



Date: 25th April 2024

To the Chair and Members of the
AUDIT COMMITTEE

ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2023/24

EXECUTIVE SUMMARY

1. This report provides information on the work of Internal Audit during 2023/24, 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 2023/24 were adequate and operated effectively during the year.**

Implementation of Agreed Management Actions arising from Audit Recommendations

4. There has been a noticeable increase in the number of outstanding management actions at year end (27), which is contrary to previous trends in year and compared to previous years. The increase doesn't appear to be caused by any specific reason, other than the cut-off date for the data which has been taken post the 31st March, and previously had been taken prior to the year-end, thereby excluding actions due by that date.
5. However, in summary, despite the spike in the number of overdue actions at the year end, arrangements to follow up on agreed management actions are still considered effective and the authority is still in a strong position regarding the relatively low number of overdue actions. Further commentary on the position is included within the report at Appendix 1.

Areas of Concern

6. Our work this year identified only one specific area or service to be considered for inclusion in the Council's Annual Governance Statement. This issue was the Climate Change Governance Arrangements which received a limited assurance opinion during the year. Upon further review, the area didn't meet the criteria for inclusion and this issue has not been included in the Annual Governance Statement; further details are provided within the Appendix.

EXEMPT REPORT

7. Not applicable, for information only.

RECOMMENDATIONS

8. The Audit Committee is asked:
 - To note the Internal Audit Annual Report for 2023/24, 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?

9. 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

10. 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

11. Not applicable - for information only.

REASONS FOR RECOMMENDED OPTION

12. Not applicable - for information only.
13. **Legal Implications**
Legal implications were not requested in relation to this report.
14. **Financial Implications**
Financial implications were not requested in relation to this report.

15. **Human Resources Implications**

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

16. **Technology Implications**

Technology implications were not requested in relation to this report.

RISKS AND ASSUMPTIONS

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

CONSULTATION

18. 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

19. United Kingdom Public Sector Internal Audit Standards, audit working files and management information, customer satisfaction responses.
Annual Preventing and Detecting Fraud and Error October 2022 to September 2023
LGA Peer Review of Doncaster Council 2022
External Auditor (Grant Thornton) Auditor Annual Report 2022/23
Counter Fraud Activity Report April 2024
Draft Annual Governance Statement 2023/24
Audit Committee Annual Report 2023/24
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 2023/24

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

20. CIPFA – Chartered Institute of Public Finance and Accountancy
LGA – Local Government Association
NAO – National Audit Office
QAIP - Quality Assurance and Improvement Programme
PSIAS - Public Sector Internal Audit Standards
GIAS - Global Internal Audit Standards

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**Peter Jackson FCCA
Head of Internal Audit**

ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2023/24**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 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 9.1 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.
- 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 2023/24 year to those responsible for governance which includes the Audit Committee, Chief Executive, Management Team and Chief Financial Officer.

Audit Work Undertaken

- 4.4 Overall the service has delivered the assurance work envisaged, albeit there were many changes made to the plan during the year in line with best practice.
- 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:

- The volume of work delivered has been largely maintained and covered a sufficient width and breath of the Council’s arrangements on a risk prioritised basis 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.
 - A higher volume of data driven development work being carried out.
- 4.8 A review of this area covering the last five years identifies that good progress is being maintained in overall terms although we have experienced a spike in the year-end figures being reported. Whilst there have been historically problematic times, the situation remains generally consistent with in-year reporting and does not currently present any concerns, although progress will continue to be monitored closely. 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 10 Mar 20	At 11 Apr 21	At 11 Apr 22	At 13 Mar 23	At 31 Mar 24	At 10 Mar 20	At 11 Apr 21	At 11 Apr 22	At 13 Mar 23	At 31 Mar 24
Adults, Wellbeing and Culture	1	0	0	0	0	0	3	0	0	8 (5)
Place	3	4	1	0	6(0)	10	31	8	3	8 (6)
Corporate Resources	0	0	0	0	0	7	12	0	3	1(1)

Children, Young People and Families	0	0	0	0	1 (0)	0	0	0	0	3 (0)
Chief Executive's	0	0	0	0	0	0	0	0	0	0
TOTAL	4	4	1	0	7	17	46	8	6	20

- 4.9 There has been a noticeable increase in the number of outstanding management actions at year end (27), which is contrary to previous trends in year and compared to previous years. The increase doesn't appear to be caused by any specific reason, other than the cut-off date for the data which has been taken post the 31st March, and previously had been taken prior to the year-end, thereby excluding actions due by that date.
- 4.10 The largest single area relates to climate Change Governance Arrangements where 6 high risk actions and 1 low risk action has become overdue. However, good progress is being made and management are confident that the agreed revised dates can be met. Committee have previously been given an assurance that an update report will be provided at the July meeting of the committee.
- 4.11 Another area previously reported is taxi licencing where 4 actions remain outstanding, however these are still in line with agreed extensions and will be reported upon in detail at the January 2025 Audit Committee.
- 4.12 There are 7 overdue actions from the Occupational Therapy audit following the departures of both the Service Manager and Head of Service and the remainder are generally individual actions.
- 4.13 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.
- 4.14 In summary, arrangements to follow up on agreed management actions are still considered effective and the authority remains in a strong position regarding the relatively low number of overdue actions.

Performance Indicators

- 4.15 The indicators are shown below along with current performance for the year April 2023 to March 2024.

Performance Indicator	Target	April to March	Variance
Draft reports issued within 15 days of field work being completed	90%	100%	10%

Performance Indicator	Target	April to March	Variance
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%	-

- 4.16 The table above identifies the plan changes have been made throughout the year reflecting such new and emerging risks as routinely arise during a year.
- 4.17 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 re-run in 2022/23 or 2023/24, comfort can still be taken from this feedback as we essentially operate in the same way with a very stable workforce. Regional, national and professional networks have continued to be attended and contributed to with any meaningful indicators being considered for future reporting.
- 4.18 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.
- 4.19 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.
- 4.20 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.
- 4.21 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)

- 4.22 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 reflected 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 2023/24 year and a full review of these is scheduled during the 2024/25 year to meet the requirements of the new Global Internal Audit Standards (GIAS) as set out in the forthcoming Public Sector Internal Audit Standards (PSIAS).
- 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.

4.23 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

4.24 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.

4.25 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.

4.26 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.

4.27 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. All these actions are now complete.

Quality Assurance Improvement Programme

4.28 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 has been completed following which a realignment has been put in place. This ensures the team continue to meet the requirements of the audit standards, the expectations of the Council, represents good value for money and also help the team develop going forward.

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 2023/24, 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 highlighted one area to be considered for inclusion in the Council’s Annual Governance Statement. This is the council’s climate Change Governance Arrangements. Upon further review, the area didn’t meet the criteria for inclusion and is reported in further detail in the next section.

Other Areas of Significant Concern

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

Climate Change Governance Arrangements 23/24

- 5.5 A review of the governance arrangements in place for managing climate change risks, was undertaken. This resulted in a limited assurance opinion and 15 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.
- 5.6 The headline reasons for this opinion, including current improvement status, 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. In addition, 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. An action plan detailing all climate change related actions, including action prioritisation, resource requirements and estimated cost is currently being produced.

- 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. Data collection on key aspects under the Council's control is now in place and recorded on the councils risk and performance management system, Pentana, to improve accountability and oversight. Work is currently underway to facilitate this data also being included within the Councils Quarterly Performance Management report, and hence being available for public scrutiny.
- 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. Following discussions between CDC and SYMCA, SYMCA are now taking the lead in coordinating regional lobbying of Central Government in respect of this and other required Climate Change related support.
- The current governance structures in place in relation to driving Climate Change progress for the Council and the Borough has not proven to be as effective as it could be. Both are currently being reviewed.
- 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. Council climate change related operational risk registers are now in development, with ongoing consideration as to the most effective way to develop a Borough wide risk register.

5.7 A comprehensive set of management actions have been agreed and are being implemented. 7 of the 15 agreed management actions have been implemented to date, with significant progress also having been made on most of the remaining actions. Although there has been minor slippage from some of the originally agreed implementation dates, it should be borne in mind that these are complex matters, often requiring various council officer and section input to progress, and no concern is raised at this current point in time. Progress is being tracked and will be reported to future meetings of the Audit Committee.

Taxi Licensing Review 2022/23

5.8 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 was made rectifying matters brought to the attention of management throughout the audit.

5.9 The main issues to note are:-

- Routine Operator inspections, and 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. A programme of periodic spot checks on taxi vehicles has been developed. The 3 main operators have since been inspected (covering approximately 80% of journeys) in person and are about to get their second inspection. The remaining 72 small operators have

had a desk top inspecting with targeted more detailed action in cases of non compliance.

- Some DBS rechecks had not been undertaken when they had become due. Far superior processes of routinely checking of all taxi drivers current DBS status on a fortnightly basis is now in operation.

5.10 Additionally, 10 more recommendations were made of varying significance. To date, 4 remain outstanding, in total, but are all in the process of being implemented, and although they have all passed their original implementation dates, this has been highlighted to the relevant Assistant Director, who is monitoring the situation, as reported to an earlier meeting of the Audit Committee.

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.

Data Driven Work

6.3 In this last year, we have substantially developed our work in this area. Developmental work as set out predominantly in the counter fraud plan has been accelerated through joint working with the Financial Systems Development Team.

6.4 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. The review of systems and processes, especially central ones that are used primarily in departments, does not suit general risk and control based audits which typically use sample based testing to look at a series of invoices or payments (depending on the financial process). Beyond the initial view of whether a system is fit for purpose, they give very little indication as to the health of financial processes or the compliance with those processes by department, often drawing conclusions from testing on a very small percentage of departments and transactions. Analytics work is designed to take all data and compare and contrast it to give insights into the process either giving assurance that everything is "normal" for a process or highlighting areas that need to be looked at on an exception basis because something is outside the bands of what is expected. Analytics allows the wide scale review of financial processes, not just the internal controls within a computer

system itself and directs audit resources to the potential issues rather than directing their attention to sampling that is likely to miss problems due to its limited nature.

Highlights of the work delivered in this area include:-

Purchase Cards

6.5 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 dashboard is designed to take information about spending on purchase cards and combine it with other information sources such as payroll information to identify various exceptions that could be an indicator of poor financial controls and even fraud such as:

- Departments that do not appear to be reclaiming VAT (loss of monies for the council)
- Departments that appear to have unusual spikes in activity that are not “normal for them” based on their history that can be an indicator of bypassing normal procure to pay routes and corporate contracts
- Expenditure that is against policy and should not be being incurred such as expenditure on things like flowers, gift cards, subscriptions etc that needs to be looked at
- Departments that do not process their expenditure and receipts on time where financial processes are likely an issue
- Card holders who do not provide receipts for their expenditure
- Cash ATM withdrawals (although this should not be possible for most cards)
- Transactions that have been made after the leaving date of the card holder (or when the card holder is long term absent from the Council or school) that can be an indicator of fraud or the bypassing of proper financial controls
- Cards that are still issued to former employees that have not yet been cancelled.

(This list is not exhaustive but gives an indicator of the types of issue that this work is designed to identify and focus audit attention on).

6.6 The initial beta version of the dashboard 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) and has been used to successfully recover VAT that the council had missed and educate those departments involved to prevent future unnecessary VAT losses. Being a beta version, this was our initial attempt in this area and it requires refining and some alterations have been made to the data sources and the way these are delivered to give fuller information and allow a better analysis of the information. However, work on any run time version of this work has now been postponed till October / November 2024.

Accounts Receivable

- 6.7 A second piece of work has just started looking at the Accounts Receivable data with a view to undertaking similar testing that will again indicate issues in departments where income could be being lost or where there are financial processes that are inefficient or in need of review. Further work will be undertaken in future years if time is available.

Teachers Pensions Data Matching

- 6.8 This piece of work is a proactive data match that matches deceased persons information to teachers pensions as paid by City of Doncaster Council. Most teachers pensions are paid by an external party and have no risk to the Council. However, for a small number of older historic pensions, an element of the pension (although not all of it) is paid by the Council. Whilst parties often do inform relevant parties about the death of a person in receipt of a pension, this information is not always passed on to the Council and has resulted in the past in significant overpayments / potential fraud. For the October 2022 to September 2023 period, notional savings were reported of £41,415. For the 24/25 financial year, this work will be undertaken on PowerBi which should make the process of the match more efficient, effective and more accurate.

Payroll to Creditor Matching

- 6.9 This is a data matching piece of work undertaken year on year matching payroll and creditor information to detect fraud and manage conflicts of interest. The Council runs software daily against invoices paid (or due for payment) to prevent and detect any possible fraudulent (or more likely, duplicated) invoices. These results are worked through by the Council's or St Leger Homes' Accounts Payable teams and payments cancelled or recovered as appropriate. Preventions / recoveries from the Council and St Leger Homes, between the 1st of April 2023 and the 30th of September 2023, were 27 Prevented Payments with a value of £68,854 and 8 Recovered Payments with a value of £49,432.

ICT Work

- 6.10 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 which it has continued to be on an annual basis 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

- 6.11 School audit coverage in recent years has been low due to higher priority work being undertaken. We have adopted a risk-based approach to which schools we audit. This year we have done minimal school audits but have utilised audit resources by developing a Controls Risk Self-Assessment (CRSA) framework that has identified thematic audit areas for 2024/25, so multiple schools can benefit from one piece of

work. We have undertaken a Headteacher Recruitment Lessons Learnt Review and helped to support schools implement audit actions to improve their financial and governance arrangements.

- 6.12 Accordingly, the following summarised the work undertaken for our LA maintained schools in 2023/24

Audits

- 6.13 A review has been carried out at one primary school this year to assess the adequacy of both governance and financial arrangements. The school visited was selected from our own risk assessments and utilising insight from other Council Teams that work with schools. The work is currently being finalised with the school.

Control Risk Self Assessment (CRSA)

- 6.14 An advice and consultancy piece of work has been undertaken during 2023/24 that involved the development of a Control Risk Self-Assessment framework (CRSA) that was delivered to all LA maintained schools. The school's Control Risk Self-Assessment (CRSA) framework was launched in December 2023 and required all 28 maintained schools to complete it. Internal Audit had a 100% return rate from the LA maintained schools.
- 6.15 The CRSA framework is viewed 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 provided Internal Audit with valuable oversight and assurance from our LA schools. The outcome of the assessments also formed part of the 2024/25 Internal Audit planning risk assessment for schools and has identified future school thematic pieces of work that will help to improve a school's governance and financial management arrangements and add value.
- 6.16 From the initial analysis of the CRSA's the headline areas that Internal Audit potentially intends to focus on in 2024/25 and to be completed as possible thematic pieces of work are:
- Related party transactions (RPT)
 - Excessive delegated limits
 - IR35 awareness
 - School Development Plan and budget links
 - Procedural guidance
 - Inventory
 - School Fund
 - Finance Committee administration / clerking procedures
 - Finance Policy – Role of the Chair
 - Data Protection Impact Assessments
 - Data Protection Training – staff and governors

Headteacher Recruitment Lessons Learned Review 2023/24

- 6.17 A Headteachers Recruitment review was undertaken at a Doncaster School in order to capture and implement lessons to be learnt from the process. As the school is Local Authority maintained there is the requirement for involvement from a Local Authority Advisor, to offer advice and oversee the process. This review focussed on the process improvements for both the Local Authority when they are involved with Headteacher recruitments, that school's governance arrangements including when undertaking any

future Headteacher recruitments and any other learning points to be applied at other schools. A number of improvement points were raised with both the school and the Local Authority and actions have been agreed with both the Local Authority and the school.

- 6.18 As a result of this lessons learnt review there were 22 actions raised. It is pleasing to note that the LA have work hard in ensuring that these actions are implemented and fully embedded going forward. There are just 2 actions outstanding which are not yet due.
- 6.19 Internal Audit have continued to work with both the Local Authority and the Governors of the school involved. 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 has successfully been rolled out to Local Authority maintained schools and is currently in use.

School Follow Up Support

- 6.20 Internal Audit have also worked and supported a school that was subject to an internal audit review last year and had a considerable number of actions to implement. Due to key changes to staffing at the school, this resulted in actions being not implemented and becoming overdue. Regular update meetings are taking place with the school and advice and support being offered to ensure that the school fully implements the outstanding actions in order to improve their financial and governance arrangements.

Further Governance and Advice Work

- 6.21 Internal Audit also completed the following work in schools in 2023/24:
- 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

Grant Work

- 6.22 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 and several other individual grants. All these grants were able to be positively signed off contributing to opinions over control. It should also be noted that this is the first time since the 2018/19 annual report that there is no commentary on Business Support / Other Covid-19 related grants as this work is now all generally complete with any residual grants being dealt with a business as usual.

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. A notable piece of work that was carried out during the was as follows:-

S106 Funded Improvement Works Investigation 2023/24

7.3 A review was carried out on a Section 106 funded works project following several concerns being raised. The review established that there was sufficient evidence available to show that work had been procured on a value for money basis, the works had been monitored and had been completed satisfactorily by the contractors involved and all monies have been accounted for and spent in line with the S106 funding agreement.

7.4 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 2024 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 must 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 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 2022/23 opinion. As the year progressed other sources of assurance were received:

- The LGA Peer Review completed in early 2022/23 gave 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. Their follow up review during this year reinforced the positive opinion.

- A positive Annual Governance Statement for 2022/23 had been drafted in April 2023 which remained positive upon finalisation of the accounts in November 2023.
- A very positive Annual Governance Statement for 2023/24 has been drafted at April 2024.
- A positive Annual Preventing and Detecting Fraud and Error report issued in November 2023 reported low incidence of fraud.
- An encouraging general 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 2023/24 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 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

- 8.8. Internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.
- 8.9. The Council recognises that risk management is an integral part of good governance and management practice. Managing our risks effectively contributes to the delivery of the strategic and operational objectives of the authority. We strive to embed risk management within our planning and business processes and into our organisational culture, creating an environment in which we can successfully meet our objectives and achieve continuous improvement in service delivery.
- 8.10. The risk, the risk profile and the mitigating action against each activity are recorded collectively in the form of risk registers. All corporate risk registers within The Council are recorded on Pentana, and monitored and reviewed in line with this Risk Management Strategy. Risk Registers are structured as follows:
- **Operational Risk Register:** All risks identified with the delivery of the Service are identified in the Head of Service Operational Risk Register. Operational risks will be reviewed at directorate level as part of the Resource Management process.

- **Strategic Risk Register:** Any risk from the operational risk register that may prevent or delay the delivery of The Council's shared priorities, or that may prevent or delay the delivery of the internal cross-cutting actions needed by The Council to improve performance and underpin the Borough Strategy may be elevated to a Strategic Risk. In addition, new or emerging risks may be added directly to the strategic risk register either through the Resource Management process or from the weekly Directors Meeting. Strategic risks are initially reviewed as part of the Resource Management process by the Corporate Governance Group and then as part of the Resource Management Overview meeting. These risks are then be reported to Executive Board, Cabinet and Audit Committee.
- **Programme & Project Register:** All risks associated with the delivery of high-level Programmes and projects and are directly managed within the governance of the programme or project. A specific example of this in both 2020/21 and 2021/22 was the COVID-19 pandemic risk register being used to inform management strategy and response as the pandemic continued to evolve
- **Fraud Risk Register:** The Fraud Risk Register is a specific register dedicated to the assessment, monitoring and treatment of the risks relating to fraud and corruption. It is an integral part of the Risk Management strategy designed to focus attention on minimising the damage caused by fraud and corruption.

The fraud risk register will be used by both management and Internal Audit Services to focus anti-fraud and corruption resources and training on raising the awareness of fraud and corruption and its associated effects. Fraud Risks are regularly reviewed and reported upon by the Council's Internal Audit function, including this year, in the Counter Fraud Strategy Report as well as referenced in the Annual Fraud Report. The Fraud Risk Register is a key tool in the planning and direction of proactive fraud work set out in the Counter fraud plan that formed an integral part of the overall Internal Audit Plan for the 2023/24 Year.

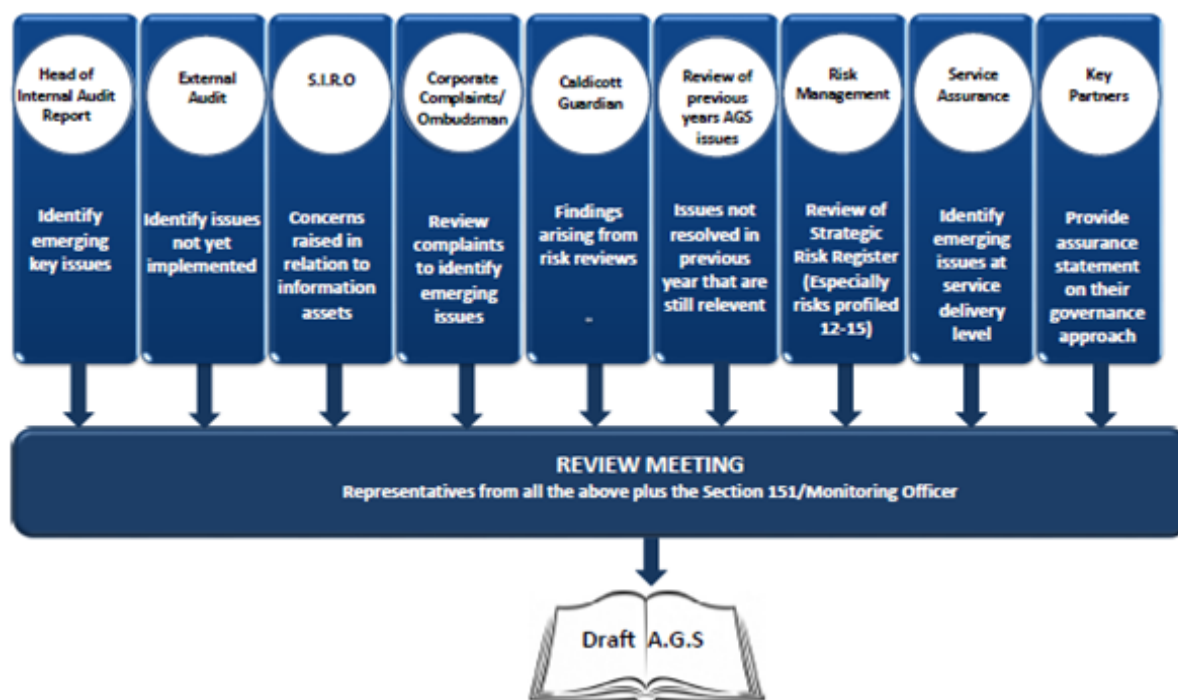
- 8.11. The Council's Performance Management Framework was reviewed in Quarter 4 of 2021/22 incorporating updates to risk management. The Performance Management Framework was rolled out in Quarter 1 of 2022/23. Alongside the roll out there was a focus on awareness and training of the Performance Management Framework including a report being taken to Audit Committee. The Performance Management Framework is subject to regular review to ensure it is fit for purpose and meets best practice. This review is currently underway and revisions will be made during the forthcoming year.
- 8.12. Our risk assessments undertaken for our annual audit planning purposes and ongoing reviews of our audit plan are carried out with services, their service management, and other teams, generally within Corporate Resources. 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. Our ICT audit needs / risk assessment has again been updated in 2023/24.
- 8.13. 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.
- 8.14. All the above factors continue to indicate well managed levels of risks which help provide high levels of assurance over the authority's risk management arrangements.

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

Governance

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

8.17. Our overarching documented source of assurance is the Annual Governance Statement and the processes supporting its production. This year's AGS takes into account issues raised by key officers with Governance responsibilities including the Council's Chief Financial Officer, the Monitoring Officer, and the Head of Internal Audit. The current strategic risk register and complaints received are also reviewed as is the input from other key areas as set out below.



8.18 The service area perspective is provided by each Head of Service via a series of governance statements in the form of a self-assessment. This year's responses again sought information over CIPFA Financial Management Code and a good level of assurance was obtained over our arrangements

8.19 The draft Annual Governance Statement details a similar number of issues from the previous year, which is still considered a low number historically. Internal Audit's work identified only one area for consideration for inclusion This was the authority's Climate Change Governance Arrangements but it was not felt this area met the criteria for inclusion. Further narrative is within this report.

8.20 The positive view presented by the document was consistent with the outcomes of the work Internal Audit has carried out during the year covering the authority's governance arrangements.

8.21 The positive view is further confirmed in the Annual Report of the Monitoring officer

8.22 In addition, the External Auditor, Grant Thornton reported their much more detailed review of our Value for Money arrangements in February 2024 as required under their Code of Auditors Practice. In the main, this was a very positive report for the Council

which makes many positive observations over our governance arrangements, and this is a further helpful contributory assessment of our arrangements.

- 8.23 There was one area of concern in their report around the Dedicated Schools Grant (DSG) High Needs Block where a “key” level recommendation was raised. The significant overspend and continued forecast increase is common to other Councils’ positions. In addition, the Council has received positive feedback from the DfE on its saving plans to reduce the deficit. However, this remains a significant financial sustainability risk for the Council.
- 8.24 On the basis of these factors I can attain sufficient confidence to be able to provide a positive opinion over the authority’s governance arrangements.

Control

- 8.25 The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.
- 8.26 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.
- 8.27 The annual Preventing and Detecting Fraud report provides key assurance also for control work. It stated:
- 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.
 - Cost of living increases continue to bite. Fraud risks generally increase as the amount of monies available to individuals and businesses falls. This increases the likelihood of frauds, particularly Council Tax, Benefits and business-related frauds as it becomes ever more tempting to not report changes that lead to increased costs. This increase is evident in the data on Council Tax fraud and error with an increase in the values of cancelled single person’s discounts as a result of our review initiatives (to be confirmed by the service). The values of discounts cancelled rose by over 30% despite a 27% fall in the number of properties reviewed. In contrast, Council Tax increased during the period by only 4.49%.
- 8.28 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. The alignment exercise within the team has increased our data analytics resource within the team and has been supplemented by additional temporary resources.
- 8.29 Whilst there are other factors associated with a low level of overdue management actions that address audit recommendations, assurance and confidence can be gained from this position over the control aspect but also in the governance and risk arrangements.
- 8.30 Assurance from Contract Procedure Rules breaches and waivers identified during the year has been encouraging in demonstrating both control and governance have been maintained by services experiencing previously unseen levels of demand and

challenges, but still ensuring goods and services were procured and commissioned in an appropriate manner which stood up to public scrutiny.

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

Overall Opinion

- 8.32 I have set out in this section the work undertaken and the factors I have taken 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.

- 8.33 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 2023/24 were adequate and operated effectively during the year.

Peter Jackson FCCA

Head of Internal Audit

25th April 2024