



Doncaster Council

Report

Date: 28th April 2022

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

ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2021/22

EXECUTIVE SUMMARY

1. This report provides information on the work of Internal Audit during 2021/22, 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. 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.
3. 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 2021/22 were adequate and operated effectively during the year.

Implementation of Agreed Management Actions arising from Audit Recommendations

4. The area of concern during the 2021/22 year continued to be Trading Standards and Food and Animal Safety. There had been 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 at the beginning of the year. The work of the team had to be constantly reprioritised during the year, but in quarter four, significant progress was made in implementing many actions such that at the end of the year there were only 7 actions overdue but all of which were in line with the revised implementation dates that had been authorised by the Chief Executive. There are now appropriate management arrangements for the completion of the remaining actions such that this is no longer regarded an area of concern.
5. There are only 9 actions overdue across the authority. Arrangements to follow up on agreed management actions are considered effective and the authority is in a strong position regarding the very low number of overdue actions.

Areas of Concern

6. Our work this year has not identified any areas to be considered for inclusion in the Council's Annual Governance Statement.
7. North Bridge Stores was given a "no assurance" rating at the end of our review in the 2020/21 year. Progress is being made in improving operations which will continue into the 2022/23 year and these revised arrangements will be subject to a full review in 2022/23 by Internal Audit to provide assurance that appropriate arrangements are in place and are continuing to be applied.
8. An External Quality Assessment was carried out during the 2021/22 year which confirmed the highest level of conformance with the relevant public sector internal audit standards as detailed in paragraphs 4.23-4.29 of Appendix 1.

EXEMPT REPORT

9. Not applicable, for information only.

RECOMMENDATIONS

10. The Audit Committee is asked:
 - To note the Internal Audit Annual Report for 2021/22, including confirmation that the Council's governance, risk management and control arrangements were adequate and operated effectively during the year.
 - To note the Head of Internal Audit's self-assessment and the confirmation from the External Quality Assessment that the service is compliant with the Public Sector Internal Audit Standards and met the highest assessment standard against their professional auditing

standards in the external assessment.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

11. 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

12. 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

13. Not applicable - for information only.

REASONS FOR RECOMMENDED OPTION

14. Not applicable - for information only.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

15. 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 of Doncaster	

	<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

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

LEGAL IMPLICATIONS (Initials: SRF Date:08.04.22)

17. 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 (Initials: SJT Date:12.04.22)

18. 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 (Initials: SH Date: 08.04.22)

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

TECHNOLOGY IMPLICATIONS (Initials: NS Date: 06.04.22)

20. 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. All actions were prioritised and have now been delivered and fully implemented.

HEALTH IMPLICATIONS (Initials: RS Date:06.04.22)

21. 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 (Initials PRJ Date:19.04.22)

22. 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

23. 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

24. 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 2021/22

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 During 2021/22 Internal Audit have still been dealing with the impact of the Covid-19 pandemic and have been undertaking Covid-19 associated work, most notably in the area of Business Rates Grants post payment checks and other Covid grant payments. However, there has also been a move back to business as usual.
- 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.

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 have an establishment of 8.80 which is slightly higher than the previous 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 2021/22 year to those responsible for governance which includes the Audit Committee, Chief Executive, Management Team and Chief Financial Officer.

Audit Work Undertaken

- 4.4 The service delivered less assurance work than envisaged due to other demands. However this was higher than the 2020/21 year when the team were supporting the wider needs of the Council for a period as well as engaging in other responsive work.
- 4.5 Whilst the team have delivered a different workload to that planned, 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, including the high volume of post assurance payments checks 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 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 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.
- Further work has continued to be done this year in checking various central government grant paid over by the Council with the biggest area being business grants
- Internal Audit and Directorate Management have continued the practice of rigorously pursuing the completion of all actions.

4.8 A review of this area covering the last five years does identify that good progress is being maintained in overall terms. During the 2016/17 year there were over 100 overdue management actions and as can be seen now, the situation is very much more under control. Further commentary is set out below.

Directorate	Number of high risk level recommendations overdue					Number of medium / lower risk level recommendations overdue				
	At 15/03 18	At 19/03 19	At 10/03 20	At 11/04 21	At 11/04 22	At 15/03 18	At 19/03 19	At 10/03 20	At 11/04 21	At 11/04 22
Adults, Health and Wellbeing (AHWb)	3	4	1	0	0	8	30	0	3	0
Economy & Environment (EE)	1	0	3	4	1	15	9	10	31	8
Corporate Resources (CR)	0	0	0	0	0	14	3	7	12	0
Learning & Opportunities (Children & Young People) (LOCYP)	0	0	0	0	0	5	3	0	0	0
TOTAL	4	4	4	4	1	42	45	17	46	8

4.9 The area of concern during the 2021/22 year continued to be Trading Standards and Food and Animal Safety. There had been 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 at the beginning of the year. The work of the team had to be constantly reprioritised during the year, but in quarter four, significant progress was made in implementing many actions such that at the end of the year there were only 7 actions overdue but all of which were in line with the revised implementation dates that had been

authorised by the Chief Executive. This are now appropriate management arrangements for the completion of the remaining actions such that this is no longer regarded an area of concern.

- 4.10 Any individual high risk level management actions that are not implemented in line with agreed timescales as well as the numbers 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. This has also been further refined following concerns raised by the Audit Committee to that when it is clear that implementation of actions is proving problematic then future date revisions will be approved by the Director and escalated to the Chief Executive when necessary.
- 4.11 In summary, arrangements to follow up on agreed management actions are considered effective and the authority is in a strong position regarding the very low number of overdue actions.

Performance Indicators

- 4.12 The indicators are shown below along with current performance for the year April 2021 to March 2022.

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 has not been reported for the last two years as it has been concluded that this is not a relevant indicator when plan should be being revised to reflect new and emerging risks and demands which have certainly been experienced in these 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 an annual plan drafted whilst still in a volatile environment and ever evolving organisational needs.
- 4.14 With this in mind, a pulse survey was carried out in the summer of 2021. The outcomes from the Internal Audit Pulse Survey were extremely

positive with an 86% response rate providing strong ratings on the 5 key questions asked as well as very positive comments. It also sets out some areas for potential development / improvement that have been drawn from the responses and these areas are captured within an Improvement Plan that the team are working on.

4.15. For each question a breakdown of the responses is set out below:



4.16 It was pleasing to note that there were many positive and constructive comments, with many respondents making the same comments. For example:

- The audit team are 100% professional in their approach;
- Methodical and ambassador's for the service
- A supportive and knowledgeable service that goes beyond the norm
- Excellent / positive / quality service – standards are consistent across the Team
- Excellent critical friend
- Flexible when needed
- Responsive approach helpful engagement and awareness of service areas within directorate
- Helpful and on hand to provide advice
- Open and honest with feedback
- Challenge service delivery
- Timely, clear, concise, easy to follow reports

- 4.18 Importantly, also, it sets out some areas for potential development / improvement that have been drawn from the responses and these areas are captured within an Improvement Plan that the team are working on. These areas are:
- Join forces more with other teams to share intelligence / deep dives with other service areas
 - Follow –up process
 - Timing of audits
 - Resource review
 - Too helpful / responsive
- 4.19 Results relating to high risk rated recommendations remain very positive. Internal audit reports have all been issued within target timescales under our control. This has been aided by the lesser amounts of reports issued.
- 4.20 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 continued to receive 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 the pulse survey strongly supports this. However, we do need to obtain specific feedback to ensure we are delivering valued work and help improve the service. Accordingly, arrangements are being made for mandatory feedback to be obtained.
- 4.21 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.
- 4.22 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)

- 4.23 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 October 2021 Audit Committee and reflects both strategic and operational changes as a result of 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. Rotherham's Council's Internal Audit Service reviewed our compliance with the Standards during 2021/22 (see below).
 - All instances of non-compliance with the UKPSIAS are reported to the Audit Committee.
- 4.24 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 enhancing and protecting organisational value. 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. As this year has been less problematic than the previous one, it is clear that the expectation to meet our professional standards stands and this self-assessment is supported by the External Quality Assessment.

External Quality Assessment

- 4.25 Auditing standards require an external assessment of the Internal Audit service to be conducted at least once every five years. In late 2021, Internal Audit was reviewed by the Head of Internal Audit from Rotherham Council. A separate report was produced following the External Quality Assessment and this was reported to the Audit Committee at its meeting on 26th January 2022.
- 4.26 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.
- 4.27 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 evidence based. It provides stakeholders with the reassurance that they can place reliance on the quality of the work that Internal Audit delivers. This complemented the internal feedback from the "Pulse Survey" carried out in summer 2021 demonstrating very high levels of customer satisfaction with the service.
- 4.28 Four minor recommendations were made, one of which was to report upon the improvement plan that was already in place from the Head of Internal Audit's self-assessments. Actions and progress are set out in the Action plan at Appendix A

Quality Assurance Improvement Programme

4.29 This year's quality assurance improvement programme included:

- A sample of jobs has been reviewed as part of the External Quality Assessment 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 is ongoing 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 recommendations made by the CIPFA Internal Audit Special Interest Group and our definitions reflects those recommended. 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 2021/22, the large majority of areas audited received positive audit opinions. Summary details are provided below (para 5.4 onwards) for areas where significant weaknesses were found and reported.

Items for Inclusion with the Annual Governance Statement

5.3 Our work this year has not highlighted any areas to be considered for inclusion in the Council's Annual Governance Statement.

Other Areas of Significant Concerns

5.4 The following areas of work identify concerns of a significant nature:

North Bridge Stores

5.5 This area was given a "no assurance" rating at the end of our review in the 2020/21 year where stock management of PPE had exposed previous weaknesses highlighted by previous internal audits. The issue and concerns were highlighted as part of the Annual Governance Statement review meeting for 2020/21 with input from key officers with Governance responsibilities. 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.

5.6 As a result of our work in 2020/21, at the start of 2021/22, a process driven review “North Bridge Stores Transformational Project” was established and monitored by Senior Management and strongly supported by a member of the Policy, Insight and Change Team. This review involved, 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 have been assisting with the process where required, generally in attending the stores stakeholder meetings and giving feedback on procedures that have been created. Regular update reports have been brought to the Audit Committee throughout 2021/22. These reports have highlighted the following:-

- Key stakeholders within all of the work areas that impact, support or use the Stores function were identified to enable issues to be identified and addressed.
- There has been a thorough clean, tidy and organisation of the physical Stores buildings to make best use of available space, including the labelling and identification of all stocks and their locations.
- There has been a review of all supplier contracts and pricing/invoice agreements to ensure that we pay the agreed price and that invoice mismatches are reduced.
- Review of the product/supplier catalogue and products stocked to ensure all regular purchases are held within Stores to prevent teams purchasing directly themselves and paying a potentially higher price.
- All Standard Operating Procedures (SOPs) have been reviewed between October-December 2021 with key stakeholders, to ensure the most efficient practices could be implemented into the Stores function.
- A second full stock count was completed in January 2022 and showed improvement in stock variances and an improved awareness of causes of issues being identified.
- A questionnaire was sent to key users of Stores to ascertain current opinion and user experience. Overall, the survey revealed that the users have seen an improvement in the Stores operation.
- Cyclical stock takes of specific holding categories commenced from the end of January 2022.
- A full suite of Key Performance Indicators (KPI's) will be developed and implemented as part of this programme.

5.7 A full Stores Audit Review will be undertaken during 2022/23 and will be ensuring that the progress that has been reported is being embedded.

ICT Service Management review

5.8 A limited assurance opinion was issued for the ICT Service Management Review that was undertaken by Salford ICT Internal Audit Team on our behalf. Immediate action has been taken by Doncaster's ICT Team to address the high risk issues that had been raised so this area was quickly no longer deemed to be at a limited assurance level. All actions agreed from this review have been fully implemented.

Key Audit Work Undertaken During the Year

Main Financial Systems

5.9 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 2021/22 is Grant Thornton with whom we have developed effective working relationships since their appointment in December 2017.

5.10 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

5.11 We engaged the expertise of another local authority's ICT Internal Audit Team in early 2020 who have over forty 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. This was carried out again in December 2021 and this positive assessment of our ICT arrangements is an important assurance in this key risk area.

In addition to the ICT Service Management Review highlighted above / at 5.8, other audit work and advice is being delivered

Schools

6.1 Internal Audit also completed the following work in schools in 2021/22:

- 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

Business Rates Grants - Counter-Fraud and Assurance Work

7.1 A substantial amount of work has been undertaken by the Internal Audit team since the onset of the pandemic and will be continuing into the following 2022/23 year and onwards. The following summarises work undertaken to date and when accurate restated figures are available, these will be reported to the Audit Committee in a future Internal Audit Progress report

Work carried out in 2020/21 - Grants paid in 2020/21 - April to September

- 7.2 With the onset of a global Covid-19 pandemic, the Government recognised the impact on businesses across the country and introduced a series of business rate grants to help businesses during the crisis. These grants, whilst announced by central government, were passed to local authorities to administer on their behalf with specific and discretionary funding available for councils to support businesses in their area.
- 7.3 Owing to the speed of roll out of the grants, little guidance was available from the Government to determine what counter fraud checks should be undertaken before any grant was awarded and paid; however, Doncaster Council chose to undertake checks before payment of any grant amounts in order to verify the business and prevent as much fraud as possible. This has proven to have been a sound decision as set out in the Annual Preventing and Detecting Fraud and Error Reports for both 2020 and 2021.
- 7.4 The requirement to pay these grants out to businesses in a timely manner obviously put significant demand on the resources of Revenues staff and this has remained to date.
- 7.5 Internal Audit also undertook a series of post payment sample checks on grants paid up to September 2020 to provide assurance over our payment and checking arrangements and to ensure that we detected as much fraud and error as possible.
- 7.6 Our reviews showed that our arrangements were robust as noted in the Annual Preventing and Detecting Fraud and Error reports for the year ended 30th September 2020.

Work carried out in 2021/22 - Grants paid in 2020/21 – October to March

- 7.7 These grants continued throughout the 2020/2021 financial year with various different types of grant available including grants for businesses being forced to close by the Government's tier system. All of the grants were aimed at

helping businesses to weather the Covid-19 pandemic and the current economic climate.

- 7.8 We undertook further post payment sample checks on grants paid from October 2020 to March 2021 to provide assurance over our payment and checking arrangements and to ensure that we detected as much fraud and error as possible. Again, our reviews showed that our arrangements were robust.
- 7.9 We take part in the National Fraud Initiative (NFI) data matching exercises for Business Rates grants. This involves uploading details of grant payments which are matched against other nationally submitted records in order to detect further fraud and error.
- 7.10 Data for grant payments made up to September 2020 was uploaded and matches received back from the initiative were investigated by Internal Audit. Most of these issues were already known and had already been dealt with by Business Rates staff through pre-checks at application stage. No further fraudulent grant claims were found.
- 7.11 We also participated in national data exercises in 2021/22 with BEIS (the Department for Business Energy and Industrial Strategy, the responsible government department) designed to look for further fraud and error on payments made between April 2020 to September 2020. Our reviews continued to show that our arrangements were robust.
- 7.12 The Government published guidance in December 2020 and again in March 2021 regarding the classification and recovery of fraud and error for these grants. All previous figures were reviewed in 2021/22 in light of this new guidance and as a result the figures were revised. In some cases, additional information was received on appeal that also meant that some cases previously classified as fraud or error were later accepted as eligible for the grant paid.

Work carried out in 2021/22 - Grants paid in 2021/22

- 7.13 In 2021/22 the government acknowledged the continuing impact on businesses across the country due to Covid and introduced additional business rate grants to support businesses further. These grants were issued to assist businesses in restarting trade and recovering from the effects of the pandemic.
- 7.14 No post assurance checks have been carried out on the grants paid from 2021 onwards as this grant payment data has been uploaded to the initiative and matches will be investigated when released (expected in April 2022) and action taken where it is appropriate to do so.
- 7.15 The Council are able to claim payment back from BEIS for any grants paid in error, fraudulent claims, or claims paid that are not compliant with the criteria of the grant as long as we have followed the prescribed recovery process. In December 2021 BEIS issued revised national guidance for the process

authorities should follow in efforts to recover any grants paid in error, fraud, or non-compliance.

- 7.16 BEIS have made it clear that all cases identified as fraud, or possible fraud must be reported in real time to the National Anti-Fraud Network (NAFN). This needs doing for all cases as it had not previously been required until this revised national guidance.
- 7.17 BEIS have also made it clear that all fraud cases must have been investigated fully in compliance with our local fraud policy. If we do not satisfy this, together with the minimum recovery process, BEIS will not accept the debt being referred to them.
- 7.18 Internal Audit are in the process of investigating all grant payments that have been identified as possible fraudulent claims. The outcome of this will be reported on at a later date. This will be an issue for all local authorities nationally.
- 7.19 The full extent of fraudulent payments will not be known until the work on investigating possible fraudulent cases and the NFI checks have all been completed and therefore is unable to be included in this report at this time.
- 7.20 Internal Audit have also been involved in pre-checking Omicron grant applications.
- 7.21 These grants were to support businesses in England most impacted by the Omicron variant. Firms in the hospitality, leisure and accommodation sectors, many of which had seen a decline in footfall and increased cancellations due to the Omicron variant, were able to apply for one-off grants of up to £6,000 per premise depending on rateable value.
- 7.22 The guidance for the Omicron grants stated that local authorities should carry out additional prepayment checks. For all Doncaster applications the application form information has been checked to resources such as Facebook, company websites, Companies House and Business Rates records. Bank statements were also requested. If the application information was verified, then the claim was accepted as a legitimate claim. However, before any payment was/is made the claim data was/will be uploaded to the NFI database who perform/ed a company check and a bank account verification check. Where the verification checks carried out by NFI have failed, further checks are being conducted by Internal Audit to ensure the claim is legitimate before payment is released.
- 7.23 The processing of the Omicron grant claims is ongoing and as such the outcomes of this exercise are not yet known and will be reported at a later date.
- 7.24 Our decision to undertake checks before payments were made continues to result in low values of fraud with very low levels of grants paid by value being identified as fraudulent. Recoveries are being undertaken where frauds and errors have been identified; this recovery is in line with the instructions from

BEIS.

Other Covid Grants – non Business Rates

- 7.25 Throughout the Covid-19 pandemic there have been various other grants that the Council has administered outside of Business Rate Grants. 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. Some have been Council generated grants, such as the Fighting Back Fund and the Ward Based member grants.
- 7.26 Some such grants are still being highlighted and new grants continue to develop. Internal Audit has continued to carry out 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.
- 7.27 As Internal Audit resources are finite, detailed work has / will only be undertaken for grants where reliance cannot be placed on other governance controls e.g. routine returns to Central Government are required, hence some form of external checking is undertaken. Where further Internal Audit work has been identified, the grant is then categorised as ‘subject to internal audit review’ and can then be scheduled within the Internal Audit work plan.
- 7.28 32 such Covid-19 related grants have been identified to date. Work undertaken or in progress by Internal Audit, in this area, can be demonstrated by the table below showing the current risk assessment category each grant has been given:

Current grant assessment category	Number of grants
Subject to management oversight and internal reporting/scrutiny – no further work –	1
Subject to Internal Audit review and/or sign off.	9
Monitoring reports submitted to central government – no further work	3
Internal Audit risk assessed as low risk – no further work	6
Internal Audit risk assessment ongoing / due to be undertaken	13

- 7.29 Although there are still a significant number of grants risk assessments to be finalised, all completed work undertaken in this area has been positive and contributes to the overall opinion of the Head of Internal Audit.
- 7.30 Further updates will provided to the Audit Committee during 2022/23 as appropriate

Other Grants – unrelated to Covid-19

- 7.31 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.
- 7.32 Additionally, for this financial year, as part of grant funding conditions we have been required to review the 'one off' Property Flood Resilience Scheme and the initial phase (Phases 1A) of the Local Area Delivery (LAD) Grant (aimed at increasing the energy efficiency of properties). These new grants also received positive sign offs.

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 2020/21 year.
- 8.2 Details of suspected irregularities and other supportive / advisory work are set out in the Annual Preventing and Detecting Fraud and Error Report but 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 Preventing and Detecting Fraud and Error report which is further supported through extensive analysis in the Counter Fraud Activity Report. Instead, this work actually contributes to a positive opinion over our control arrangements.

9. Assessment of the Council's Governance, Risk Management and Control Arrangements for the Year to 31st March 2022 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 continued to be used in a different way to previous traditional years, we have continued to obtain assurance from all aspects of our work
- 9.4 We have continued to mapped out and assess 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 continued 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 I have maintained confidence in being able to provide an opinion that would be both positive and without limitation as set out in my progress reports to Audit Committee, although caveats had always been attached to that opinion.
- 9.6 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 2020/21 had been drafted at April 2021 which remained positive upon finalisation of the accounts in November 2021.
- A very positive Annual Governance Statement for 2021/22 has been drafted at April 2022.
- There were two key areas of concern in my 20/21 annual report – North Bridge Stores and Trading Standards and Food and Animal Safety. Good progress is reported in more detail within this report
- 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.
- A positive Annual report of the Audit Committee demonstrates this key committee discharging it responsibilities throughout the year and highlighting the positive contribution it has made or noted.
- The Monitoring Officer report for 2021/22 also reflect low levels of conduct issues and whistleblowing incidents

- 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

9.7 Accordingly, with the assurance from the year to date in managing with the continuing 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

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

9.9 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.

9.10 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 both 2020/21 and 2021/22 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.

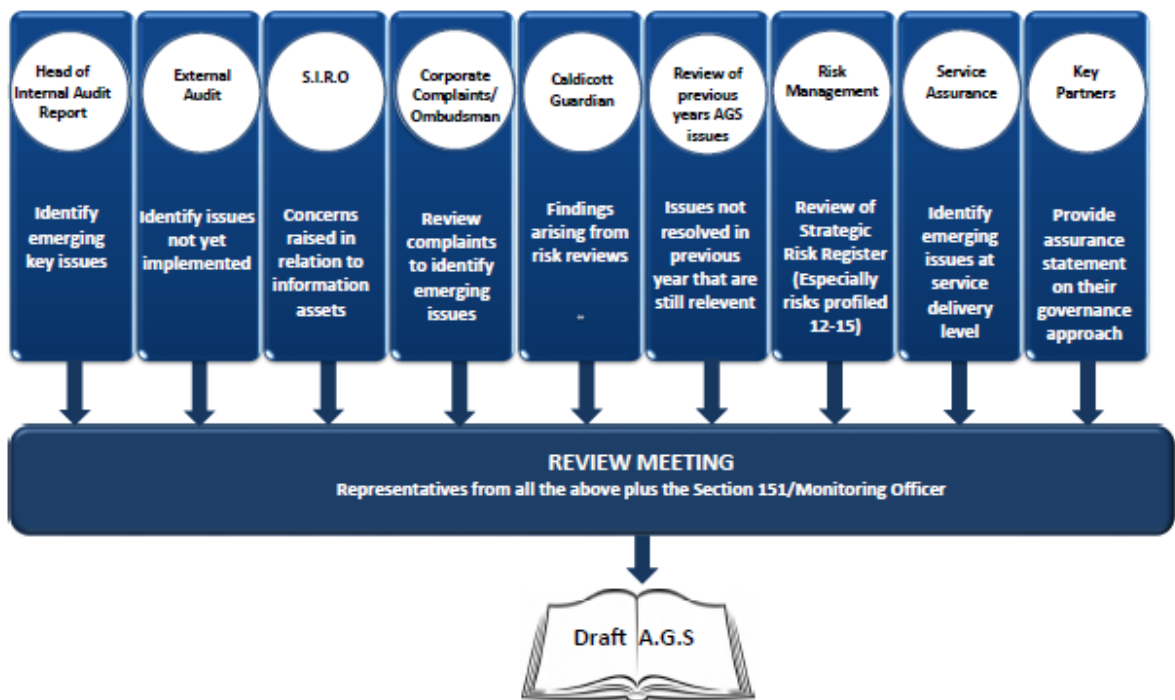
The fraud risk register will be used by both management and Internal Audit Services to focus anti-fraud and corruption resources and training on raising the awareness of fraud and corruption and its associated effects. Fraud Risks are regularly reviewed and reported upon by the Council's Internal Audit 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 2022/23 Year.

- 9.11 The Council's Performance Management Framework has been reviewed in Quarter 4 of 2021/22 incorporating updates to risk management. The Performance Management Framework is due to be rolled out in Quarter 1 of 2022/23. Alongside the roll out there will be a strong focus on awareness and training of the Performance Management Framework. It is planned that Internal Audit will undertake a compliance audit working alongside its Performance Insight and Charge Team to provide assurance that the Framework has been successfully embedded in all areas. It is anticipated that this will be towards the end of 2022/23 in order to ensure that the Council has had sufficient time to apply and fully embed the new Performance Management Framework.
- 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 forty 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 again in 2021 and this positive assessment of our ICT arrangements is an important assurance in this key risk area.

- 9.14 A cybersecurity programme risk assessment has also been undertaken by the Council's insurers which provided helpful reassurance over this very high risk area.
- 9.15 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.
- 9.16 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

- 9.17 Internal audit must assess and make appropriate recommendations for the improvement of governance processes including ethics and values within the organisation.
- 9.18 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.



- 9.19 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 again this year was regarding the impact of the Covid-19 pandemic on the service and service users. The responses provided supported our understanding of the ongoing Covid-19 pandemic impact and this was reassuring as it confirmed we had been able to continue maintaining our corporate insight of the organisation despite the ongoing challenges presented by the pandemic.

- 9.20 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
- 9.21 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.
- 9.22 The positive view is further confirmed in the Annual Report of the Monitoring officer
- 9.23 In addition, the External Auditor, Grant Thornton completed their much more detailed review of our Value for Money arrangements in March 2022 as required under their Code of Auditors Practice. This is a positive report for the Council. It did not identify any significant weaknesses and therefore did not raise any of the more serious "key" level recommendations. The report makes many positive observations over our governance arrangements and this is a further helpful contributory assessment of our arrangements.
- 9.24 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

- 9.25 The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.
- 9.26 We have 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 ongoing work on the Covid-19 grants as well as the traditional, non-Covid-19 related grants also continues to positively support my control opinion.
- 9.27 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. Significant progress has been made in this area during the year.
- 9.28 The annual Preventing and Detecting 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.
- With the onset of a global Covid-19 pandemic, the government recognised the impact on businesses across the country and introduced a series of additional business rate grants to help businesses during the crisis. These grants continued throughout the period covered by this report with various different types of grant available covering everything from businesses being forced to close by the Government's tier system to business restart / recovery grants, all aimed at helping businesses to weather the Covid-19 pandemic and the current economic climate. We have continued to vet applications for the various types of grant application received and have undertaken a series of post payment sample checks to provide assurance over our payment and checking arrangements and to ensure that we detect as much fraud and error as possible. We have also actively participated in national data exercises with BEIS (the Department for Business Energy and Industrial Strategy, the responsible government department) designed to look for further fraud and error.

9.29 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. These grants continued to be administered by local councils on behalf of the Government which has taken considerable resources to check and process applications, carry out post payment checks, report to Government and investigate possible fraudulent payments. Work will continue into the new financial year on data matching exercises, checking any payments which may have been fraudulently made. We have now paid out in excess of £110m for these grants with a rate of fraud or error detected below 1% with further checks continuing to be made as noted above.

9.30 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.

9.31 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.

9.32 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.

- 9.33 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

- 9.34 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 as I did last year 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 continuing environment they have operated in.

- 9.35 Their insight and judgement has continued to be paramount in all their work and I thank them again for their dedication, application and professionalism in another challenging year.

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 2021/22 were adequate and operated effectively during the year.

Peter Jackson

Head of Internal Audit

28th April 2022