	1	26	0	10	4	14
Learning & Opportunities (CYP)	12	14	2	28	0	5	0	5
<b>TOTAL</b>	<b>19</b>	<b>82</b>	<b>12</b>	<b>113</b>	<b>6</b>	<b>31</b>	<b>11</b>	<b>48</b>

- 4.14 Whilst progress is being made in improving the rate of implementing audit actions, steps have already been taken to further improve this response, including inclusion of progress in the corporate quarterly performance management (challenge) process, and separate reporting to management by Internal Audit of the details of outstanding recommendations in their respective areas. Efforts will be escalated in this area in the forthcoming year and will bring any relevant matters to the Audit Committee's attention in its progress reports to the Committee.

#### Customer Satisfaction

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

#### Performance Indicators

- 4.16 At its meeting in June 2013, the Audit Committee agreed the key performance indicators that should be reported to it relating to the performance of the Internal Audit service. The indicators are shown below along with current performance for the year April 2017 to March 2018.

<b>Performance Indicator</b>	<b>Target</b>	<b>April to March</b>	<b>Variance</b>
Percentage of planned audit work completed	90%	87%* <sup>2</sup>	-3%
Draft reports issued within 15 days of field work being completed	90%	84%	-6%
Final reports issued within 5 days of customer response	90%	97%	5%
% of critical or major recommendations agreed	100%	100%	-
Cost per Chargeable Day	£308	£334	-£26
Percentage of Customer Satisfaction Surveys rated satisfactory or very satisfactory	90%	100%	10%

- 4.17 The difference between the target and actual percentage of planned audit work completed is due to the reduction in resources available (as set out in paragraph 4.6). Despite this, the Head of Internal Audit has confirmed sufficient work has been carried out to form a view on the Council's

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

governance, risk management and control arrangements as required by the audit standards.

- 4.18 The cost per chargeable day is above budget due to lesser resources than planned for and temporary resources costing a higher rate than the permanent staff they partly replaced.
- 4.19 The proportion of draft reports issued within 15 days of fieldwork is below target mainly due to the development needs of a junior member of staff
- 4.20 Results relating to major recommendations and customer satisfaction remain very positive. There has also been an improvement in the timeliness of issuing internal audit reports.

#### Compliance with the Public Sector Internal Audit Standards (PSIAS)

- 4.21 The Head of Internal Audit is required to report on Internal Audit's compliance with the internal audit standards. Basic requirements for this are as follows:
- The Head of Internal Audit periodically reviews the internal audit charter and strategy and presents it to senior management and the Audit Committee for approval.
  - The Internal Audit service is organisationally independent.
  - There is a Quality Assurance and Improvement Programme (QAIP), the results of which are reported to senior management and the Audit Committee.
  - There is an external assessment of the service conducted every five years. Kirklees Council's Internal Audit Service reviewed our compliance with the Standards during 2016/17 (see below).
  - All instances of non-compliance with the UKPSIAS are reported to the Audit Committee.
- 4.22 The Head of Internal Audit has undertaken a self-assessment as required by the standards. He has concluded that Internal Audit is compliant with the requirements of the standards with the exception of the following item:
- The Standards require the Audit Committee to approve decisions relating to the appointment and removal of the Head of Internal Audit. This does not currently reflect local government practice and is not regarded to be a material non-compliance issue and so no change is proposed. This is an issue reported in previous years.

#### External Assessment

- 4.23 Auditing standards require an external assessment of the internal audit service to be conducted at least once every five years. In February 2017, Internal Audit was reviewed by the Head of Internal Audit and the Audit Manager from Kirklees Council. A separate report has been produced following the external assessment and this was reported to the Audit Committee at its meeting on 6 April 2017.

- 4.24 The assessment has confirmed that Doncaster's Internal Audit meets the highest of the three possible ratings within the standards, i.e. that the service "Generally Conforms" with the standards.
- 4.25 This is an important assessment as it enables the Audit Committee and other key stakeholders to have confidence that the annual opinion of the Head of Internal Audit is supported by a professional and competent service and is evidenced based. It provides stakeholders with the reassurance that they can place reliance on the quality of the work that Internal Audit delivers.
- 4.26 The peer review report identified seven observations noted either by the reviewers themselves, or by Members and Officers interviewed by the reviewers. The observations, and actions emanating from them, have been incorporated into the Service's Quality Assurance Improvement Plan, and progress against the actions have been reported to the Audit Committee on an ongoing basis.
- 4.27 Members should note, as was previously reported during the year, that all observations and actions have now been fully completed.

#### Quality Assurance Improvement Programme

- 4.28 As well as implementing the recommendations from the Peer Review, this year's quality assurance improvement programme included:
- A full service review conducted by the outgoing Head of Audit. The review confirmed the service meets the requirements of the audit standards and the expectations of the Council, and represents good value for money. The service review identified forward looking actions that will ensure the service keeps abreast of and implements best practice, including modern audit approaches.
  - Implementation of a programme of team development including for example relating to ICT audit, the use of data analytics and a refresh on risk based auditing.
  - A sample of jobs has been reviewed and this showed continuing substantial compliance with the audit standards.

### **5. Summary of Findings from Audit Reviews**

- 5.1 Internal Audit provides an 'opinion' on the control environment for all systems which are examined. A limited / no assurance opinion is given where one or more major / critical risks are identified in the area under examination.
- 5.2 Full information on Internal Audit work completed and outcomes is included in our regular progress reports to the Audit Committee. During

2017/18 the large majority of areas audited received positive audit opinions. Summary details are provided below, in particular relating to areas where significant weaknesses were found and reported.

### **Main Financial Systems**

- 5.3 As part of the annual audit plan Internal Audit undertakes a programme of reviews that covers the main financial systems of the Council. Internal Audit work in these areas is examined by KPMG, who review this work and utilise it as appropriate for their own audit of the Council's annual accounts.
- 5.4 We were able to give positive assurances about the control arrangements in the Council's main financial systems.

### **Fundamental Weaknesses Arising**

- 5.5 There were 3 areas where very significant weaknesses were identified, sufficient for us to recommend their inclusion in the Council's Annual Governance Statement. These were in relation to (1) Deprivation of Liberty Safeguard Assessments (DoLS), (2) Direct Payments and (3) Management and Stock Control relating to the Smart Lights Project.

#### Deprivation of Liberty Safeguards (DoLS)

- 5.6 While carrying out a proactive audit data analytics exercise to look for fraud and error, we identified that there were payments to staff being made through the Council's creditor system. This data report highlighted payments made to individuals for best interest assessments undertaken for the DOLs Team. This situation had arisen through a lack of existing capacity to undertake Best Interest Assessments.
- 5.7 Our audit found fundamental weaknesses in relation to authorisations, payment controls and inadequate record keeping about assessments made and payments for them.
- 5.8 A full report is being presented to April's Audit Committee meeting as a separate agenda item.

#### Direct Payments

- 5.9 A review has been completed on direct payments and personal budgets follow up arrangements which has resulted in a limited assurance opinion being given.
- 5.10 In the past few years Personal Budgets and Direct Payments has not been the subject of sufficient management focus meaning inconsistent processes, practices, and procedures have been continued. The drive and focus has been on increasing direct payment numbers without ensuring that adequate knowledge and expertise is in place to govern and manage these. There has been a lack of procedures and guidance for staff and service users meaning inconsistent methodologies are in operation when conducting assessments and reviews.

- 5.11 There continues to be a backlog of care plan reviews and therefore outcome care and support plans may not be fulfilling the service users care needs, but this is not being highlighted. The resource allocation system (RAS), which guides the social care worker in making a decision about resource required to meet needs, is not reviewed to assess where managers or the Risk Panel have approved care plans over the RAS allocated budget. This may identify training requirements if staff are agreeing high care plans or indicate that the RAS is not fit for purpose.
- 5.12 A revised Direct Payment Agreement has not been issued to all service users since the 2014/15 audit as agreed and therefore service users may have outdated agreements in place.
- 5.13 There is now a significant amount of debt being raised and recovered from direct payments since the last audit. £3.81m debt has been raised with £2.5m being collected by the Council and £423k has been written off. £891k is the current amount of outstanding balance owed to the Council. Whilst, this is a positive improvement that such debt is being identified during Direct Payment audits and the debt is being raised, there is a clear need to ensure outcome care and support plans are produced which are more suited to actual needs.
- 5.14 Further progress has also been made in that all new service users have been provided with a prepayment card for their direct payment to be paid into. This allows a time and cost saving for both the Council and the service user in substantially reducing paperwork and administration, without reducing the choice and control for the Service user. As a result of this, £420k has been directly recovered from these accounts without the need to raise a Sales Invoice.
- 5.15 It is pleasing to see that recent changes include the appointment of the Assistant Director of Adult Care and Safeguarding who has acknowledged this as an area for improvement and is taking responsibility for moving this forward. A Programme Management Team has been established to deliver in this area.

#### Management and Stock Control relating to the Smart Lights Project

- 5.16 The Streetlight project seeks to make savings for the Council by replacing the borough's sodium street lighting lamps with more energy efficient LED lamps. Phase 1 of the project was completed in March 2017 and phase 2 of the project is estimated to be completed by the end of May 2018. After the end of the first phase, it was noted by the project management board that there were some unexplained variations relating to stock reconciliations. An investigation concluded that there has been over-ordering of lamps due to:-
- project management issues,
  - poor communication between the Street Lighting and Stores teams and

- a lack of reconciliations between stocks, fitted lamps and orders.

5.17 Lessons learned from phase 1 were fed into the phase 2 audit which has unfortunately encountered similar issues albeit on a smaller scale. This work is currently ongoing and is attempting to reconcile data in 3 different systems to ensure that all lamps have been replaced and that no further over-ordering can take place. A recovery plan has been drafted to deal with the excess stock.

### **Other Significant Issues Arising**

5.17 Other areas with limited assurance audit opinions but which, in Internal Audit's view, are not sufficiently significant to require consideration for inclusion in the Annual Governance Statement are summarised below.

#### Supported Living – Contract Monitoring Review

5.18 A Limited opinion was given due to control weaknesses identified in respect of the Care Management Function which may impact upon the commissioning process. Key issues noted were:

- inaccurate review dates which means clients care may not be up to date in accordance with their needs and this can give rise to financial, accounting and cash flow issues.
- The CareFirst System does not currently have the functionality to record payments made to Service Providers, which makes gathering and reconciliation of payments to services provided inefficient.
- The lack of up to date reviews may also give rise to data quality issues in respect of the accuracy, completeness and integrity of the data recorded on the CareFirst System.
- Data recorded on the CareFirst System is not shared with the CCG which hinders the reclaiming of Continuing Health Care (CHC) payments from the CCG.

5.19 Management are aware of these issues and these will be addressed in future versions of the Care Management System. Management have confirmed that reviews of care packages will be completed on a timely basis and brought up to date. In the event that resource levels were deemed insufficient, management would consider options such as the appointment of temporary resources via recruitment agencies. The outcome of the review would be presented to the Improvement Board and updates have continued to be presented to this Board.

5.20 In respect of the Supported Living Contract, the re-tender process has commenced.

#### Continuing Health Care – Debt Management

5.27 This audit found a lack of accountability, involvement and oversight within Adults, Health and Wellbeing in respect of the CHC recharge process. A

number of practice and process weaknesses were found, which contributed to a significant level of outstanding debt. This has an adverse impact on the Council's financial position. The debt now stands at £1.4m as at 14<sup>th</sup> February 2018 as against £4.3m at the start of the audit in August 2017

#### Business Waste and Recycling – Follow Up

- 5.28 This review identified that the data quality and improvements and reconciliation processes agreed and reported in the May 2015 Internal Audit Report and the July 2016 Income Management report which would minimise any potential future cases of un-billed income have not yet been implemented.
- 5.29 The data comparison exercise recently undertaken by Internal Audit has identified customers that have not been billed. 9 customers had been identified requiring backdated invoices to be raised generating income in excess of £10K. Estimates of further unbilled income are in the range of £10-20K.
- 5.30 A fundamental recommendation is for a reconciliation to be routinely carried out by management to demonstrate that all collections have been billed. Despite several revised deadlines provide by management, this reconciliation has still not been carried out.

### **6. Schools**

- 6.1 Internal Audit completed the following work in schools in 2017/18:
- Provision of advice as requested from schools in relation to financial internal controls in areas such as cash handling / banking arrangements, dinner monies and policies etc.
  - Provision of information, advice and support to the Governors' Support Service to ensure audit and governance issues are consistently dealt with across all schools.
  - Conducted thematic audits on ParentPay and Pupil Premium.
  - Followed up agreed actions from the previous year to ensure recommendations were implemented and controls improved
  - Carried out various investigations into potential irregularities arising during the year. A particularly complex investigation is highlighted at paragraph 7.9.

### **7. Responsive Work.**

- 7.1 Approximately 334 days (25%) of Internal Audit time was used to address issues which arose during the year. This is higher than in recent years, and reflects the volume and complexity of work carried out in this area of work
- 7.2 It should be noted that, overall, the Council continues to experience relatively little reported fraudulent activity. Examples of suspected

irregularities included below do not change the audit opinion that, overall, the arrangements in place for preventing and detecting fraud and corruption are satisfactory and do not have a detrimental impact on the overall control environment.

- 7.3 Some of the more significant issues not referred to elsewhere in this report that Internal Audit has addressed during 2017/18 include:

#### DOLs (Deprivation of Liberty Safeguards) – Best Interest Assessments

- 7.4 A separate report has been provided to Audit Committee at its April meeting which sets out the issues and actions required in this area.

#### Internal Drainage Boards

- 7.5 A full report has been provided to Audit Committee at its July meeting which sets out the issues which Internal Audit has been involved in, and the many improvements made in this area both at a local and national level. It also sets out further improvements in governance arrangements which could be put in place but which require fundamental changes in governance and responsibility at national level.

#### Adults Safeguarding Board – Governance Review of Training

- 7.6 This Internal Audit review was commissioned following a safeguarding incident within a Doncaster Council commissioned Care Home. The review identified a number of issues relating to the governance arrangements in respect of the training arrangements across Council commissioned Care Homes. In particular, an assessment had not been undertaken of the effectiveness of the training delivered to Care Homes in terms of quality and impact regarding reducing care related risks. The Council's Moving and Handling Team produce Service Provider moving and handling plans which are the responsibility of the Service Provider. The absence of an Action Plan / Programme in order to effectively manage the on-going rewrite and update of the Care Homes Contract. In addition, an assessment had not been undertaken of any important multi-agency lessons to be learned arising from the safeguarding incident.

#### Social Care Provider

- 7.7 This is a potential significant issue regarding the cost for social care provision by a provider incurred either directly by the Council or through direct payments.

Initial investigations around the commissioning and care provided and paid for has highlighted weaknesses in processes. Daily rates for care and the days the service user receives the care on are not clearly documented in care plans and there are no checks undertaken back to care package details to ensure the invoices we received are correct and that care is only being paid for when it has actually been provided.

#### Occupational Therapy Service

- 7.8 This is a review over concerns over previously poor management of the service. This review will cover financial, governance and asset management arrangements.

#### Primary School – Loss of Monies

- 7.9 A detailed forensic investigation identified missing monies through misappropriation and theft of funds. The employee has been dismissed.

#### Adult Care Home Financial Review

- 7.10 Allegations of theft of monies and missing / odd items of expenditure for individuals. Process weaknesses were found, but there was insufficient evidence of any fraud.

#### Stores and Vehicle Losses

- 7.11 There have been a number of thefts from North Bridge Stores including, expensive items of equipment. This is despite a number of security measures being in place.
- 7.12 The Council's insurers have visited the site and provided an action plan of further possible improvements which is being considered by Management.
- 7.13 The Council has continued to be the target of thieves for vehicle break-ins and vehicle thefts outside the depot. This issue is being raised with the Police as it appears that the Council (along with other organisations) are being targeted in this regards.

#### Smart Lights

- 7.14 Deficiencies were identified in relation to project management and ordering, leading to potential significant losses to the Council. More details are shown in paragraph 5.16.

#### ICT Equipment Losses

- 7.15 Internal Audit is assisting management to put in place stronger controls relating to ICT inventories, following an inability to locate small amounts of ICT equipment.

#### Server Charge

- 7.16 Emergency work was required on a school server which required the replacement of various parts but the schools external IT supplier. There is a dispute as to whether the parts were actually replaced. The invoice has been disputed. This has been referred to Action Fraud which is the UK's national fraud and cyber-crime reporting centre. A review of other transactions did not uncover systematic issues.

#### Markets Contracts

- 7.17 A concern was raised by the External Auditor regarding Market rents charged and on the stall leases.

**8. Assessment of the Council's Governance, Risk Management and Control Arrangements for the Year to 31st March 2018**

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

Accordingly, on the basis of this work, both the incoming and outgoing Heads of Internal Audit for 2017/18 can confirm that the Council's governance, risk management and control arrangements for 2017/18 were adequate and operated satisfactorily during the year.

**Colin Earl and Peter Jackson**  
**Head of Internal Audit**  
**15 March 2018**