



Doncaster Council

Report

Date: 29th April 2021

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

ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2020/21

EXECUTIVE SUMMARY

1. This report provides information on the work of Internal Audit during 2020/21, as set out in Appendix 1, including the Head of Internal Audit's overall opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. This report also supports the annual review of the Council's governance arrangements and the subsequent preparation and publication of an Annual Governance Statement (AGS).
2. The critical overall factor to be considered is whether there has been sufficient work done directly by the team or utilising other sources of assurance to be able to form a view on the Council's governance, risk management and control arrangements as required by the audit standards.
3. As noted elsewhere in the report, despite the challenges and changes to work undertaken by the team, the Head of Internal Audit has confirmed sufficient work has been carried out to be able to form such an opinion.
4. On the basis of the reasons set out and covered in detail within the report, the Head of Internal Audit considers that the Council's governance, risk management and control arrangements for 2020/21 were adequate and operated effectively during the year.

Implementation of Agreed Management Actions arising from Audit Recommendations

5. There were 50 management actions overdue as at 11th April. The majority of the overdue management actions are in Economy and Environment and 30 of the 35 identified there relate to the audit of the Trading Standards and Food and Animal Safety audit. Management are actively working with the Internal Audit team to seek their implementation at the earliest appropriate opportunity given their current prioritisation of resources into COVID-19 pandemic work and post Brexit requirements allied with a national shortage of suitable qualified officers.

Areas of Concern

6. The inability of the Trading Standards and Food Safety Team to discharge all its statutory duties has been only one area of significant weakness identified by Internal Audit for consideration for inclusion in the Council's 2020/21 Annual Governance Statement (AGS).
7. North Bridge Stores was given a "no assurance" rating at the end of our review. The issue and concerns were highlighted as part of the Annual Governance Statement review meeting with input from key officers with Governance responsibilities as set out in paragraph 5.8. This group assessed the issue as being predominantly a control related issue that good governance and risk management had mitigated potential consequences and impacts of these issues. It was not therefore included within the Annual Governance Statement. Instead, It was agreed to be highlighted within the Annual report of the Head of Internal Audit as a key area to note.
8. Other areas of concern highlighted with the report were the academisation of a primary school and an investigation into the financial administration of a primary school.
9. The Head of Internal Audit also confirms conformance with the Public Sector Internal Audit Standards as detailed in paragraphs 4.18-4.24 of Appendix A.

EXEMPT REPORT

6. Not applicable, for information only.

RECOMMENDATIONS

7. The Audit Committee is asked:
 - To note the Internal Audit Annual Report for 2020/21, including confirmation that the Council's governance, risk management and control arrangements were adequate and operated effectively during the year. This is of fundamental importance in this most challenging of years.
 - 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.

- To note the decision made for the Head of Internal Audit from Rotherham Council to lead on an external assessment of the Doncaster Internal Audit Service in late 2021 as part of arrangements between Calderdale, Kirklees, Rotherham and Doncaster Council's Internal Audit Services.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

8. 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

9. 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

10. Not applicable - for information only.

REASONS FOR RECOMMENDED OPTION

11. Not applicable - for information only.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

12. 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</p>	

	<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 	<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</p>

	<p>assets and strengths</p> <ul style="list-style-type: none"> • Working with our partners and residents to provide effective leadership and governance 	<p>arrangements within the Council and its partners.</p>
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RISKS AND ASSUMPTIONS

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

LEGAL IMPLICATIONS (SRF, 19/04/21)

14. 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 (ST, 20/04/21)

15. There are no specific financial implications associated with this report. The 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 (KM, 19/04/21)

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

TECHNOLOGY IMPLICATIONS (PW, 20/04/21)

17. There are no specific technology implications associated with this report. As outlined in the report, a detailed risk assessment of our ICT risks has been carried out by another local authority's ICT Internal Audit Team. Resulting prioritised actions have either been delivered, are in progress or are planned to mitigate these, where applicable.

HEALTH IMPLICATIONS (RS, 20/04/21)

18. Good governance is essential for effective organisations. Effective internal audit contributes to the effective discharge of the council's public health duties. The consideration of the addition of Trading Standards and the Food Safety Team to the Annual Governance Statement should help reduce this weakness and reduce any risk to the health of the public.

EQUALITY IMPLICATIONS (PRJ, 18/04/2021)

19. 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

20. 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

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

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ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2020/21

1. Purpose of the report

- 1.1 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 providing his opinion on the Council's Risk, Governance, and Control arrangements.
- 1.2 This report also supports the annual review of the Council's governance arrangements and the subsequent preparation and publication of an Annual Governance Statement (AGS)

2. Introduction

- 2.1 The 2020/21 year has been exceptional for the Internal Audit team in terms of the wider support given to the Council as a whole during the initial COVID-19 pandemic response period and then assessing the implications and work required from an Internal Audit perspective during the remainder of the year
- 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 work of the service, which alongside other arrangements culminates in the issuing of an annual opinion on the Council's risk, governance and control arrangements. This is an especially important opinion in this year when these arrangements have been "stress-tested" to an extent that seemed unimaginable in little over a year ago. More detailed summaries of the work undertaken has been provided regularly through the year in the quarterly internal audit progress reports to Audit Committee.

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 the Accounts and Audit [England] Regulations 2015. The main intention 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 Internal Audit Service. These standards require the Head of Internal Audit to provide an annual internal

audit opinion based on an objective assessment of the framework of governance, risk management and control.

4. **Reviewing the Service**

Internal Audit Resources

- 4.1 Internal Audit commenced the 2020/21 year with an establishment of 8.61 and this remained unchanged throughout the year.
- 4.2 These resources also provide a long standing Internal Audit service to St Leger Homes throughout the year for which the service receives a fee.
- 4.3 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, governance and control arrangements for the 2020/21 year to those responsible for governance which includes the Audit Committee, The Chief Executive and his Management Team and the Chief Financial Officer.

Audit Work Undertaken

- 4.4 A breakdown of time spent in 2021/21 is summarised below: The service delivered 1262 chargeable audit days during the year, which was 93% of the budgeted level.

Internal Audit Plan v Actual Days April 2020 to March 2021

	Original Plan		Revised Plan		Final Position	
	March 2020		June 2020		March 2021	
	Plan	%	Plan	%	Actual	%
Assurance Work	980	72.5%	729	53.9%	473	37.5%
Consultancy Work	61	4.5%	61	4.5%	84	6.7%
Responsive Work	232	17.1%	475	35.1%	630	49.9%
Follow-up Work	79	5.9%	87	6.5%	75	5.9%
Total	1352	100%	1352	100%	1262	100%

- 4.5 Whilst the team have delivered a different workload to that planned, it can be seen that the number of chargeable days has been largely maintained.

The key points are that:

- Whilst less traditional assurance work has been undertaken, other work carried out by the team, especially the responsive work has gained assurance over, as well as contributing to, risk, governance and control arrangements.

- The volume of work delivered has been largely maintained and covered a sufficient width and breath of the Council's arrangements on a risk prioritised basis.
- Accordingly, the Head of Internal Audit is able to provide a full unqualified opinion over these arrangements

4.6 Significantly greater levels of responsive work were delivered during the COVID-19 pandemic response period in quarter one particularly but this support continued throughout the rest of the year and our work in providing assurance over Covid-19 monies will continue into 2021 and beyond. During the rest of the year, further priority was given to ensuring sufficient work on traditional assurance type work was completed to enable the Head of Audit to form an opinion on the Council's risk, governance and control arrangements.

Further detail on the work delivered and assurances gained are set out further within this report

Implementation of Agreed Management Actions arising from Audit Recommendations

4.7 Minimal work had been carried out doing our usual follow ups during the first quarter of the 2020/21 financial year due to the council-wide reprioritisation of resources. This council-wide prioritisation of resources resulted in a notable rise in actions that became overdue. This was understandable and did not reflect negatively on management. From quarter two onwards, after the organisational steer to step services back up and get back to core delivery, we worked extensively with management to successfully implement a number actions and where this was not possible we worked with management to agree appropriate revised timescales and mitigations that could be put into place prior to full implementation. We also agreed prioritisation of actions where possible i.e. with a view to mitigating higher risks at the earliest opportunity. Some revised dates had to be extended to reflect the ongoing COVID-19 pandemic and other work prioritisations.

4.8 The pandemic continued throughout the year and this resulted in a much lower number of new actions being raised for the following reasons:

- A significantly increased amount of work undertaken has resulted in substantial assurance opinions being given.
- Higher levels of advisory and investigative work.
- More work has been done this year to support wider council operations.
- Internal Audit and Directorate Management have continued the practice of rigorously pursuing the completion of all actions

following a written note of concern to the Chief Executive from the Audit Committee about this subject.

- Higher levels of work in progress due to the currently longer duration and increased time needed for some types of audit.

4.9 A review of this area covering the last five years does identify that good progress is being maintained in overall terms. Between the 2014/15 and 2016/17 years there were over 100 overdue management actions and as can be seen now, the situation is very much more under control. The 2020/21 year has obviously been very exceptional in overall terms and in this area also. Further commentary is set out below.

Directorate	Number of high risk level recommendations overdue					Number of medium / lower risk level recommendations overdue				
	At 06/04 17	At 15/03 18	At 19/03 19	At 10/03 20	At 11/04 21	At 06/04 17	At 15/03 18	At 19/03 19	At 10/03 20	At 11/04 21
Adults, Health and Wellbeing (AHWb)	2	3	4	1	0	20	8	30	0	3
Economy & Environment (EE)	0	1	0	3	4	37	15	9	10	31
Corporate Resources (CR)	5	0	0	0	0	21	14	3	7	12
Learning & Opportunities (Children & Young People) (LOCYP)	12	0	0	0	0	16	5	3	0	0
TOTAL	19	4	4	4	4	94	42	45	17	46

4.10 The majority of the overdue management actions are in Economy and Environment and 30 of the 35 identified there relate to the audit of the Trading Standards and Food and Animal Safety audit. This was a wide-ranging audit, which resulted in a large number of actions (36) and was finalised late 2019. Due to the COVID-19 Pandemic it has been difficult for the Team to implement the agreed management actions with 30 of these actions remaining outstanding. They all had revised estimated implementation dates of 31st March 2021 which have unfortunately been unable to be met. We are actively working with management to seek their implementation at the earliest appropriate opportunity given their current prioritisation of resources into COVID-19 pandemic work and post Brexit requirements allied with a national shortage of suitable qualified officers.

4.11 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.

Performance Indicators

4.12 The indicators are shown below along with current performance for the year April 2020 to March 2021.

Performance Indicator	Target	April to March	Variance
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%	-
Percentage of Customer Satisfaction Surveys rated Satisfactory or above	90%	100%	+10%

4.13 Planned work completed is not being reported as is has been concluded that this is not a relevant indicator in this most unprecedented of years. Regional and national discussions have suggested more meaningful information is around a qualitative assessment of the work delivered by the team and the impact it has had on the organisation rather than a quantitative assessment around a plan drafted before the COVID-19 pandemic and therefore not reflecting the ever evolving organisational needs.

4.14 Equally, percentage of jobs completed within 110% of budget is not deemed a relevant indicator with work undertaken being flexed to address new and emerging risks within the area under review and operational difficulties within the service or area under review and that of the Internal Audit team, i.e. in working virtually from home for the entirety of the year being reported upon. This position will continue for some time yet and it is considered highly unlikely that the team will return to the previous way of predominantly office based working. Planned time for future work takes these factors into account and this indicator is anticipated to be monitored during the 2021/22 year.

4.15 Results relating to high risk rated recommendations remain very positive. There has also been an improvement in the timeliness of issuing internal audit reports, with every report issued within target timescales within our control. This has been aided by the lesser amounts of reports issued.

4.16 At the end of every completed audit, clients are asked to feedback their rating of the auditor's performance. It should be noted that we have

received very few customer feedback responses to date and being conscious of management workloads and capacity, we have not pressed this matter. It could be assumed that the fact we have received no response means that the customers have been satisfied with the work that has been undertaken and informal feedback indicates this is the case. It is intended to step up this area again in the 2021/22 year.

- 4.17 The critical overall factor to be considered is whether there has been sufficient work done directly by the team or utilising other sources of assurance to be able to form a view on the Council's governance, risk management and control arrangements as required by the audit standards.

As noted elsewhere in this report, despite the challenges and changes to work undertaken by the team the Head of Internal Audit has confirmed sufficient work has been carried out to be able to form such an opinion.

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. A revised Charter and Strategy was approved at the July 2019 Audit Committee. These are still considered fit for purpose but will be reviewed in summer 2021 to reflect both strategic and operational changes as a result on the COVID-19 pandemic and other developmental areas.
- 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.

- 4.19 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. This is an important assessment for this last year when the Internal Audit Standards Advisory Board (our professional standards setters) confirmed in May 2020 that professional standards were expected

to be maintained despite the challenges presented by the Covid-19 pandemic.

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 was 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 Members of the Audit Committee were consulted in January 2020 and updated in January 2021 regarding the next peer review and they agreed for the Head of Internal Audit from Rotherham Council to lead on an external assessment of the Doncaster team in late 2021 as part of arrangements between Calderdale, Kirklees, Rotherham and Doncaster Council's Internal Audit Services. The plan currently allows for these assessment to take place but the timings of these will be reviewed in light of any further impact from the pandemic.

Quality Assurance Improvement Programme

- 4.24 This year's quality assurance improvement programme included:
- A sample of jobs has been reviewed and this showed continuing substantial compliance with the audit standards.
 - A review of the sections arrangements to meet the standards was carried out against a checklist in the Local Government Application Note and this confirmed the team was still operating in a compliant manner with the standards.
 - A review of the staffing resource within the team will be undertaken to ensure the team continue to meet the requirements of the audit standards and the expectations of the Council, and represents good value for money.

5. Summary of Findings from Audit Reviews

- 5.1 Internal Audit provides an 'opinion' on the control environment for all systems which are examined. The 4 level assurance model, which has been used for several years, is in line with a recommendations made by the CIPFA Internal Audit Special Interest Group. However, the definitions recommended for the four assurance levels have now also been adopted. A "limited" or "no assurance" opinion is generally given where one or more high level 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 2020/2021, the large majority of areas audited received positive audit opinions. Summary details are provided below (para 5.6 onwards) for areas where significant weaknesses were found and reported.

Item for Inclusion with the Annual Governance Statement

- 5.3 There has been one area of significant weakness identified, sufficient for us to recommend inclusion in the Council's Annual Governance Statement. The details for this are summarised below.

Trading Standards and Inspection Arrangements

- 5.4 There is continued reduction of capacity to complete some areas of statutory work, especially around food safety. This is due to the high level of Covid compliance work being undertaken by EHOs, risk around Covid control while undertaking inspections and the issue is further complicated by a national shortage of qualified officers.
- 5.5 This has been reported, by the Council, to The Food Standards Agency (national regulator) so they are aware and supportive of our revised approach, which is similar to that of other local authorities at this time.
- 5.6 The Covid-19 pandemic and reprioritisation of the services' resources has resulted in a significant number of management actions agreed, following an Internal Audit review during 2019 being unable to be implemented during the 2020/21 year.

Other Areas of Significant Concerns

- 5.7 The following areas of work identify concerns of a significant nature:

North Bridge Stores

- 5.8 This area was given a "no assurance" rating at the end of our review. The issue and concerns were highlighted as part of the Annual Governance Statement review meeting with input from key officers with Governance responsibilities as set out in Paragraph 9.17. This group assessed the issue as being predominantly a control related issue that good

governance and risk management had mitigated potential consequences and impacts of these issues. It was not therefore included within the Annual Governance Statement. Instead, It was agreed to be been highlighted within the Annual report of the Head of Internal Audit as a key area to note.

5.9 A limited assurance opinion was issued for the 2019/20 stores audit based on the number of weaknesses identified at that time. In addition to this, also at this time, the limited scale of regular stock takes and subsequent review of discrepancies identified (variances), which had been undertaken since the introduction of the new inventory management system (November 2017), gave rise to concern over the timely identification of any possible losses through fraud or error.

5.10 As a result of the 2019/20 audit work completed, 26 recommendations were made.

Weaknesses / improvements identified included:

- Limited stock takes had been undertaken since the implementation of the new system in November 2017.
- Written procedures covering the Inventory Management system were drafted as a support by the Financial Systems Development Officer during the system implementation and handed over to the Stores Manager to review/finalise. These had not been reviewed by Stores staff to ensure that they work on the ground. Nor had additional procedures been written to document the “stores only” processes that were in operation around the Inventory Management system.
- Once further familiarisation was made with the Inventory Management system, existing stock monitoring processes were reviewed and exception reporting was developed to ensure that the service was operating as efficiently and effectively as possible and any potential anomalies were identified on a timely basis for investigating or correcting.

5.11 All recommendations had been implemented and a follow up review was planned for the 2020/21 financial year to confirm the continued effectiveness of the changes and identify any possible other uncontrolled risks in this area.

5.12 Due to the Covid-19 pandemic the follow up review was not undertaken as planned. Instead Internal Audit reviewed Personal Protective Equipment (PPE) stockholding and control arrangements at North Bridge Stores. It became clear from this work that issues identified from previous audits were again taking place and corrective actions had fallen away again.

5.13 A process driven review is to be carried out, implementing measures to address issues that have been highlighted during the work undertaken on

PPE stockholding control and the previous audit report, together with addressing any issues raised following stakeholder meetings. Internal Audit will assist with the process where required and will be bringing regular updates to the Audit Committee.

Primary School Academisation

- 5.14 Significant investigative work was undertaken at a Doncaster Primary School due to governance concerns and complaints that had been raised over several issues / behaviours during its academisation process.
- 5.15 The work was undertaken at the request of the Director of Learning, Opportunity and Skills. The objective of the work was to establish if the School had undertaken a fair and transparent process in a manner such that the Academisation could be approved by the Department for Education.
- 5.16 It was concluded that the School's decision to convert to academy status and the journey the school undertook was predetermined with many flaws with the process.
- 5.17 This led onto a series of learning points that have been fully reported and concluded within a separate internal audit report for the Director of Learning, Opportunity and Skills.

Primary School Investigation

- 5.18 Significant investigative work has been undertaken at a Doncaster primary school relating to the school's administration of finances. Whilst the investigative work has now been completed, there is further work in supporting the school in implementing new or revised systems and processes. This school operates its own bank account and has less support and oversight from the Council. Consequently, other schools operating their own bank accounts are planned to be reviewed during the 21/22 year to ensure that lessons learned from this review can be applied elsewhere and gain additional benefit from the work carried out to date.

Key Audit Work Undertaken During the Year

Main Financial Systems

- 5.19 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 utilise it as appropriate for their own audit of the Council's annual accounts. The External Auditor for 2020/21 is Grant Thornton with whom we have

developed effective working relationships since their appointment in December 2017.

- 5.20 We have given positive assurances about the control arrangements in the Council's main financial systems and around arrangements managing the risk of fraud and corruption for the work completed to date. There are no areas of concerns identified in any ongoing work.

ICT Work

- 5.21 We engaged the expertise of another local authority's ICT Internal Audit Team in early 2020 who have over thirty other public body clients. They carried out a detailed risk assessment over our ICT risks from which an audit needs assessment was generated. In the fast developing arena of ICT we considered it prudent for that assessment to be reviewed again which it was in December 2020 and this positive assessment of our ICT arrangements is an important assurance in this key risk area.

Schools

- 6.1 Internal Audit also completed the following work in schools in 2020/21:
- 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
 - Provision of advice as requested in relation to the School Financial Value Standard (SFVS) both to schools and Finance
 - A review of the School Financial Value Standard (SFVS) process to ensure all schools have returned their SFVS and Internal Control Statement on time.
 - Provision of advice and support in relation to updating and reviewing the School's Whistleblowing Process.

7. Grant Work.

Covid-19 - Business Rates Grants Post Assurance work

- 7.1 A significant amount of time has been spent in undertaking assurance and anti-fraud checks. The result so far have been extremely positive in terms of a very low incidence of identified fraud. These were reported upon in the Annual Fraud report and as at January 2021, 28.9% of grant applications were refused (for numerous reasons, not all of which were related to fraud with issues over a lack of clarity around the grant funding and some speculative applications being made). Fraud or error was detected in 0.4% of grants paid (by number).

- 7.2 This was a very positive outcome from the strategy to carry out up-front checks before making payments amounting to £58m. Further work continues in this area and results to date have continued to be positive with ongoing low incidents of fraud identified

Covid-19 – Other Grants

- 7.3 Throughout the Covid-19 pandemic there have been various other grants that the Council has administered outside of Business Rate Grants
- 7.4 Many of these have been on behalf of the Government such as support for Social Care providers, individuals on low incomes having to self isolate and to fund intensive testing within the Borough.
- 7.5 There have also been Council generated grants, such as the Fighting Back Fund and the Ward Based member grants that were being awarded in the response period of the Covid-19 pandemic in 2020.
- 7.6 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 or the risk and complexity of that grant necessitates further work. All such work undertaken in this area has been positive and contributes to the overall opinion of the Head of Internal Audit.
- 7.7 Regular and more detailed reporting will be provided to the Audit Committee on all the Covid-19 Grants as our work progresses over the coming months.

Other Grants – unrelated to Covid-19

- 7.8 The team every year undertake reviews of grants covering several areas of the Council. These include monthly Troubled Families Grants, three separate Highways grants, a monthly grant return for funding educational provision and transport related grants. All these grants were able to be positively signed off contributing to opinions over control

8. Responsive/Consultancy and Investigative Work

- 8.1 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 year we have continued to undertake work in support of the Authority response to the Covid-19 situation, although this is considerable less than in the first quarter of the year. A summary of the important / significant pieces of work that have been completed or are still ongoing are set out below.

8.2 Examples of suspected irregularities and other supportive / advisory work 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. This is consistent with the assessment in the Annual Fraud report and further supported through extensive analysis in the Counter Fraud Activity Report. Instead, this work actually contributes to a positive opinion.

Audit Area	Work Undertaken
COVID-19 Responsive Work	
Communities Cell Work	<p>Attendance at the Communities Cell calls / catch up meetings giving advice and guidance.</p> <p>Attendance at Voluntary, Charity, and Faith Sector (VCFS) Workstream Cell meetings.</p> <p>Development and production of 'A guide for Volunteering during the Coronavirus outbreak – Doncaster Community Hub Guide and Best Practice for voluntary groups and volunteers'.</p> <p>Review of a Community Group's operations.</p> <p>There is still continued attendance at VCFS Workstream Cell meetings for awareness and provision of advice where required.</p>
Excess Deaths and Data Cells Work	<p>Supporting SPU in daily monitoring and reporting on local deaths (using data from Coroners and Registrars). Modelling death data using national models.</p> <p>Modelling the bereavements services system and using death data models to predict bereavement services and funeral director demands (comparing them to actual available capacity) so that the data can be used for planning purposes.</p> <p>Daily monitoring and reporting on local deaths (using data from Coroners and Registrars).</p> <p>Analysing COVID death rates among the population and in care homes.</p> <p>Analysing death rates in hospital and the community.</p>

Audit Area	Work Undertaken
Finance and Procurement	<p>Attendance at the Finance and Procurement Cell Meetings.</p> <p>Involvement with the Business Rates Grant payment process and Post assurance work.</p> <p>Assistance with PPE stockholding control.</p> <p>Infection control grant letters sent to care providers informing of grants awarded.</p> <p>A second stage complaint regarding the supplier relief scheme was received and investigated by Internal Audit.</p>
Customer Services Support	<p>A member of the audit team had been increasing the Customer Services resource by taking calls from the public and helping them complete self-isolation forms alongside undertaking other Internal Audit work.</p>
Support to Registrars	<p>Two members of the audit team were on standby to receive training to register deaths should this be required.</p> <p>One team member provided periodic admin support in the issuing of death certificates, as required.</p>
Support to Adults, Health and Wellbeing to release their essential staff for frontline duties	<p>Support has been provided in improving data in the system to support fees and charges.</p>
Doncaster Community Fund Grants	<p>Fighting Back Fund</p> <ul style="list-style-type: none"> • Provided guidance and advice. <p>Members Ward Budgets</p> <ul style="list-style-type: none"> • Provided guidance and advice. • Development of the grant award process. • Issuing the letter / agreement once approval has been given. <p>Chasing the return of signed agreements.</p> <p>A review is currently being undertaken on both of these grants and the results will be reported to Audit Committee in the usual way.</p>
Local Authority Compliance & Enforcement Grant	<p>Sign off the grant and return the declaration to the Ministry of Housing, Communities and Local Government by 31st March 2021.</p>

Audit Area	Work Undertaken
<u>Ad Hoc Advice / Consultancy Work</u>	
Adult Social Care Fees and Charges Implementation Support	This extensive piece of work is now complete bar any ad hoc / residual issues and has put billing and reconciliation arrangements in place which were not previously possible.
Doncaster East Internal Drainage Board (DEIDB)	<p>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 assessed by the Board.</p> <p>Their work has now been finalised and the Internal Audit Interim report has been finalised and reported to the Board with a series of actions agreed to finalise this work which has been ongoing for over five years due to issues beyond our control.</p>
<u>Fraud / Anti-Fraud / Investigations</u>	
Data Breach Review	An urgent quick review (24 hour response) was undertaken to ensure appropriate protocols and controls had been adhered to within the Council following the release of confidential information by another party. The review concluded that our arrangements met the standards expected of the organisation and that no breaches had occurred here.
School Academisation	Support has been provided to the School Improvement Team in reviewing the academisation process at a school and to identify improvement points in future academisations and over governance arrangements in this area.
Primary School Investigation	Significant investigative work has been undertaken at a Doncaster primary school relating to the school's administration of finances. Whilst the investigative work has been completed, disciplinary action is still ongoing and there is further work in supporting the school in implementing new or revised systems and processes

9. Assessment of the Council's Governance, Risk Management and Control Arrangements for the Year to 31st March 2021 by the Head of Internal Audit

- 9.1 Based upon the audit work undertaken and from other sources of assurance it has been possible to complete an assessment on the overall adequacy and effectiveness of the Council's governance, risk management and control arrangements.
- 9.2 Internal Audit's work is designed to review arrangements around risk, governance and control with the scope of its work covering all the Council's activities. An individual audit can cover any or all of these three aspects and therefore it is not appropriate to fully assign opinions to one specific area of risk governance and control for the plan of work delivered or often even at an individual audit level. Instead a holistic view has to be taken when utilising this work in looking at assurance over the risk governance and control arrangements.
- 9.3 Whilst audit resources have been used in a different way in the first few weeks of the year as summarised above, there has been assurance gained over these arrangements that have been subjected to maximum stress because of the pandemic and this was reassuring. Consequences of the Covid-19 pandemic continued throughout the year and are clearly going to continue for a long timescale. For the Internal Audit Team, this has involved us in assessing the Covid-19 grants received from central government from both an assurance perspective and also a fraud perspective. Currently all work in this area has provided positive assurance.
- 9.4 We also mapped out and assessed other changes and impacts as a result of the Covid-19 pandemic, assessing any risk governance and control implications from these. These have been covered on a risk basis with either no further work being deemed necessary, a light touch review or covered within audits carried out in those areas affected. I have been considering the implications of the ever evolving impacts on the Council and the consequent demands on the work of the team and how this will inform my annual opinion over the authority's risk management, governance and control arrangements as the year has progressed.
- 9.5 Throughout the year, there had been no identified serious breakdown in these arrangements with the exception of the Personal Protective Equipment (PPE) stockholding and control arrangements at North Bridge Stores as noted at paragraph 5.6. Our work there resulted in a "no assurance" opinion with previously identified shortcomings in control arrangements again becoming apparent. Robust arrangements are being established to remedy the underlying problems.

9.6 Despite the problems over PPE, I have maintained confidence in being able to provide an opinion that would be both positive and without limitation, although caveats had always been attached to that opinion.

9.7 This position has been documented during the Internal Audit progress reports issued during the year.

As the year progressed other sources of assurance emerged:

- A positive Annual Governance Statement for 2019/20 had been drafted at April 2020 and the refreshed draft at June 2020 remained positive as it did upon finalisation of the accounts in October 2020.
- A positive Annual Governance Statement for 2020/21 has been drafted at April 2021.
- A positive Annual Fraud report reporting low incidence of fraud in both normal operations and over Covid-19 grants.
- An encouraging compliance with Contract Procedure Rules with sound governance being maintained in this high risk area. This also included the stepping down of Adults Commissioning being subject to annual reporting following many breaches and waivers in this area in previous years.
- A positive Annual report of the Audit Committee demonstrates this key committee discharging its responsibilities throughout the year and highlighting the positive contribution it has made or noted.
- There are also embedded and ongoing arrangements within the Council such as the quarterly reporting processes which form part of our risk governance and control arrangements

9.8 Accordingly, with the assurance from the year to date in managing with the pandemic, the ongoing assessment of risk and reprioritisation of the audit plan, I have concluded that it is appropriate to give a positive opinion without limitation. Further factors supporting this opinion are set out below.

Risk Management

9.9 Internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

9.10 The Council recognises that risk management is an integral part of good governance and management practice. Managing our risks effectively contributes to the delivery of the strategic and operational objectives of the authority. We strive to embed risk management within our planning and business processes and into our organisational culture, creating an environment in which we can successfully meet our objectives and achieve continuous improvement in service delivery.

9.11 The risk, the risk profile and the mitigating action against each activity are recorded collectively in the form of risk registers. All corporate risk registers within The Council are recorded on Pentana, and monitored and reviewed in line with this Risk Management Strategy. Risk Registers are structured as follows:

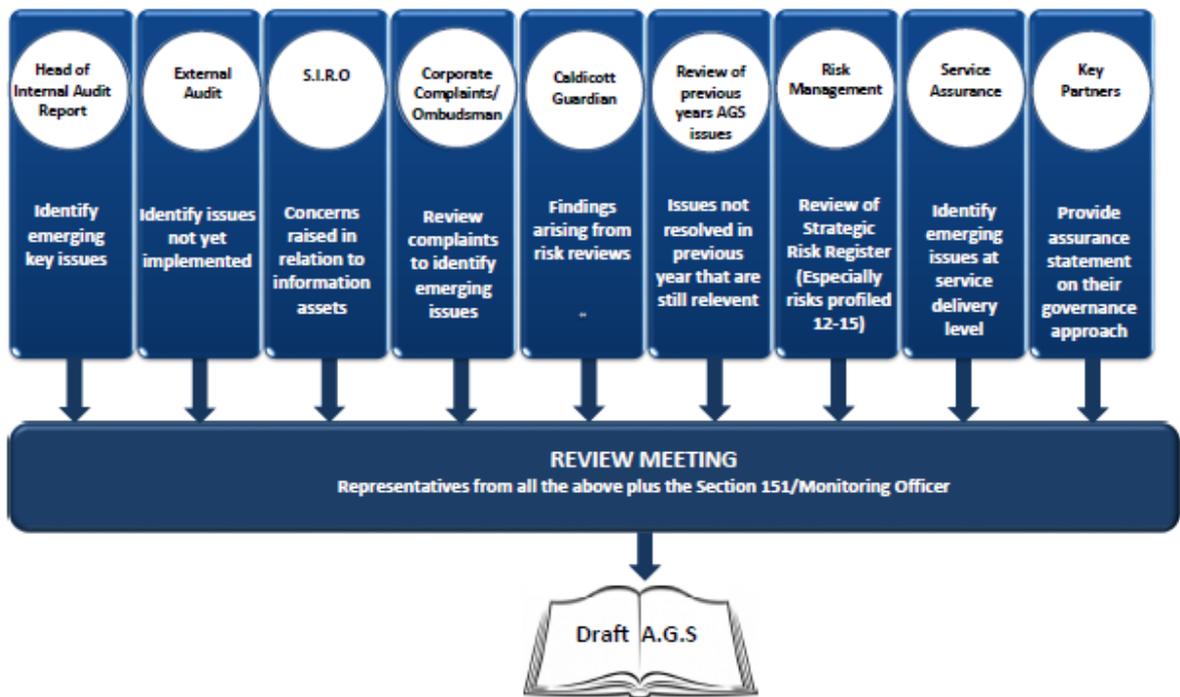
- **Operational Risk Register:** All risks identified with the delivery of the Service are identified in the Head of Service Operational Risk Register. Operational risks will be reviewed at directorate level as part of the Resource Management process.
- **Strategic Risk Register:** Any risk from the operational risk register that may prevent or delay the delivery of The Council's shared priorities, or that may prevent or delay the delivery of the internal cross-cutting actions needed by The Council to improve performance and underpin the Borough Strategy may be elevated to a Strategic Risk. In addition, new or emerging risks may be added directly to the strategic risk register either through the Resource Management process or from the weekly Directors Meeting. Strategic risks are initially reviewed as part of the Resource Management process by the Corporate Governance Group and then as part of the Resource Management Overview meeting. These risks are then be reported to Executive Board, Cabinet and Audit Committee.
- **Programme & Project Register:** All risks associated with the delivery of high level Programmes and projects and are directly managed within the governance of the programme or project. A specific example of this in 2020/21 was the COVID-19 pandemic risk register being used to inform management strategy and response as the pandemic continued to evolve
- **Fraud Risk Register:** The Fraud Risk Register is a specific register dedicated to the assessment, monitoring and treatment of the risks relating to fraud and corruption. It is an integral part of the Risk Management strategy designed to focus attention on minimising the damage caused by fraud and corruption.

The fraud risk register will be used by both management and Internal Audit Services to focus anti-fraud and corruption resources and training on raising the awareness of fraud and corruption and its associated effects. Fraud Risks are regularly reviewed and reported upon by the Council's Internal Audit function, including this year, in the Counter Fraud Strategy Report as well as referenced in the Annual Fraud Report. The Fraud Risk Register is a key tool in the planning and direction of proactive fraud work set out in the Counter fraud plan forming an integral part of the overall Internal Audit Plan for the 2021/22 Year.

- 9.12 Our risk assessments undertaken for our annual audit planning purposes and ongoing reviews of our audit plan are carried out with services, their service management and other teams, generally within Corporate Resources.
- 9.13 We engaged the expertise of another local authority's ICT Internal Audit Team in early 2020 who have over thirty other public body clients. They carried out a detailed risk assessment over our ICT risks from which an audit needs assessment was generated. In the fast developing arena of ICT we considered it prudent for that assessment to be reviewed again which it was in December 2020 and this positive assessment of our ICT arrangements is an important assurance in this key risk area.
- 9.14 All the above factors continue to indicate well managed levels of risks which help provide high levels of assurance over the authority's risk management arrangements.
- 9.15 On the basis of these factors I can attain sufficient confidence to be able to provide a positive opinion over the authority's risk management arrangements.

Governance

- 9.16 Internal audit must assess and make appropriate recommendations for the improvement of governance processes including ethics and values within the organisation.
- 9.17 Our overarching documented source of assurance is the Annual Governance Statement and the processes supporting its production. This year's AGS takes into account issues raised by key officers with Governance responsibilities including the Council's Chief Financial Officer, the Monitoring Officer, and the Head of Internal Audit. The current strategic risk register and complaints received are also reviewed as is the input from other key areas as set out below.



- 9.18 The service area perspective is provided by each Head of Service via a series of governance statements in the form of a self-assessment. One of the assessments this year was regarding the impact of the Covid-19 pandemic on the service and service users. The responses provided supported our understanding of Covid-19 pandemic impact and this was reassuring as it confirmed we had been able to maintain our corporate insight of the organisation despite the challenges presented by the pandemic
- 9.19 The draft Annual Governance Statement is considered to be a very positive document detailing a similar low number of issues to the previous year. Internal Audit's work indicated no areas for inclusion in the Statement other than the ongoing demand and resource issue within the Trading Standards and Food Safety Team which we had been maintaining a watching brief over during the year.
- 9.20 The positive view presented by the document was consistent with the outcomes of the work Internal Audit has carried out during the year covering the authority's governance arrangements. The governance assurance was particularly strong in considering the Covid-19 pandemic response arrangements during quarter one and then the arrangements thereafter.
- 9.21 Whilst we highlighted shortcomings in the academisation of a primary school, we agreed actions for management to improve arrangements for other schools looking to academise.

9.22 On the basis of these factors I can attain sufficient confidence to be able to provide a positive opinion over the authority's governance arrangements.

Control

- 9.23 The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.
- 9.24 Internal Audit covered a lesser amount of planned work in this area than was envisaged within the original plan in 2020/21. However a great width and depth of coverage was achieved from all of the work we delivered during the year. Such work included the initial Covid-19 response period support and subsequent assessment of service process and offer changes and the ongoing work we are carrying out over the Covid-19 grants received from central government which at the date of drafting this report stands at over £150m.
- 9.25 We have still delivered a further range of control related work, most notably the core financial systems which we continue to give high level assurance opinions over. Our work on the traditional, non-Covid-19 related grants also continues to positively support my control opinion.
- 9.26 I have referenced elsewhere in my report the shortcomings in the stockholding and control arrangements over Personal Protective Equipment at North Bridge Stores and as stated previously these were existing concerns highlighted in previous audit reports with the Covid-19 pandemic stress testing the arrangements and exposing the shortcomings needed to be addressed. As such this does not create a negative impact on my opinion over control arrangements, it actually is a positive reinforcement of our insight and opinions over this area.
- 9.27 The annual fraud report provides key assurance also for control work. It stated:
- Overall incidence of fraud remains very low in general terms, taking into account the scale of the Council's activities. Proactive counter fraud activities to prevent and detect fraud and error early continue to be a focus in the Council's strategy.
 - The fraud landscape for the council has changed significantly over the period covered by this report with the Covid-19 pandemic providing additional challenges. The government's approach to supporting businesses affected by Covid-19 and temporarily closed by Covid-19 restrictions, was to introduce various business rates grants and reliefs. Administered by local councils on behalf of the government, these grants were rolled out at fast pace and represented a significant new fraud opportunity for fraudsters to

exploit. Additional grants and reliefs were available in the following areas:

- Small business rates relief
 - Rural rate relief
 - Retail hospitality and leisure relief
 - Discretionary grants
- The Council's approach to these grants was to undertake proactive checks to verify business credentials before any payments were released. This has had the effect of minimising the Council's fraud exposure, but as with all fraud, it is impossible to stop completely. The Council paid 5,419 grants with a combined value of £57.9m during the period to the end of this report (January 2021). This covers both government prescribed grants and discretionary grants available during the reporting period.
- 9.28 A further report on counter fraud activity highlights further proactive work to be carried out including strengthening this area through the continued development through data analytics etc.
- 9.29 Whilst there are other factors associated with a low level of overdue management actions that address audit recommendations, assurance and confidence can be gained from this position over the control aspect but also in the governance and risk arrangements.
- 9.30 Assurance from Contract Procedure Rules breaches and waivers identified during the year has been encouraging in demonstrating both control and governance have been maintained by services experiencing previously unseen levels of demand and challenges, but still ensuring goods and services were procured and commissioned in an appropriate manner which stood up to public scrutiny. The lead, drive and support provided by the Strategic Procurement Team has been paramount in this regard.
- 9.31 On the basis of these factors I can attain sufficient confidence to be able to provide a positive opinion over the authority's control arrangements.

Overall Opinion

- 9.32 I have set out in this section the work undertaken and the factors I have had to take into account in arriving at this opinion. I need to take this opportunity to highlight that my ability to make this assessment would not have been possible without the work of my team. The team is rich in depth and knowledge of the organisation and in their skill sets which made them so particularly adaptable in the supporting the organisation during the first quarter of the year in particular, but very much so also in the periods following that.

9.33 Their insight and judgement has been paramount in all their work and I thank them all for their dedication, application and professionalism in this most challenging of years.

Accordingly, on the basis of reasons set out above, the Head of Internal Audit considers that the Council's governance, risk management and control arrangements for 2020/21 were adequate and operated effectively during the year.

**Peter Jackson
Head of Internal Audit
18th April 2021**