



Report

Date: 1st February 2024

To: The Chair and Members of the Audit Committee

Report Title: INTERNAL AUDIT REPORT FOR THE PERIOD: October 2023 to December 2023

EXECUTIVE SUMMARY

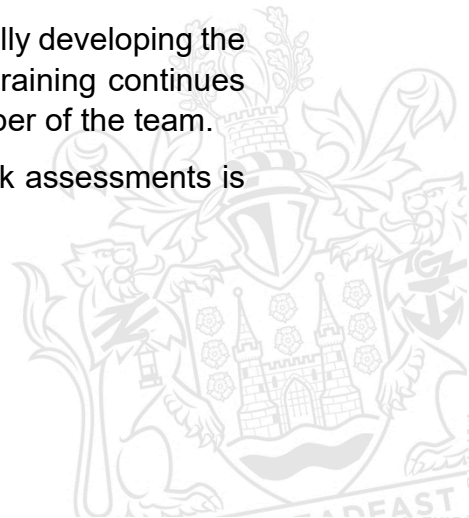
1. The report attached at **Appendix 1** updates the Audit Committee on the work undertaken by Internal Audit for the period of October to December 2023.
2. The attached report is in four sections:
 - Section 1. The Audit Plan / Revisions to the Plan
 - Section 2. Audit Work Undertaken During the Period
 - 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 2023 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 in this period.

Section 2: Audit Work Undertaken During the Period

5. During the period October to December, our work has been on our routine and planned audits and on the lessons learnt reviews requested by management, alongside other investigatory and consultancy work. We have also been developing our data driven work in some areas which is referred to in Section 2.
6. Resources, as planned, have continued to be used in successfully developing the team's auditing methodologies and reporting arrangements. Training continues being rolled out to all members of the team and to a new member of the team.
7. 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 are currently no high risk level overdue management actions
9. The total number of overdue medium and low risk level management actions has increased slightly from 8 to 12. 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 26 Internal Audit actions awaiting implementation, 14 of which are not yet due.
11. Despite the small increase in overdue actions, the Head of Internal Audit does not have concerns with regards management's commitment to implementing their agreed actions which continue to be scrutinised also through the quarterly Finance and Performance arrangements. 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 only identified one new area of concern that should be considered for inclusion in the Annual Governance Statement for 2023/24. This is the Climate Change Governance Arrangements highlighted within the report.
16. However, 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

17. The report does not contain exempt information.

RECOMMENDATIONS

18. 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?

19. 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

20. 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

21. Not applicable – for information only

REASONS FOR RECOMMENDED OPTION

22. Not applicable – for information only

23. Legal Implications

Legal implications were not requested in relation to this report.

24. Financial Implications

Financial implications were not requested in relation to this report.

25. Human Resources Implications

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

26. Technology Implications

Technology implications were not requested in relation to this report.

RISKS AND ASSUMPTIONS

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

CONSULTATION

28. 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

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

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

30. None

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**City of
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Appendix 1

Doncaster Council

Internal Audit Progress Report

October to December 2023

Section 1: Revisions to the Audit Plan

1.1 The 2023/24 Internal Audit Plan was approved by the Audit Committee on 27th 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, although we now have a new temporary member of the team which will help the team resource in future quarters. The future impact of these vacancies on the plan continues to be assessed and managed.

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:

- Voluntary Action Doncaster (VAD) Grant Funding Arrangements – This work is to ensure all grant funding provided to VAD has been fully accounted for.
- Well Doncaster – Grant Funding Arrangements - this work is to ensure all grant funding provided by Well Doncaster has been fully accounted for.
- Community Development and Support Fund Grant Set Up Advice 2023/24

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

- SLHD Contract Management and Partnership Working Arrangements 2023/24 – No formal review will now take place due to other oversight arrangements. Instead, ad hoc advice will continue to be provided as required.
- Mosaic Care and Case Flows – work will be delivered in this area on a more service targeted basis within the 2024/25 plan as no audit issues have been identified by services.
- Levelling Up Fund Grant Sign Off (Phase 1) 2023/24 – this grant work has been deferred into the 2024/25 workplan at the works will not be completed until 2024/25 after a funding extension.

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 October to December, our work has been on our routine and planned audits and on the lessons learnt reviews requested by management, alongside other investigatory and consultancy work. We have also been developing our data driven work in some areas. An update is set out at para 2.13 and further detail will be provided in the Annual Report of the Head of Internal Audit.
- 2.2 Resources, as planned, have continued to be used in successfully developing the team's auditing methodologies and reporting arrangements. Training continued being rolled out to all members of the team and to a new member of the team.
- 2.3 Our ongoing work in establishing and updating our detailed risk assessments is also helping to support the prioritisation of our work.
- 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 October to December 2023 and any completed work not previously reported, are set out in **Appendix A**.

Audits providing 'limited' assurance opinions

- 2.7 There has been one audit where a 'limited assurance' opinion has been given this period.

Climate Change Governance Arrangements 23/24

- 2.8 In order to be more resilient to the threat posed by climate change and in addition to meeting the challenges of achieving net zero, it is vital that we effectively manage climate change risks. With this in mind, a review of the governance arrangements in place for managing climate change risks, was undertaken. This resulted in a limited assurance opinion and 14 recommendations being made.

Whilst we acknowledged the breadth and depth of work being delivered, governance arrangements need to be developed to ensure there is accurate reporting of progress to an accountable body, that can ensure appropriate resource and activity allocation is in place.

2.9 It should be noted that the Council only has control over the processes within its own organisation. Although the review did examine the Council's actions to influence and try to coordinate Team Doncaster partners response to tackling climate change, this is not within the Councils direct control. There are also dependencies upon Central Government actions and compliance with certain interrelated Government policies and stipulations, which are further beyond the Council's control. Due to this, even when the agreed actions arising from the review are implemented, it is unlikely, at this point in the 'tackling climate change' journey, that this risk can be managed by the Council further than to give 'reasonable assurance'.

2.10 The headline reasons for this opinion were:-

- The estimated scale of the anticipated required resource (both cost and capacity) to meet the pledge of being carbon neutral by 2040 (for the council or the borough) is not currently known. A central government commissioned report, however, does calculate this cost for London and the 11 UK core cities alone as being in excess of £200 billion. On the same basis, a per capita calculation would suggest a cost of £9 billion for Doncaster to meet net zero targets.
- There is no single record of the entirety of all net zero and climate change related potential actions to be considered / taken, together with evaluations / priority ratings and resource requirements.
- Monitoring and reporting of the Council's progress towards achieving 85% reductions in carbon emissions by 2030 or net zero by 2040 has not previously happened but reporting on some aspects under the Council's control is due to commence imminently.
- For the rest of Doncaster, at present, the Council is reliant on government data (provided every 2 years) to assess the progress that the city is making towards net zero carbon emissions. All local authority areas are in this same position, as data collection and evaluation methods are still under development nationally.
- A Team Doncaster Environment Network Officer Group's Terms of Reference makes it responsible for driving delivery of the Environment and Sustainability Strategy. Whilst this group has made sustained efforts to co-ordinate and inspire climate action across Team Doncaster partners, this

current governance structure's outcomes in driving progress for the Borough has not proven to be effective and is under review.

- The Council has taken the lead on tackling climate change with the formation of the Sustainability Unit in 2021 to co-ordinate delivery of the Environment and Sustainability Strategy. There is no high-level Environment focussed internal council group currently in operation that oversees and directs the Council's response to climate change on a strategic or operational level and which provides regular scrutiny and challenge.
- The scale of climate change risks to the council i.e. the total exposure of the organisation, or to the Borough as a whole, is not currently known.

A comprehensive set of management actions have been agreed and are being implemented (4 of the 14 agreed management actions have already been implemented). These will be tracked, and progress reported to future meetings of the Audit Committee.

Responsive Audit Work and Investigations

2.11 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 Detecting Fraud and Error Report.

School Governance and Financial Management Improvement

Controls Risk Self-Assessment (CRSA)

2.12 This advice and consultancy piece of work involved the development of a Control Risk Self-Assessment framework (CRSA) to be delivered to all LA maintained schools. Over recent years there has been limited internal auditing of LA Maintained Schools, this was due to the perceived level of risk being classed as relatively low for the Council. The school's Control Risk Self-Assessment (CRSA) framework was launched in December 2023 and required all maintained schools to complete it.

2.13 This is seen as a powerful tool that can be used to support the school in self assessing their risks and controls and to identify any possible areas that may require strengthening. It also provides Internal Audit with valuable oversight and assurance from our LA schools with the outcome forming part of the risk assessment for schools.

2.14 The collective information will also be used to help determine whether certain pieces of work are required in the future for example training, additional resources, supporting guidance, thematic audit reviews that will benefit our maintained schools going forward. Overall, this work adds value through improving governance and financial management arrangements within schools and identifying areas where improvements are needed.

School Recruitment Follow up Work

2.15 Further advice and consultancy work has been undertaken with the School Improvement Team to help them develop and refresh the Headteacher Recruitment Guidance and training for Local Authority Maintained schools. This work has added value to the Headteacher Recruitment process by ensuring that there is a clearly documented robust process in place that is enhanced with specific bias training for governors sitting on interview panels and that all issues identified from the lessons learnt review have been incorporated. The guidance and the training is successfully being rolled out to Local Authority maintained schools.

Data Driven Work

Purchase Cards

2.16 Data analytics and the use of data for audit purposes is a development topic on the audit agenda for over the last 3 audit years. During this year we have developed (to beta testing stage) an analytical tool in PowerBi looking at purchase card transactions and their associated authorisation and coding within the financial accounts. This tool has been developed with Procurement and Transactional Processing in order to attempt to give the ability to slice and manipulate data to all three teams.

2.17 The dashboard takes audit themes and key controls and interprets the data to show whether these key controls are functional and identifies potential anomalies. This beta data has been used to successfully target departments using the purchase cards that are buying unusual purchases, do not appear to be properly claiming VAT or where there are delays in the processing of the transactions (amongst other issues). Data analytics is an involved process that requires a constantly evolving review of the subject matter / data and review of the outputs to ask further "what if?" questions to gain further insight into systems and data than are available during conventional risk and control-based audits.

2.18 It is hoped that the data analytics, given sufficient time and resources, will replace most (if not all) of the routine cyclical financial control audits with more up to date, innovative and useful tools to gain insights into the inner workings of teams and add real value. For example, the Purchase Card Tool has successfully identified over £6k of savings in unclaimed VAT (over just 2 teams identified by the system for review). Further savings are likely as this tool is further developed and used to target areas of higher risk (and therefore give more assurance over the financial systems).

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 increased to 12 in total, there being 0 high level management actions and 12 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.
- 3.5 There are no areas of concern covering the 12 medium / lower level overdue management actions. The 5 in Adults, Wellbeing and Culture all relate to one area, where both the Team Leader and Head of Service have left the authority leaving less capacity to implement the actions currently. The 7 in Place relate to 2 different audits, both with 1 action overdue and the remaining 5 actions overdue relate to the Taxi Licencing audit which are covered within a separate report considered at this meeting of the Audit Committee.

3.6 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 31/03/2023	At 30/06/2023	At 30/09/2023	At 31/12/2023	At 31/03/2023	At 30/06/2023	At 30/09/2023	At 31/12/2023
Adults, Wellbeing & Culture	0	0	0	0	0	0	0	5
Place	0	1	0	0	3	3	8	7 (7)*
Corporate Resources	0	0	0	0	3	2	0	0
Chief Executives	N/A	N/A	0	0	N/A	N/A	0	0
Corporate Resources and Chief Executives	N/A	N/A	0	0	N/A	N/A	0	0
Children, Young People & Families **	0	0	0	0	0	0	0	0
TOTAL	0	1	0	0	6	5	8	12

* The figure in brackets denotes the number of findings that were overdue last quarter and remain overdue.

** 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.

3.7 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. All actions for School 3 are now complete. Progress has halted at other schools, however and we will continue our escalations within the schools and Council management.

School	Assurance Opinion	Total Number of Issues Raised			Number of Management Action Overdue as at 31/12/23			Number of Management Actions Not Yet Due		
		High	Medium	Low	High	Medium	Low	High	Medium	Low
School 1	Reasonable Assurance	9	13	0	5	8	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		50	40	6	7	16	0	0	0	0

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

Directorate	No. of actions at 31/12/2022	No. of actions at 30/06/2023	No. of actions at 30/09/2023	No. of actions at 31/12/2023
Adults, Wellbeing and Culture	0	0	9	8
Place	5	12	10	13
Corporate Resources	11	6	0	2
Chief Executives	N/A	N/A	0	0
Chief Executives and Corporate Resources	N/A	N/A	3*	3*
Children, Young People and Families **	0	2	0	0
TOTAL	16	20	22	26

* These three actions have joint ownership between officers within both directorates.

** 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

3.9 Despite the small increase in overdue actions, the Head of Internal Audit does not have concerns with regards management’s commitment to implementing their agreed actions which continue to be scrutinised also through the quarterly Finance and Performance arrangements. 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 2023:

Performance Indicator	Target	July to October 2023	Variance (positive is good)
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 only identified one new area of concern that should be considered for inclusion in the Annual Governance Statement for 2023/24. This is the Climate Change Governance Arrangements highlighted within this report.

4.6 However, 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.

APPENDIX A

Planned Audit Work Completed in Period

Audit Area	Assurance Objective	Final Report to Management	Overall Audit Opinion	Summary of Significant Issues
PLACE				
Climate Change Governance Arrangements 23/24	The objectives of this audit were to review the governance arrangements in place for managing climate change risks and make recommendations to improve the above processes or to mitigate any further risk exposures.	December 2023	Limited Assurance	A summary is set out in the main body on this report.
Building Control Income Management Review	The objectives of this audit were to examine the processes within the Building Control function to ensure that all income due is accurately billed on a timely basis, appropriately recorded and maximised and make recommendations to improve the above processes or to mitigate any further risk exposures.	January 2024	Substantial Assurance	None

Audit Area	Assurance Objective	Final Report to Management	Overall Audit Opinion	Summary of Significant Issues
ADULTS WELLBEING AND CULTURE				
Libraries Purchase Card Transactions	The objective of the audit was to review purchase card spend and ensure that it is in line with the various rules and policies that apply to it whilst ensuring that the spend achieves value for money, is free from fraud and error and that VAT is properly recovered where possible.	December 2023	Substantial Assurance	None
Positive Steps Purchase Card Transactions	The objective of the audit was to review purchase card spend and ensure that it is in line with the various rules and policies that apply to it whilst ensuring that the spend achieves value for money, is free from fraud and error and that VAT is properly recovered where possible.	November 2023	Substantial Assurance	None
Supporting Families Grant Q3 2023/24 - (October to December 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
PUBLIC HEALTH				
Public Health Purchase Card Transactions 23/24	The objective of the audit was to review purchase card spend and ensure that it is in line with the various rules and policies that apply to it whilst ensuring that the spend achieves value for money, is free from fraud and error and that VAT is properly recovered where possible.	December 2023	Substantial Assurance	None
CHILDREN YOUNG PEOPLE & FAMILIES				
Home to School Transport Audit Review 23/24	<p>The objective of the audit is to examine the extent to which the operational processes in the Home to School Transport Section are effectively managed to ensure that they provide an efficient, effective and safe service to children / young adults.</p> <p>This review concentrated on the work undertaken by the Transport Team and did not include a review of the decisions that have been made at Panel with regards to the transport</p>	December 2023	Substantial Assurance	None

Audit Area	Assurance Objective	Final Report to Management	Overall Audit Opinion	Summary of Significant Issues
	being required and therefore provided by City of Doncaster Council. It purely focusses on the process from the point at which the Transport Team are notified that some form of transport is required for a child / young adult.			
CORPORATE RESOURCES				
N/A				
CHIEF EXECUTIVE'S				
N/A				

APPENDIX B

Overdue High Risk Agreed Management Actions

Audit Area	Finding	Risk Exposure	Action Agreed	Estimated Impl'n Date	Revised Impl'n Date	Current Status
There are none for this report.						