



## Report

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Date: 27<sup>th</sup> July 2023

To: The Chair and Members of the Audit Committee

Report Title: INTERNAL AUDIT REPORT FOR THE PERIOD: APRIL 2023 to JUNE 2023

### EXECUTIVE SUMMARY

1. The report attached at **Appendix 1** updates the Audit Committee on the work undertaken by Internal Audit for the period of April to June 2023.
2. The attached report is in four sections:
  - Section 1. The Audit Plan / Revisions to the Plan
  - Section 2. Audit Work Undertaken During the Period
  - Section 3. Implementation of Management Actions arising from Audit Recommendations
  - Section 4. Internal Audit Performance
3. A summary of the main points from each of the sections is provided in the following paragraphs:

#### **Section 1: The Audit Plan / Revisions to the Plan**

4. The original plan was approved at the April Audit Committee and will be continually reviewed throughout the year in accordance with best practice and our agile approach to auditing. Section 1 sets out further detail and significant changes to date.

#### **Section 2: Audit Work Undertaken During the Period**

5. During the period April to June, our work has been on our routine and planned audits and on the lessons learnt reviews requested by management.
6. Substantial advisory and consultancy work is ongoing covering placements within Children's Services and associated governance over decision making and ongoing support to several advisory boards.
7. Considerable resources, as planned, have continued to be used in successfully implementing a major upgrade to the teams Auditing and Management software and associated improvements to the team's auditing methodologies and reporting



arrangements. Our ongoing work in establishing and updating our detailed risk assessments is also helping to support the prioritisation of our work.

### **Section 3: Progress on the implementation of Management Actions arising from Internal Audit recommendations**

8. There is currently 1 high risk level overdue management action i.e., action that has passed its original agreed implementation date.
9. The total number of overdue medium and low risk level management actions has decreased slightly from 6 to 5. Revised implementation dates have been agreed for these actions requiring a further extension of time.
10. In total for all audit agreed management actions there are 20 Internal Audit actions awaiting implementation, 14 of which are not yet due.
11. Is clear from the current position that implementation of agreed management actions is operating well. We will continue to tightly monitor and manage this area.

### **Section 4: Performance Information**

12. Key operational indicators are over the timeliness of the issue of draft and final reports and these have all been issued within target timescales.
13. Results relating to major recommendations and customer satisfaction remain positive, with 100% of critical or major recommendations agreed and 100% of Customer Satisfaction Surveys rated Satisfactory or above.
14. The plan for the remainder of the financial year has been assessed and the Head of Internal Audit considers that sufficient work will be delivered to be able to provide his opinion on the Council's risk, governance and control arrangements. He will however be placing additional reliance on other wider sources of assurance to support this opinion in addition to the planned audit work.
15. The work delivered by the audit team provides a source of intelligence for the Annual Governance Statement. The work delivered in the year to date, has not identified any new areas of concern that should be considered for inclusion in the Annual Governance Statement. Additionally, work completed in the year to date has not identified any reason to result in a negative or limited annual opinion over the council's risk, governance and control arrangements.

### **EXEMPT REPORT**

16. The report does not contain exempt information

### **RECOMMENDATIONS**

17. The Audit Committee is asked to note:
  - the position of the Internal Audit plan
  - the Internal Audit work completed in the period
  - the position with regards the implementation of management actions arising from Internal Audit recommendations
  - the current position regarding the ability to deliver the annual opinion over the council's risk, governance and control arrangements

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

18. 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**

19. 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**

20. Not applicable – for information only

## **REASONS FOR RECOMMENDED OPTION**

21. Not applicable – for information only

## **Legal Implications**

22. Legal implications were not requested in relation to this report

## **Financial Implications**

23. Financial implications were not requested in relation to this report

## **Human Resources Implications**

24. Human Resources implications were not requested in relation to this report

## **Technology Implications**

25. Technology implications were not requested in relation to this report

## **RISKS AND ASSUMPTIONS**

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

## **CONSULTATION**

27. 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. Regular meetings are held with Senior Management to ensure there is effective and relevant Internal Audit coverage provided.

## **BACKGROUND PAPERS**

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

## **GLOSSARY OF ACRONYMS AND ABBREVIATIONS**

29. None

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**City of  
Doncaster  
Council**

**Appendix 1**

## **Doncaster Council**

### **Internal Audit Progress Report**

**April to June 2023**

## Section 1: Revisions to the Audit Plan

1.1 The 2023/24 Internal Audit Plan was approved by the Audit Committee on 27<sup>th</sup> April 2023. As the audit year progresses, the plan is reviewed to take account of any new and emerging risks and any responsive work arising. Additional work undertaken is added to the plan and is resourced by the deletion or deferral of the assessed lowest risk work items. This is well established best practice and in line with our agreed Strategy. The staffing resources available have reduced since the original Audit plan was approved due to unsuccessful recruitment exercises and the future impact of these on the plan continue to be assessed.

1.2 Significant changes to the plan for the period are set out below, and further changes will continue to be made as the year progresses in accordance with our strategy to reflect new and emerging risk, changing priorities and to reflect resources available within the team.

1.3 New significant pieces of work added to the work plan in the quarter are:

- School Recruitment Lessons Learnt Review – A review to identify best practice around governance over recruitment processes in schools following an unsuccessful recruitment exercise.
- Kinship Placement Lessons Learnt Review – A review to identify improvement in practice following a complaint raised around a Fostering placement.
- Out of Area Provision Lessons Learnt Review – A review to identify better practice improvements from a governance and value for money perspective over out of area education placements.
- Investigation – Virtual Schools Looked after Children DPA Breach – Provision of information to support management investigation.

1.4 Items of work removed from the plan include those set out below: -

- SEN Placements – School Placement Review – review and support arrangements now being provided by the Policy Insight and Change team mean Internal Audit Resources can be applied elsewhere.
- Family Hubs and Start for Life Programme Grant 2023/24 – this grant audit is deferred into quarter 1 2024/25 due to date changes by the relevant government department.
- Safeguarding Adults Review – this review is deferred into the 2024/25 year to allow assessment of forthcoming changes of service delivery.
- Social Housing Decarbonisation Fund – Wave 1 & 2 2023/24 - this grant audit is deferred into quarter 1 2024/25 due to date changes by the relevant government department

- Test and Trace Grant and Contain the Outbreak Funding – Grant verification 2023/24 – cancelled as no requirement for Internal Audit sign off

1.5 We continue to work with all relevant teams within the Council to ensure our ongoing planned work for the year remains relevant and adds maximum values to the Council. We also continue sense checking our planning and approach with other Audit Teams in the regions that are in our working network. Our ongoing work in establishing and updating our detailed risk assessments is also helping to support the prioritisation of our work. This ensures that audit resources continue to be targeted to reviewing the highest risks to the Council.

## **Section 2: Audit Work Undertaken During the Period**

- 2.1 During the period April to June, our work has been on our routine and planned audits and on the lessons learnt reviews requested by management.
- 2.2 Substantial advisory and consultancy work is ongoing covering placements within Children’s Services and associated governance over decision making and ongoing support to several advisory boards.
- 2.3 Considerable resources, as planned, have continued to be used in successfully implementing a major upgrade to the teams Auditing and Management software and associated improvements to the team’s auditing methodologies and reporting arrangements.
- 2.4 Internal Audit provides an opinion on the control environment for all systems, services, or functions, which are subject to planned audit review. The opinions given are considered when forming our overall annual opinion on the adequacy and satisfactory operation of the Council’s governance, risk management and internal control arrangements at the end of the year.

## **Internal Audit Opinion**

2.5 A “*substantial assurance*” opinion is given where there are no or low levels of concern. A “*reasonable assurance*” opinion is given where there are issues of concern that need to be addressed which may put at risk the achievement of objectives in the area audited. A “*limited assurance*” opinion is given in any area under examination where one or more concerns of a ‘fundamental’ nature are identified or where there are a considerable number of issues of concern arising which need addressing. A ‘*no assurance*’ opinion is given where immediate action is required to address fundamental gaps, weaknesses or non-compliance identified in the area under review, although ‘*no assurance*’ opinions are extremely rare.

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

2.6 Summary conclusions on all significant audit work completed April to June 2023 and any completed work not previously reported, are set out in **Appendix A**.

## **Audits providing ‘limited’ assurance opinions**

2.7 There have been no ‘limited assurance’ opinions given this period and considerable improvements have been made in the area set out below resulting in a more favourable opinion being given.

## Taxi Licensing Review 2022/23

A partial assurance opinion was given over the Taxi Licensing Service. A limited assurance opinion would have been given, due to weaknesses identified during the audit, but this was not necessary as significant progress has been made rectifying matters brought to the attention of management through the audit. This has, however, resulted in delays in finalising and issuing the audit report as officer resource has been targeted at rectifying the matters raised.

The main issues to note are:-

- Routine Operator inspections, or spot checks on taxi vehicles standing in taxi ranks were not being done, even though the City of Doncaster Council Policy does state that this is an integral part of the enforcement strategy. The 3 main operators have since been inspected (covering approximately 80% of journeys) and a strategy for inspecting the remainder of the operators this financial year has been developed.
- Some DBS rechecks had not been undertaken when they had become due, for several reasons, but primarily due to inadequate system reporting processes. Significant manual work has since been undertaken corresponding with both taxi drivers and operators and it is pleasing to report that this issue has now been rectified. Indeed, far superior processes of routinely checking of all taxi drivers current DBS status on a fortnightly basis have been instigated.
- Additionally, 10 more recommendations were made. These were of varying significance, but all have been agreed and all except one are in the process of being implemented. The one which has not yet started relates to written procedural documentation and therefore rightly, awaits all system / process changes before being started.
- As a result of the audit observations, a consultant's services have been procured to undertake a wider health check on the Licencing Service. Additionally, a service review is underway, and a rapid improvement plan is being developed, which will include the procurement and implementation of an improved software system.
- Internal Audit have had ongoing oversight and input during this period of internal review.

### **Responsive Audit Work and Investigations**

2.8 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. This area is covered in detail within the Annual Preventing and Detect Fraud and Error Report which forms part of a future Audit Committee meeting's agenda. There are no items of significance to report in advance of that report.



### Section 3: Implementation of Management Actions arising from Audit Recommendations

- 3.1 Following the completion of audit work, improvement plans are produced in consultation with service management containing details of actions and dates agreed by management for their implementation. Final reports, incorporating agreed improvement plans, are then formally issued to the appropriate Director, Assistant Director and Head of Service.
- 3.2 Internal Audit subsequently seeks assurance that agreed actions arising from audit work have actually been implemented and are effectively managing any risks previously identified. This involves contacting the officer allocated to complete the action to obtain evidence that agreed actions have been implemented or, where they have not, that appropriate progress is being made. Where fundamental weaknesses in internal control arrangements have been identified, more detailed follow up work is undertaken.
- 3.3 Any agreed management actions that are not implemented in line with agreed timescales require Assistant Director authorisation for a time extension and are reported as part of the Council's Quarterly Resource Management processes and consequently monitored through that process. Additionally, Assistant Directors are provided each month with details of all actions outstanding in their area and these are then reviewed with Internal Audit and the Director and their management teams each quarter. Overdue high risk level management actions are reported routinely by Internal Audit to the Audit Committee as are numbers of outstanding lower-level management actions. 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.
- 3.4 The total number of actions which are overdue i.e. that have passed their original agreed implementation date has remained stable at 6 in total, being 1 high level management action and 5 medium / lower level management actions. A breakdown of these by Directorate is detailed in the table below. All these management actions have had revised dates agreed by their relevant Assistant Directors and we will tightly monitor and report on the achievement of these revised dates. There are no areas of concern covering the 5 medium / lower level overdue management actions.
- 3.5 The detail of the high-level management actions and revised implementation dates is provided in **Appendix B**.

Directorate	Number of high-risk level management actions overdue					Number of medium / lower risk level management actions overdue				
	At 30/06/2022	At 30/09/2022	At 31/12/2022	At 31/03/2023	At 30/06/2023	At 30/06/2022	At 30/09/2022	At 31/12/2022	At 31/03/2023	At 30/06/2023
Adults, Wellbeing & Culture	0	0	0	0	0	0	0	0	0	0
Place	0	0	0	0	1	6	3	1	3	3
Corporate Resources	0	0	0	0	0	0	1	2	3	2

Directorate	Number of high-risk level management actions overdue					Number of medium / lower risk level management actions overdue				
Children, Young People & Families *	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>6</b>	<b>4</b>	<b>3</b>	<b>6</b>	<b>5</b>

\* These figures do not include the number of actions arising from the 4 school audits / investigation completed as these traditionally generate a high number of action and have different ratings for the school to work to and therefore reporting these figures would disproportionately misrepresent the Council's position.

3.6 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 that was subject to a fraud investigation. 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 30/06/23			Number of Management Actions Not Yet Due		
		High	Medium	Low	High	Medium	Low	High	Medium	Low
School 1	Reasonable Assurance	9	13	0	6	10	0	0	0	0
School 2	Limited Assurance	10	13	1	1	5	0	0	0	0
School 3	Reasonable Assurance	13	5	1	0	0	0	0	0	0
School 4	N/A Investigation	31	14	5	1	3	0	0	0	0
Totals		63	45	7	8	18	0	0	0	0

3.7 The spread of **all** agreed management actions awaiting implementation including those not yet due is shown below.

Directorate	No. of actions at 30/06/2022	No. of actions at 30/09/2022	No. of actions at 31/12/2022	No. of actions at 30/06/2023
Adults, Wellbeing and Culture	0	0	0	0
Place	6	3	5	12
Corporate Resources	8	9	11	6
Children, Young People and Families *	1	0	0	2
<b>TOTAL</b>	<b>15</b>	<b>12</b>	<b>16</b>	<b>20</b>

\* These figures do not include the number of actions arising from the 4 school audits / investigation completed as these traditionally generate a high number of action and have different ratings for the school to work to and therefore reporting these figures would disproportionately misrepresent the Council's position

3.8 It is clear from the current position that implementation of agreed management actions is operating well. We will continue to tightly monitor and manage this area.

#### **Section 4: Internal Audit Performance**

##### Performance Indicators

- 4.1 The Audit Committee has previously agreed the key performance indicators that should be reported to it relating to the performance of the Internal Audit service.
- 4.2 Key indicators are over the timeliness of the issue of draft and final reports and these have all been issue within target timescales.
- 4.3 Results relating to major recommendations and customer satisfaction remain positive, with 100% of critical or major recommendations agreed and 100% of Customer Satisfaction Surveys rated Satisfactory or above.

The indicators are shown below along with current performance for the period October to December 2022:

<b>Performance Indicator</b>	<b>Target</b>	<b>April to June 2023</b>	<b>Variance (positive is good)</b>
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%	0%
Percentage of Customer Satisfaction Surveys rated Satisfactory or above	90%	100%	+10%

Rolling Audit Opinion over Risk, Governance and Control Arrangements and Annual Governance Statement Items

- 4.4 The plan for the rest of the Financial Year has been assessed and the Head of Internal Audit considers that sufficient work will be delivered to be able to provide his opinion on the Council's, risk governance and control arrangements. He will however be placing additional reliance on other wider sources of assurance to support this opinion in addition to the planned audit work.
- 4.5 The work delivered by the audit team provides a source of intelligence for the Annual Governance Statement (AGS). The work delivered in the year to date, has not identified any new areas of concern that should be considered for inclusion in the Annual Governance Statement for 2023/24. Additionally, work completed in the year to date has not identified any reason to result in a negative or limited annual opinion over the council's risk, governance and control arrangements.

Planned Audit Work Completed in Period

Audit Area	Assurance Objective	Final Report to Management.	Overall Audit Opinion	Summary of Significant Issues
<b>CORPORATE RESOURCES</b>				
Housing Rents 2022/23	<p>A new housing management system Open Housing went live November 2020. A full key control and transactional testing review due to this system change was done in 20/21, straight after the implementation to identify any immediate concerns. Neither the 20/21 or 21/22 audits identified any significant concerns. As a result, the objectives of this audit were to:</p> <p>Examine the extent to which the operational risk and operational processes are effectively managed within the housing rents process to ensure that the right rents are collected from the right people at the right time and that rents are properly accounted for, and</p> <p>Make value added recommendations to improve the service, its efficiency and effectiveness or further mitigate or control risk exposures.</p>	January 2023	Substantial Assurance	None

Audit Area	Assurance Objective	Final Report to Management.	Overall Audit Opinion	Summary of Significant Issues
Data Management Review 2022/23 (undertaken by external Internal Audit provider)	The objectives of this review were to ensure that the key risks associated with the management and security of data across the council are managed appropriately.	March 2023	Reasonable Assurance	No high risk findings although improvements are required to further mitigate risks, particularly around data retention and storage.
<b>PLACE</b>				
Taxi Licensing Review 2022/23	Review the processes and systems in place for the granting or refusal of licences in relation to Hackney Carriage, Private Hire Driver, and Operators ensuring that the Council fulfils its obligations in respect to passenger safeguarding whilst not unduly restricting local transport provision.	July 2023	Partial Assurance	See main body of report
Bus Service Operators Grant 2023/24 (June Claim)	Confirm expenditure and that it is in keeping with the conditions of the grant statement as true and fair as stipulated by the grant.	December 2022	N/A – grant Claim verification	Grant signed, no issues raised.
<b>ADULTS WELLBEING AND CULTURE</b>				
Supporting Families Grant Q4 2022/23 - (April to June Claims)	Confirm expenditure and that it meets the conditions of the grant allowing Doncaster Council sign off.	N/A	Not Applicable – Grant Claim verification.	Grant signed, no issues raised.

Audit Area	Assurance Objective	Final Report to Management.	Overall Audit Opinion	Summary of Significant Issues
<b>PUBLIC HEALTH</b>				
No Planned work was reported in this period				
<b>CHILDREN YOUNG PEOPLE &amp; FAMILIES</b>				
Big Picture Learning Grant Qtr 4 2022/23	To ensure that outputs made and claimed for are in accordance with the grant conditions	April 2023	N/A - grant Claim verification	Grant signed, no issues raised
Investigation – Virtual Schools Data Protection Breach	Provide evidence as required with regards to the potential severity of the breach.	Our element of work completed May 2023	N/A	Unable to provide summary due to the confidentiality of the work.

**Overdue High Risk Agreed Management Actions**

**APPENDIX B**

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
<b>PLACE</b>						
Strategic Properties / Land Income 2021/22	No checks are currently undertaken to ensure that an invoice is raised for all income due. This issue was originally identified in the previous audit of 2017, when it was agreed that quarterly reconciliations of income due to income billed would be undertaken. A 2019 follow up audit found that these reconciliations had not yet been introduced and work was subsequently undertaken to facilitate the reconciliations and a year end reconciliation exercise was completed. No reconciliations have been completed since.	High	Regular reconciliations of income due to bills will be undertaken in the future. The first full reconciliation of all accounts is currently being worked on, along with implementing actions to enable more efficient reconciliation exercises in the future.	31/05/2023	30/09/2023	This area was given a "limited assurance" rating, and reported 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.



Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
						<p>In February 2023 it was agreed that a full reconciliation would be completed and this has now been done. The majority of transactions have been identified as having been billed correctly or any anomalies arising have now been sorted. The remaining transactions (valued in total at less than £100k) are currently in various stages of being queried. This does not raise a concern, at this stage, as some of these anomalies are complicated to resolve.</p> <p>In order to facilitate this reconciliation, a significant amount of data has had to be updated on system records. Additionally, further work has been undertaken to try to make the reconciliation process less cumbersome for future reconciliations to be carried out. This revised reconciliation process now needs documenting.</p>

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
						It is Audits intention to work alongside the Section during the next reconciliation exercise, in order to gain full assurance that the reconciliation process is effective in identifying any potential anomalies.