



Doncaster Council

Report

Date: 11th April 2019

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

ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2018/19

EXECUTIVE SUMMARY

1. This report provides information on the work of Internal Audit during 2018/19 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

Head of Internal Audit Annual Report 2018/19

1.1 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:

- The service delivered 1164 chargeable audit days during the year, which was 86% of the budgeted level. There are several factors contributing to this as set out below. However, with management of the resources and revising the audit plan the Head of Internal Audit has been able 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 2018/19 year.

Internal Audit Plan v Actual Days April 2018 to March 2019

	Plan	%	Actual	%
Assurance Work	793	58.9%	696	60%
Consultancy Work	75	5.6%	81	7%

Responsive Work	370	27.5%	208	18%
Follow-up Work	108	8%	179	15%
Total	1346	100%	1164	100%

The key issues are shown below:

Issues within customer directorates

- High levels of responsive work experienced by the team in the first quarter.
- A significantly higher level of follow up work than budgeted for, the majority taking place in Adults Health and Wellbeing.
- Additional time being required to complete some jobs due to the number or complexities of issues identified as the audit progressed.

Issues within Internal Audit

- Higher levels of time spent on the team restructure and role changes following the departure of the former Head of Internal Audit (March 2018) and familiarisation with new roles, than was originally planned for.
 - An increase in time spent to complete a full risk assessment of services to inform the 19/20 Internal Plan, again by staff unfamiliar with this aspect of work.
 - Eighty days of training more than budgeted for.
- Consultancy work and follow up work has increased to 9% and 15% respectively (originally budgeted at 5.6% and 8%) at the expense of budgeted responsive time, whilst the time taken on assurance work has remained static.
 - It is expected that the level of follow up work required, going forward, should now reduce due to improved reporting arrangements and Directorate management intervention. This has been a major area of audit activity this year and a marked improvement has been noted.
 - The service has achieved acceptable 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 responsive pieces of work, either of an investigative or consultative nature during the period.

1.2 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.

- 1.3 Internal Audit has identified an area to be considered for inclusion in the Council's 2018/19 Annual Governance Statement (AGS). That is the Alarm Receiving Centre (ARC).
- 1.4 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. These areas were, Occupational Therapy, Bereavement Services and Stores. These 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

- 1.5 The Head of Internal Audit has undertaken an annual self-assessment of the Service's compliance with auditing standards. The main areas covered are reviewing the Charter and Strategy, the service's organisational independence and there being an Quality Assurance Improvement Programme as set out below. This concluded that Internal Audit is compliant with the requirements of the Standards.
- 1.6 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 were fully implemented the following year.

Quality Assurance Improvement Programme

- 1.7 A Quality Assurance Improvement Programme, consisting of a review of resources, 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 in line with standards and the expectation of Internal Audit adding value to the organisation.

EXEMPT REPORT

2. Not applicable, for information only.

RECOMMENDATIONS

3. The Audit Committee is asked:
 - To note the Internal Audit Annual Report for 2018/19, 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:

	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 	

	<p>of Doncaster</p> <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 	
	<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 implementation of internal audit recommendations is a response to identified risks and hence is an effective risk management action.

LEGAL IMPLICATIONS (HP 02/04/19)

10. The Council must provide an adequate and effective internal audit in order to comply with the requirements of the Accounts and Audit Regulations 2015.

FINANCIAL IMPLICATIONS (AT, 28/03/19)

11. There are no specific financial implications associated with this report. The 2019/20 budget for the service has been reviewed and is not expected to be a pressure on the Council's overall financial position

HUMAN RESOURCE IMPLICATIONS (KG 02/04/19)

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

TECHNOLOGY IMPLICATIONS (PW, 28/03/19)

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

HEALTH IMPLICATIONS (RS, 28/03/2019)

14. Good governance is essential for effective organisations. Effective internal audit contributes to the effective discharge of the council's health promotion duties. The addition of the Alarm Receiving Centre (ARC) to the Annual Governance Statement highlights an area for review and action which will have direct impacts on health and wellbeing.

EQUALITY IMPLICATIONS (PRJ, 20/03/2019)

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

Peter Jackson, Head of Internal Audit,

Telephone 01302 862938

E-Mail peter.jackson@dochester.gov.uk

**Peter Jackson FCCA
Head of Internal Audit**

ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2018/19

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.

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 Income was generated by providing an Internal Audit service to St Leger Homes throughout the year as well as from audit services to another external organisation.
- 4.2 Internal Audit commenced the 2018/19 year with an establishment of 7.9 full time equivalent (FTE) staff, increasing to 8.9 in December 2018. The overall available audit days at the start of the year was 1345, compared

with 1562 in 2017/18. The plan for 2019/20 anticipates recruitment of an additional Senior Auditor into the team to increase resources.

- 4.4 A careful approach to risk based planning and robust performance management of our resources has been essential given the level of available resources. It is the opinion of the Head of Internal Audit that sufficient work was delivered 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 2018/19 year. This was, however, a lower level of coverage than planned and the additional resources that are being recruited for should help address the situation.

Audit Work Undertaken

- 4.5 A breakdown of time spent in 2018/19 is summarised below: The service delivered 1164 chargeable audit days during the year, which was 86% of the budgeted level.

Internal Audit Plan v Actual Days April 2018 to March 2019

	Plan	%	Actual	%
Assurance Work	793	58.9%	696	60%
Consultancy Work	75	5.6%	81	7%
Responsive Work	370	27.5%	208	18%
Follow-up Work	108	8%	179	15%
Total	1346	100%	1164	100%

- 4.6 The reason for the difference between planned and actual time was due to:

Issues within customer directorates

- High levels of responsive work experienced by the team in the first quarter.
- A significantly higher level of follow up work than budgeted for, the majority taking place in Adults Health and Wellbeing.
- Additional time being required to complete some jobs due to the number or complexities of issues identified as the audit progressed.

Issues within Internal Audit

- Higher levels of time spent on the team restructure and role changes following the departure of the former Head of Internal Audit (March 2018) and familiarisation with new roles, than was originally planned for.
- An increase in time spent to complete a full risk assessment of services to inform the 19/20 Internal Plan, again by staff unfamiliar with this aspect of work.

- Eighty days of training more than budgeted for.
- 4.7 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 Council's risk, governance and control arrangements. Significantly greater levels of work were delivered in supporting arrangements in several areas highlighted within the Annual Governance Statement and in supporting management in the implementation of outstanding internal audit recommendations.

Implementation of Recommendations

4.8 The Internal Audit Team has prioritised this area of their work during 2018/19, working 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 have implemented recommendations within the year they have been raised is as follows:

	Number of recs made in year	Implemented in year (number / %)	Number of recs still to be implemented	In Progress but still in time (number / %)	Not yet Implemented & out of time (number / %)
2018/19	291	259 / 89%	63	18 / 6%	45 / 15%
2017/18	282	194 / 69%	88	40 / 14%	48 / 17%
2016/17	405	292 / 72%	113	0 / 0%	113 / 28%
2015/16	565	328 / 58%	237	137 / 24%	100 / 18%

- 4.9 The table shows that during the year that joint working between Internal Audit and management has paid off and with considerable effort, has resulted in a reduced level of outstanding audit recommendations overall. Actions implemented in the year they were raised has greatly improved and actions raised pre the 2018/19 financial year are now minimal (4 only).
- 4.10 The significant decrease in the number of recommendations made from 2016/17 is attributable to the reduction in school and establishment audits which generated large numbers of lower rated recommendations.
- 4.11 The table below shows that the response made by Directorates to implement actions during the year has shown a marked improvement. The only directorate where there are high / major actions now overdue is within Adults, Health and Wellbeing.

Directorate	Number of high/major recommendations overdue			Number of lower level recommendations overdue		
	At 02/07/18	At 15/01/19	At 20/03/19	At 02/07/18	At 15/01/19	At 19/03/19
Adults, Health and Wellbeing	16	10	4	53	29	30
Regeneration & Environment	0	0	0	11	7	9
Corporate Resources	0	0	0	22	1	3
Learning & Opportunities (Children & Young People)	0	0	0	10	2	3
Council Wide	0	0	0	2	1	0
TOTAL	16	10	4	98	40	45

4.12 The majority of the Adults, Health and Wellbeing overdue major recommendations listed above are in respect of the audits of the Deprivation of Liberties Safeguards and Direct Payments / Personalised Budgets. Further information on Deprivation of Liberties Safeguards is detailed at 5.15 and a separate report has been provided for April 2019 Audit Committee covering Direct Payments / Personalised Budgets.

4.13 Any high/major recommendations that are not implemented in line with agreed timescales are reported as part of the Council's Resource Management quarterly process, as well as being routinely reported to Audit Committee. Additionally, all overdue recommendations are now reported on a monthly basis to the relevant Assistant Director who must also authorise any time extensions requested by their managers.

It should be noted that the Council agreed a revised Risk Management Policy this year, which increased the Council's risk appetite. As such, Internal Audit realigned risk levels given to audit recommendations part way through the year. Internal Audit recommendations are now classed as high, medium or low risk.

Customer Satisfaction

4.14 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

4.15 The indicators are shown below along with current performance for the year April 2018 to March 2019.

Performance Indicator	Target	April to March	Variance
Percentage of planned audit work completed	90%	86%* ¹	-4%
Draft reports issued within 15 days of field work being completed	90%	97%	7%
Final reports issued within 5 days of customer response	90%	100	10%
% of critical or major recommendations agreed	100%	100%	-
Percentage of Customer Satisfaction Surveys rated	90%	100%	+10%

4.16 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 4.4). Despite this, the Head of Internal Audit has confirmed sufficient work has been carried out to form a view on the Council's governance, risk management and control arrangements as required by the audit standards.

4.17 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)

4.18 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. Updated guidance has been published in March 2019 and this will help inform revising the Charter and Strategy currently scheduled for approval at the June 2019 Audit Committee.
- 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.

¹ 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 $(1 + 0.5 + 0.5)/3 = 66\%$

- 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.
- 4.19 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, that audit standards have been maintained and that the Service has continued to develop in line with standards and the expectation of Internal Audit adding value to the organisation.

External Assessment

- 4.20 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.
- 4.21 The assessment 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.
- 4.22 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.
- 4.23 The peer review report identified seven observations noted either by the reviewers themselves, or by Members and Officers interviewed by the reviewers. All observations and actions were reported as having been fully completed in the 2018/19 Annual Report of the Head of Internal Audit

Quality Assurance Improvement Programme

- 4.24 This year's quality assurance improvement programme included:
- A review of the levels of internal audit staffing resource required in order to continue to meet the requirements of the audit standards and the expectations of the Council, and represents good value for money. The review identified the need for additional resource, at a medium / low level, in order to increase the existing level of assurance type work required, whilst also pursuing modern audit approaches.
 - Implementation of a programme of team development including for

example relating to ICT and Information Governance/GDPR, and the use of data analytics.

- 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 or no assurance opinion is given where one or more high level risks (formerly called major / critical) 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 2018/19 the large majority of areas audited received positive audit opinions. Summary details are provided below for 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 the External Auditors who review this work and utilise it as appropriate for their own audit of the Council's annual accounts. The External Auditor for 2018/19 is Grant Thornton (previously KPMG) with whom we have worked closely with to develop effective working relationships that were in place with the KPMG.
- 5.4 We were able to give positive assurances about the control arrangements in the Council's main financial systems and around arrangements managing the risk of fraud and corruption.

Fundamental Weaknesses Arising

- 5.5 There was one area where very significant weaknesses were identified, sufficient for us to recommend inclusion in the Council's Annual Governance Statement. This was in relation to the Alarm Receiving Centre (ARC).

Review of ARC Practices

- 5.6 A review of systems and processes within the Alarm Receiving Centre (ARC) raised concerns about the efficacy and business continuity of assistive technology. A new system has been procured and is being installed. Ongoing support from within the Internal Audit team is being provided to the appointed Project consultants in progressing further phases of work in this area.

Other Significant Issues Arising

- 5.7 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.

Occupational Therapy Service

5.8 A review of the adequacy of the management arrangements in respect of the Occupational Therapy Service only enabled a limited assurance opinion to be given over the existing management arrangements in place. Key issues noted were:

- The service was operating without a performance framework and a detailed Service Plan.
- The current re-engineering programme had not been completed in accordance with the required timescales.
- The Service Risk Register had not been completed in accordance with the Corporate Risk Management Procedure.
- There was a need for the increased management attention and rigour in respect of the application of HR policies and procedures in relation to managing and monitoring of attendance, flexible working arrangements and car mileage procedures. This has now been adequately addressed.
- The value of equipment which required authorisation by the Team Leader (Occupational Therapy) appeared to be relatively low at up to £500 in most instances. This naturally impacted upon the volume of requisitions that required authorisation by the "Specials Panel" and give rise to a delay in the approval process and the user being provided the necessary equipment / service.

5.9 It was acknowledged that the Service had embarked upon a fundamental review of the strategic direction and management of the Service, but that implementation of the recommendations arising from this review would inevitably take some time, especially given the number of key stakeholders impacted upon by the review e.g. the Clinical Commissioning Group (CCG). Additional management capacity was put in place all actions were progressed and monitored through a Rapid Improvement Plan overseen by the Director of People.

Bereavement Services – Sales and Stocks

5.10 A limited assurance opinion over the arrangements to ensure that income and stocks processed by Bereavement Service is correctly accounted for and is properly protected was also given. 11 recommendations were made which would improve the main issues identified below:

5.11 The team experienced resourcing issues during the year which impacted on the volume of work being completed. At the time of the audit there was a 3 month delay in raising accounts to funeral directors. This caused a delay to income received by the Council and increased the financial risk to

the Council. This has now been resolved and timely account production is now in place.

- 5.12 Bereavement Services had accepted two cash instalments totalling £10,000 for the purchase of two mausoleums without undertaking any money laundering due diligence checks. Such checks are required by Council Policy and the Money Laundering Regulations 2017 and are in place to prevent and detect potential money laundering in the UK. Any persons dealing with transactions that are later found to be money laundering face potential litigation, the consequences of which range from fines to a prison sentence.
- 5.13 Other income for the Council is generated through the leasing of memorial plaques, which are paid for in advance. At the end of the lease agreement, the team write to the leaseholder to determine whether the lease should be renewed or the plaque removed. Due to the resourcing issues within the team, there was a significant delay in this happening of up to 6 months.

Stores

- 5.14 A review to ensure that efficient and robust stock control processes are in place at North Bridge Depot has been carried out and the work is at agreement and reporting stage. A limited assurance opinion will be given due to the lack of stocktakes since the implementation of a new operating system in November 2017 and the volume of identified improvement actions identified.

Deprivation of Liberties Safeguards Update

- 5.15 There have been recent major staffing changes in the management of the service and also some resource issues which has been a major contributory factor in the delay of the implementation of the outstanding actions.
- 5.16 Consequently, there has been some slippage in the implementation of outstanding actions and these are partly due to the DoLS team being dependent on other teams to provide information or complete processes in order to complete the actions in question.
- 5.17 Satisfactory progress is still being made with these actions and it should be noted that the amount of work required and time it would take in some instances to implement the actions was underestimated by the management at the time.
- 5.18 Whilst there has been slippage from original and revised dates, we are still happy to support the removal of this area from the Annual Governance Statement as we do not consider this area to currently represent a significant governance issue or concern. The remainder of

the outstanding actions will continue to be closely monitored and any concerns escalated should they arise.

	Moderate	Significant	Major
Action date not yet due	1	2	1
Original action date passed – revised date not yet due		2	3
Original action date passed – revised date passed – extension requested from Assistant Director	1	4	1
Implemented during period (Audit are yet to review evidence)			1

6. Schools

6.1 Internal Audit completed the following work in schools in 2018/19:

- Provision of advice as requested from schools in relation to financial internal controls.
- Provision of information, advice and support to the Governors' Support Service to ensure audit and governance issues are consistently dealt with across all schools.
- Followed up agreed actions from the previous years to ensure recommendations were implemented and controls improved.

7. Responsive Work.

7.1 Approximately 208 days (18%) of Internal Audit time was used to address issues which arose during the year. This is lower than was budgeted for, and may correlate with the increase in consultancy figures.

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 time consuming, responsive issues not referred to elsewhere in this report, that Internal Audit has addressed during 2018/19 include:

- Smart Lights Phase 2 – The conclusion and final reporting of this work, which originally commenced in November 2017 after issues were reported within the smart lights programme on ordering items (and potential surplus lamps being ordered). This was reported to the July Audit Committee.
- Schools Catering, Invoice, Ordering and Receipting Process - Advice was provided streamlining / improving processes after year end routines identified a significant number of orders that had not been receipted in the Council's payment system (P2P).
- Music Service IR35 Payments - A review of payments being made to individuals through the creditors system (P2P) from routine matches obtained from the National Fraud Initiative (NFI). Internal Audit work is complete and Human Resources are now providing ongoing support.
- Social Care Provider - This was a potential significant issue regarding cost of social care incurred either directly by the Council or through Direct Payments. There was no available evidence on which to proceed with further investigations. The case has now been closed as none of the authorities involved have any evidence to support the allegations made. Action has, however, now been taken to reassess all care needs and care actually provided and paid for. No concerns have arisen from this work and no further action is to be undertaken.
- School Governors Support Service - Support and information was provided to management in assessing clerking arrangements to help support a service review of this function
- Liquid Logic Access - Assistance from Internal Audit regarding a potential issue with access to the Liquid Logic Children's system and the Early Help module, revealed access rights were not being systematically amended / cancelled when staff left the authority or change posts.
- Doncaster East Internal Drainage Board (DEIDB) - Support was provided to the Board in finalising a governance review of a major project. Independent consultants were engaged to support this review and their findings are being assessed by the Board.
- Officer working arrangements - Management concerns raised have resulted in an investigation into a potential conflict between an officer's private work and their employment with DMBC.
- Income Management Project Support - This piece of consultancy work is to support corporate arrangements in the identification and reconciliation of income. It is an important area due to weaknesses identified in these arrangements though both audit work and in

income project work previously carried out by Financial Management.

- Data Matching, Supplier to Payroll Payments - Additional time was required to allow completion of the routine monthly checks which are proving very worthwhile in identifying anomalies that require investigating. For example, employees are being paid through both Payroll and Accounts Payable. This can identify where the employee has not informed their manager of secondary employment, potential fraudulent payments and breaches of Inland Revenue regulations (IR35)
- Invoice Fraud (IPOS) - Concerns were raised regarding an 'invoice' from Intellectual Property Organisation Service, for services that we had received and paid for. Investigation showed that the Intellectual Property Office website holds a trademark register that details all the trademarks that have been applied for and granted, with the name and address of the organisation requesting the trademark and the application number. Clearly the sender of the scam invoice has lifted the information from the website as this is freely available information. The fraudulent 'invoice' was not paid and was referred to Action Fraud for assessment. Action Fraud is the UK's national fraud reporting service. When a fraud is reported to Action Fraud, victims are given a crime reference number and their case is passed on to the National Fraud Intelligence Bureau (NFIB), which is run by the City of London's police service.
- Whistleblowing concerns re Planning Application – concerns were raised regarding the actions of members and officers within the Council which were dealt with under the Council's whistleblowing policy. The outcome of the review was that the concerns raised were considered unfounded, that there was no impropriety in the way that the application was handled either by the Planning Officer or the Council and that there was adherence to statutory requirements and the Council's policies, procedures and rules.

8. Assessment of the Council's Governance, Risk Management and Control Arrangements for the Year to 31st March 2019

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, the Head of Internal Audit can confirm that the Council's governance, risk management and control arrangements for 2018/189 were adequate and operated satisfactorily during the year.

Peter Jackson, Head of Internal Audit
26 March 2019