



Report

Date: 27th April 2023

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

ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2022/23

EXECUTIVE SUMMARY

1. This report provides information on the work of Internal Audit during 2022/23, 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 2022/23 were adequate and operated effectively during the year.

Implementation of Agreed Management Actions arising from Audit Recommendations

4. There are only 6 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

5. Our work this year has not identified any specific areas or services to be considered for inclusion in the Council's Annual Governance Statement.

EXEMPT REPORT

6. Not applicable, for information only.

RECOMMENDATIONS

7. The Audit Committee is asked:
- To note the Internal Audit Annual Report for 2022/23, 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 that the service is compliant with the Public Sector Internal Audit Standards, maintaining the outcome from the External Quality Assessment carried out during the 2021/22 year which confirmed the highest level of conformance with the relevant public sector internal audit standards.

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.

12. **Legal Implications [Officer Initials: SRF | Date: 31.03.23]**

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

13. **Financial Implications [Officer Initials: SJT | Date: 31.03.23]**

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.

14. **Human Resources Implications [Officer Initials: SH | Date: 29.03.23]**

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

15. **Technology Implications [Officer Initials: PW | Date: 29.03.23]**

There are no specific technology implications associated with this report.

RISKS AND ASSUMPTIONS

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

CONSULTATION

17. 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

18. United Kingdom Public Sector Internal Audit Standards, audit working files and management information, customer satisfaction responses.
Annual Preventing and Detecting Fraud and Error October 2021 to September 2022
LGA Peer Review of Doncaster Council 2022
External Auditor (Grant Thornton) Auditor Annual Report 2021/22
Counter Fraud Activity Report April 2023
Draft Annual Governance Statement 2022/23
Audit Committee Annual Report 2022/23
CIPFA Financial Management Code
Code of Audit Practice - National Audit Office (NAO)
Breaches and Waivers to the Council's Contract Procedural Rules
Finance and Performance Reports 2022/23

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

19. CIPFA – Chartered Institute of Public Finance and Accountancy
LGA – Local Government Association
NAO – National Audit Office

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Peter Jackson FCCA
Head of Internal Audit

ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2022/23**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 2022/23 Internal Audit have continued to undertake Covid-19 associated work, most notably in the area of Business Support Grants post payment checks and other Covid grant payments. However, there has been an increased move back to business as usual and Covid-19 work is only anticipated to form a minor aspect of the 2023/24 plan.
- 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 had an establishment of 9.6 full time equivalent employees 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. These resources covered additional demands in understanding audit needs from incoming services from the former Doncaster Children's Services Trust and any work resulting from that assessment and further emerging issues. Additionally, the team implemented a pre-

planned major upgrade to its Audit and Management software which used a significant amount of resources but future benefit will be gained from the time invested in the project.

- 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 2022/23 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 including the incoming services from the former Doncaster Children's Services Trust.
- 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 breadth of the Council's arrangements on a risk prioritised basis including the incoming services from the former Doncaster Children's Services Trust.
- 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 A relatively low number of new actions being raised has continued this year for the following reasons:
- Internal Audit and Directorate Management have continued the practice of rigorously pursuing the completion of all actions.
 - 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 Business Support Grants post payment checks and other Covid grant payments
- 4.8 A review of this area covering the last five years does identify that good progress is being maintained in overall terms. Whilst there have been historically problematic times, the situation is very much under control. Further commentary is set out below.

Directorate	Number of high risk level management actions overdue					Number of medium / lower risk level management actions overdue				
	At 19 Mar 19	At 10 Mar 20	At 11 Apr 21	At 11 Apr 22	At 13 Mar 23	At 19 Mar 19	At 10 Mar 20	At 11 Apr 21	At 11 Apr 22	At 13 Mar 23
Adults, Health and Wellbeing	4	1	0	0	0	30	0	3	0	0
Economy & Environment	0	3	4	1	0	9	10	31	8	3
Corporate Resources	0	0	0	0	0	3	7	12	0	3
Children, Young People and Families	0	0	0	0	0	3	0	0	0	0
Public Health	0	0	0	0	0	0	0	0	0	0
TOTAL	4	4	4	1	0	45	17	46	8	6

- 4.9 There have been no areas of concern regarding overdue management actions to highlight in this report during the 2022/23 year. There are a number of overdue actions for schools which are covered further in this report. Reporting on these numbers within the table above is not considered helpful as the risk levels relate just to the individual school and these audits always result in large numbers of actions and so they would heavily distort the information being provided.
- 4.10 Any individual high risk level management actions that are not implemented in line with agreed timescales 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 2022 to March 2023.

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%
Significant changes to planned work of the team reported to Audit Committee	100%	100%	-

- 4.13 Planned work completed has not been reported for the last three 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. The table above identifies the plan changes have been made throughout the year reflecting such new and emerging risks including those incoming services from the former Doncaster Children's Services Trust.
- 4.14 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. With this in mind, a comprehensive 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. Whilst this survey has not been rerun in the 2022/23 year, comfort can still be taken from this feedback. Regional, national and professional networks will continue to be attended and contributed to with any meaningful indicators being considered for future reporting.
- 4.15 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.
- 4.16 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 continued to receive very few customer feedback responses to date and being conscious of management workloads and capacity, we have not pressed this matter. Our auditing software package will allow better monitoring of responses, so we can review the effectiveness and take corrective action.
- 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.

- 4.18 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)

- 4.19 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 charter and strategy were considered to still be up to date for the 2022/23 year and a light touch review of these is anticipated during the 2023/24 year.
- 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.

- 4.20 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 consistent with the conclusion of the External Quality Assessment below.

External Quality Assessment

- 4.21 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.
- 4.22 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.
- 4.23 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.

- 4.24 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 will be reported in the July 2023 Internal Audit Progress report

Quality Assurance Improvement Programme

- 4.25 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 2022/23, 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 specific areas or services to be considered for inclusion in the Council’s Annual Governance Statement.

Other Areas of Significant Concern

- 5.4 The following areas of work are where limited / no assurance opinions were given:

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.
- 5.6 Regular update reports have been brought to the Audit Committee throughout 2021/22 and 2022/23. These reports have highlighted the following:-
- Improvement in stock counting arrangements
 - Tidier and better organised stores
 - Clearer Standard Operating Procedures (SOPs)
 - Improved understanding of roles and responsibilities and better housekeeping

- 5.7 Work continues with the programme but has been delayed due to difficulties appointing to the Stores Manager position. At the earliest appropriate opportunity in 2023/24 a full audit review will be undertaken.

Commercial Properties Income

- 5.8 This area was given a “limited assurance” rating early 2023 as it could not be verified that all income due had been billed, and billed accurately. This is a recurring issue which was first identified and reported in 2017 when it was agreed that regular reconciliations of income due to income billed would be undertaken. Audit follow up work in 2019 identified that these reconciliations had not been completed. The first full reconciliation was subsequently completed, although obtaining the correct data for the reconciliation to be completed was found to be problematic. No further reconciliations have been completed since.
- 5.9 In February 2023 it was agreed that a full reconciliation would be completed and work is underway to facilitate this process. Whilst this reconciliation exercise is underway, further work is being undertaken to try to make the reconciliation process less cumbersome for future reconciliations to be carried out.
- 5.10 We are monitoring the situation and will provide an update in the next quarterly report, when the reconciliation should have been completed.

6. Key Audit Work Undertaken During the Year

Main Financial Systems

- 6.1 As part of the annual audit plan, Internal Audit would normally undertake a programme of reviews that covers the main financial systems of the Council. Internal Audit work in these areas is utilised to a much lesser degree than historically by the External Auditor. The decision was made early in the 2022/23 financial year to carry out risk assessments covering all these systems and only undertake audits where the risk assessment identified an audit was required. Further assessments undertaken as part of the 2023/24 planning exercise confirmed a continuing lower level of coverage with the short and medium term intention to continue developing these audits to be more data driven addressing weaknesses and giving assurance on specific processes within the systems themselves on potentially a real time basis.
- 6.2 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

- 6.3 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. Accordingly the assessment will be undertaken again in early 2023/24 and further audit work is expected to be identified

Schools

6.4 School audit coverage in recent years has been low due to higher priority work being undertaken. A fraud investigation took place at a local Primary school in 2020/21 and this resulted in Internal Audit undertaking a small programme of school audits for 2022/23. In order to do so, there was a full revision of the school internal audit programme to ensure it covered all relevant and up to date areas to enable us to add value and provide an assurance over the governance and financial arrangements in operation at the schools. The schools visited this year were selected from our own risk assessments and utilising insight from other Council Teams that work with schools.

6.5 Reviews have been carried out at three schools to assess the adequacy of both governance and financial arrangements. Two schools were given reasonable assurance opinions and the other, limited assurance. School 4 is the Primary school subject to the fraud investigation referred to above. The status of the agreed actions is set out below. The high number of overdue management actions is recognised and escalations have taken place within the schools and Council management.

School	Assurance Opinion	Total Number of Issues Raised			Number of Management Action Overdue as at 16/03/23			Number of Management Actions Not Yet Due		
		High	Medium	Low	High	Medium	Low	High	Medium	Low
School 1 -	Reasonable Assurance	9	13	1	7	10	0	0	0	0
School 2 –	Limited Assurance	10	13	1	1	4	0	0	0	0
School 3 –	Reasonable Assurance	13	5	1	8	1	0	0	0	0
School 4	N/A Investigation	31	14	3	1	3	0	0	0	0
Totals		63	45	6	17	18	0	0	0	0

6.6 Internal Audit work was also carried out involving the identification of the ‘common’ themes and issues embedded and in operation at the schools that have been identified above. This work was issued to all key stakeholders involved, including the Governors, Head teacher and School Finance Staff to make them aware of their responsibilities and to help them improve Governance and Financial Management within their school.

6.7 Internal Audit are also developing a controls risk self-assessment (CRSA) process to be issued to all Local Authority maintained schools. These are to be completed and returned to Internal Audit and for the school to utilise to make all school stakeholders aware of their responsibilities and identify any improvements that may be required. This process should add value by helping to improve the schools day to day controls and to overall strengthen the governance and financial management within the school.

This process should be viewed as a constructive exercise in improving the schools governance and financial management arrangements. This will then be utilised for completion of the School's Statement of Internal Control (SIC) and will aid the School Financial Value Standard (SFVS). It will also be utilised by Internal Audit as one element of the risk assessments for future Internal Audit plans.

- 6.8 Internal Audit also completed the following work in schools in 2022/23
- 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
 - Provision of advice and support in relation to updating and reviewing the School's Whistleblowing Process.

Grant Work

Business Support Grants - Counter-Fraud and Assurance Work

- 6.9 A substantial amount of work has been undertaken by the Internal Audit team since the onset of the pandemic which has now been largely completed during the 2022/23 year.
- 6.10 Our decision to undertake checks before payments were made continued 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.
- 6.11 It was particularly pleasing to note the outcome of the Business Support Grant fraud checks disclosing only 0.6% of the £112M paid to supporting local businesses had been subject to fraud or error. This was reported in the Annual Preventing and Detecting Fraud and Error report to the January 2023 Audit Committee.
- 6.12 These outcomes reflect very well on all the different teams involved in the processing, payment and checking of these payments.

Other Covid Grants – non Business Rates

- 6.13 A number of Public Health Grants required auditing during the year at short notice due to changing Central Governments requirements. All these grants were able to be positively signed off within the deadlines given.

Other Grants – unrelated to Covid-19

- 6.14 The team undertake reviews of grants covering several areas of the Council every year. 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.

- 6.15 We have been required to further review the Local Area Delivery (LAD) Grant (aimed at increasing the energy efficiency of properties). These grants also received positive sign offs.

7. Responsive/Consultancy and Investigative Work

- 7.1 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.
- 7.2 Details of suspected irregularities and other supportive / advisory work are set out in the Annual Preventing and Detecting Fraud and Error Report reporting low levels of fraud and error. This is further supported through extensive analysis in the Counter Fraud Activity Report.
- 7.3 This work contributes to a positive opinion over our control arrangements the arrangements in place for preventing and detecting fraud and corruption are satisfactory and have a positive impact on the overall control environment.

8 Assessment of the Council's Governance, Risk Management and Control

Arrangements for the Year to 31st March 2023 by the Head of Internal Audit

- 8.1 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.
- 8.2 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.
- 8.3 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
- 8.4 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.
- 8.5 This position has been documented during the Internal Audit progress reports issued during the year.
- 8.6 We set off at the start of the year with a very strong base of assurance from the 2021/22 opinion. As the year progressed other sources of assurance emerged:
- The LGA Peer Review completed in early 2022/3 gave an overall very positive feedback for the Council and cited many examples of good risk, governance and control arrangements working well including the strong financial governance arrangements in place
 - A positive Annual Governance Statement for 2021/22 had been drafted in April 2022 which remained positive upon finalisation of the accounts in October 2022.
 - A very positive Annual Governance Statement for 2022/23 has been drafted at April 2023.

- A positive Annual Preventing and Detecting Fraud and Error 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 its responsibilities throughout the year and highlighting the positive contribution it has made or noted.
- The Monitoring Officer report for 2022/23 also reflects low levels of conduct issues and whistleblowing incidents
- There are also embedded and ongoing arrangements within the Council such as the quarterly Finance and Performance reporting processes which form part of our risk governance and control arrangements

- 8.7 On 1st September 2022, all of the service delivered by the former Doncaster Children's Services Trust were transferred back into the Council. This was done under the high level oversight and management of "Transition and Integration" arrangements. The contract for Internal Audit services being delivered to the trust was novated to the Council and their programme of work continues
- 8.8 Additional areas of advice and consultancy work were identified since then alongside further areas of planned audit work either delivered in 2022/23 or to be completed or to commence in 2023/24. A significant theme has been around ensuring value for money, managing the escalating costs and delivering the savings targets, whilst recognising the impact of increasing demand, greater complexities and the national market challenges. This is a significant budgetary pressure for the Council and the future financial strategy relies on gripping the costs, ensuring appropriate governance is in place and appropriate spending decisions are made, also impacting on the services funded through the Dedicated School Grant.
- 8.9 The team have been involved in understanding these arrangements and contributing to ongoing actions to help achieve the required savings. It is clear there is significant work to be done in this area corporately, of which the internal audit contributions are reflected in the plan for 2023/24. The Internal Audit team will provide a flexible response to changing priorities, where required. A more detailed understanding and build-up of assurance will continue through the 2023/24, however I am satisfied with the status of existing arrangements and consequent assurance gained in this area at this time for this to provide no limitation for my overall assurance opinion for the 2023/24 year.
- 8.10 Accordingly, with the assurance from the year to date, 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

- 8.11 Internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.
- 8.12 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.

8.13 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.

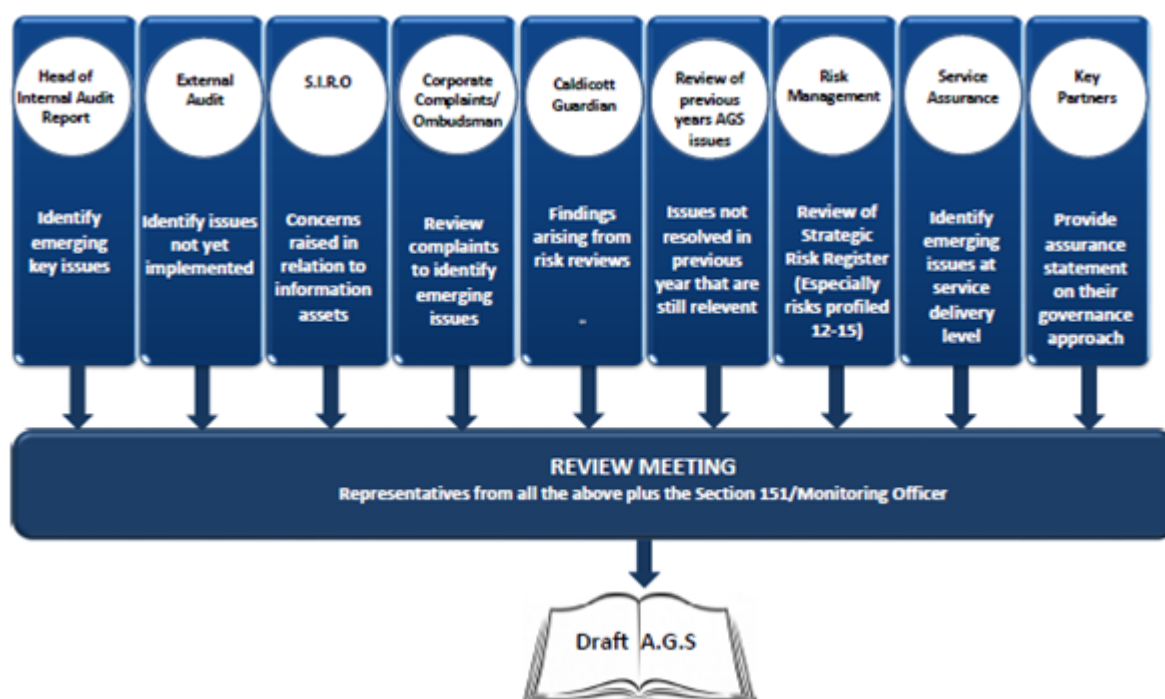
The fraud risk register will be used by both management and Internal Audit Services to focus anti-fraud and corruption resources and training on raising the awareness of fraud and corruption and its associated effects. Fraud Risks are regularly reviewed and reported upon by the Council's Internal Audit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

8.14 The Council's Performance Management Framework was reviewed in Quarter 4 of 2021/22 incorporating updates to risk management. The Performance Management Framework was rolled out in Quarter 1 of 2022/23. Alongside the roll out there was a focus on awareness and training of the Performance Management Framework including a report being taken to Audit Committee.

- 8.15 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. For our IT risk assessment, we engage external expertise of another local authority's ICT Internal Audit Team who have over forty other public body clients
- 8.16 A cybersecurity programme risk assessment has also been undertaken in 2021 by the Council's insurers which provided helpful reassurance over this very high risk area.
- 8.17 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.
- 8.18 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

- 8.19 Internal audit must assess and make appropriate recommendations for the improvement of governance processes including ethics and values within the organisation.
- 8.20 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.



- 8.21 The service area perspective is provided by each Head of Service via a series of governance statements in the form of a self-assessment. This year's responses sought information over CIPFA Financial Management Code and as good level of assurance was obtained over our arrangements
- 8.22 The draft Annual Governance Statement does detail an increased number of issues from the previous year, however this is still considered a low number historically. Internal

Audit's work indicated no areas for inclusion in the Statement. The statement is considered to be a very positive document in overall terms.

- 8.23 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.
- 8.24 The positive view is further confirmed in the Annual Report of the Monitoring officer
- 8.25 In addition, the External Auditor, Grant Thornton completed their much more detailed review of our Value for Money arrangements in January 2023 as required under their Code of Auditors Practice. This is a very 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.
- 8.26 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

- 8.27 The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.
- 8.28 We have delivered a further range of control related work, some covering the core financial systems which we continue to give high level assurance opinions over albeit with a judgment based lower level of coverage. Our now near complete coverage of Covid-19 grants including post payments assurance checks over the Business Support grants amounting to £112M (issued in 2020/21 and 2021/22) as well as the traditional, non-Covid-19 related grants also continues to positively support my control opinion.
- 8.29 The annual Preventing and Detecting Fraud report provides key assurance also for control work. It stated:

- The fraud landscape continues to change and the period saw the likely end of Covid related business support grants with previously established checks continuing on all payments made. However, as the cost of living crisis continues to bite, fraud risks generally increase as the amount of monies available to individuals and businesses falls.
- The overall level of fraud experienced by the Council remains low for a council of this size with a proactive approach being taken to manage risks as they arise. Our arrangements have continued to operate well throughout the period.
- This was particularly demonstrated in administration of Business Support Grant where performance was considered excellent

Total Grants Paid	£111,762,113	
Fraud / Error detected over full period	£678,977	= 0.6% of grants paid
Recovery Remaining	£363,875	= 0.3% of grant paid

- 8.30 A further report on counter fraud activity highlights additional proactive work to be carried out including strengthening this area through the continued development of data analytics etc. We are hoping to increase our data analytics resource within the team in the near future.
- 8.31 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.
- 8.32 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.
- 8.33 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

- 8.34 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 do each 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 challenging environment they have operated in.
- 8.35 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 2022/23 were adequate and operated effectively during the year.

Peter Jackson FCCA

Head of Internal Audit

27th April 2023