

27 January 2016

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

INTERNAL AUDIT REPORT FOR THE PERIOD: SEPTEMBER 2015 to DECEMBER 2015

EXECUTIVE SUMMARY

1. The report attached at **Appendix 1** updates the Audit Committee on the work done by Internal Audit for the period 1 September 2015 to 31 December 2015, and shows this in the context of the audit plan for the year. The report also includes performance information and details on the implementation of major internal audit recommendations.
2. The attached report is in four sections:
 - Section 1: Planned audit work
 - Section 2: Unplanned responsive work carried out in the period
 - Section 3: Progress on the implementation of audit recommendations
 - Section 4: Performance Information
3. A summary of the main points from each of the sections is provided in the following paragraphs:

Section 1: Planned audit work

4. Our planned audit work continues to confirm **the Council generally has appropriate controls in place and that the controls are operating effectively.**
5. During the period most of our work provided reasonable levels of assurance about the existence and operation of controls under review. We mostly provided 'partial' or 'substantial' assurance opinions. There were only two audits completed where we gave 'limited assurance'; these were in relation to (1) CCTV Monitoring, where the Council is not currently complying with the Data Protection Code of Practice for Surveillance Cameras and Personal Information, and (2) Short Break Respite Care, where records relating to service decisions and their implementation and review are poor. We also identified major weaknesses at 3 schools audited during the period. Action plans have been agreed with management to implement the improvements required to reduce the risks.
6. The report identifies some changes to the audit plan which we propose to make to reflect changing priorities and/or emerging risks.

Section 2: Unplanned responsive work carried out in the period

7. Responsive work is difficult to predict but highly valued by managers who ask for Internal Audit's assistance in dealing with a wide range of issues. This work can be categorised into two main areas:

- Investigative work, and
 - Requests for specific audit work, advice and assistance.
8. Time spent on responsive / investigative work is currently running at the level anticipated and budgeted for. However, a major responsive review is now underway and anticipated to continue well into the 2016/17 financial year and this will have an impact on the remainder of the 2015/16 audit plan. Examples of work done under this heading are included within the report.
9. **There are no major items to bring to the Committee's attention in relation to work completed during this period, although Members should note the reference to the major responsive exercise currently underway.**

Section 3: Progress on the implementation of audit recommendations

10. There are 6 overdue major recommendations across the Council. **This is the lowest number achieved for some time, and reflects the support the Executive and senior management are providing to the clearance of outstanding recommendations. Overall this is very encouraging and demonstrates a commitment to strong governance in this respect.**
11. The remaining outstanding recommendations continue to be closely monitored by Internal Audit with respective senior officers.
12. At the September Audit Committee meeting, it was reported that within the Adults, Health and Wellbeing Directorate there were 2 major actions outstanding as at 31st August 2015 and these had been outstanding for some time. These covered Personal Budgets/Direct Payments and formed part of 25 recommendations overdue within the directorate at that date. A separate report on progress in this directorate is included in the audit committee agenda.

Section 4: Performance Information

13. **The overall performance of the audit service continues to be good.**
14. Performance against the Internal Audit's key indicators is close to target. Results relating to major recommendations and customer satisfaction remain very positive, with 100% of critical or major recommendations agreed and 100% of Customer Satisfaction Surveys rated Satisfactory or above. Timeliness of reporting is good. We are slightly behind target at this point in relation to '*% completion of the audit plan*' and '*audits completed within budget*', but there are no significant issues that will prevent us from being able to issue an opinion on the Council's control environment at the end of the financial year.
15. The number of audit days is slightly below expected, but this is primarily due to the Team's relocation to the Civic Building and an upgrade to the electronic audit system.

RECOMMENDATIONS

16. **The Audit Committee is asked:**

- a) To note the internal audit work completed in the period
- b) To note progress made by officers in implementing previous audit recommendations
- c) To note information relating to Internal Audit's performance in the period
- d) To note the changes to the original audit plan.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

- 17. 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

- 18. 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 AND RECOMMENDED OPTION

- 19. Not applicable - for information only

IMPACT ON THE COUNCIL'S KEY OUTCOMES

- 20. Internal Audit assesses how effectively the Council is managing risks that threaten the achievement of the Council's objectives. Any improvement in the management of the risks will have a positive impact thereby increasing the likelihood of the Council achieving its objectives. Internal Audit's work is, therefore, relevant to all priorities but in particular the following:

	Outcomes	Implications
	Council services are modern and value for money.	Internal Audit adds value to the organisation through a systematic, disciplined approach to evaluate and improve the effectiveness of the Council's Services
	Working with our partners we will provide strong leadership and governance.	The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council and its partners.

RISKS AND ASSUMPTIONS

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

LEGAL IMPLICATIONS

22. There is a statutory obligation on the council to provide an adequate and effective internal audit of its accounts and supporting systems of internal control.

FINANCIAL IMPLICATIONS

23. There are no specific financial implications associated with this report.

CONSULTATION

24. 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.

This report has significant implications in terms of the following:

Procurement	N/A	Crime & Disorder	N/A
Human Resources	N/A	Human Rights & Equalities	N/A
Buildings, Land and Occupiers	N/A	Environment & Sustainability	N/A
ICT	N/A	Capital Programme	N/A

BACKGROUND PAPERS

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

REPORT AUTHOR & CONTRIBUTORS

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Appendices Attached

Appendix 1 - Internal Audit Report: 1 September 2015 to 31 December 2015

**DONCASTER MBC
INTERNAL AUDIT REPORT: SEPTEMBER TO DECEMBER 2015**

Introduction

The internal audit report is in four sections:

Section 1: Planned audit work, including proposed changes to the original audit plan

Section 2: Unplanned responsive work carried out in period

Section 3: Progress on the implementation of audit recommendations

Section 5: Performance Information

Section 1: Planned Audit Work: Non-Schools

The table below lists planned audits (excluding schools) that were completed and reported in the period, together with the number of recommendations and the audit opinions contained in the published reports.

Area Audited	Number of Recommendations		Audit opinion
	Major	Significant or less	
Metro Clean Services Financial Administration Review		11	Partial Assurance
Data Quality Review - Care First System		3	Substantial Assurance
Data Protection Reviews - North Bridge		1	Partial Assurance
ICT Themes - CCTV Monitoring		23	Limited Assurance
Short Break Respite Care – Aiming High Team	4	6	Limited Assurance
Danum Drainage Board Follow up		4	
Tourist Information Centre - Cash Handling Review		10	Partial Assurance
Bus Services Fuel Grant		0	Unqualified Opinion
Transparency Code (grant)		0	Unqualified Opinion

The Bus Services and Transparency code audits emanated from grant claims submitted by the Council during the period. We gave unqualified opinions following these audits.

There were no recommendations made during the period that we regarded as critical (the highest priority recommendations)

We give **limited assurance** where the Council is exposed to major risks, **partial assurance** where the Council is exposed to significant risks and **substantial assurance** opinion where the Council is exposed to less significant risks.

In the large majority of cases we gave either substantial or partial assurance and we have no concerns to draw to the Audit Committee's attention in these areas. During the period we gave two 'limited assurance' opinion following our audits of ICT Themes - CCTV Monitoring and Short Break Respite Care – Aiming High Team.

Summary details in these areas are provided below:

ICT Themes - CCTV Monitoring

An assessment of the 12 principles of the Data Protection Code of Practice for Surveillance Cameras and Personal Information show that none of the principles are currently met, 4 are partially met, 1 mostly met and 7 do not conform.

The Alarm Response Centre is currently working with teams across the Council that use a CCTV system in order to ensure that staff are aware of the Code and systems comply with it.

However, due to the number of significant risk identified, we are only able to provide limited assurance that compliance with the Data Protection Code of Practice for Surveillance Cameras and Personal Information is likely to be achieved until a number of recommendations have been actioned.

Short Break Respite Care – Aiming High Team

A partial review undertaken in this area identified several weaknesses regarding the financial management and governance arrangements over the team, including:

- A lack of accurate and complete information regarding respite decisions and commitments made
- An inadequate audit trail to show the implementation of decisions reached
- A lack of clarity about the completion of reviews
- An absence of contractual agreements for some provision

The Service is implementing a case management system that should help to alleviate these issues and we will carry out a follow-up review during 2016/17, to ensure risks have been mitigated.

Schools Based Work

The following school audits were completed in the period:

- Morley Place Junior School
- Hexthorpe Primary School
- Denaby Main Primary School

There were major weaknesses found at each school, which are summarised below

Morley Place Junior School

The review highlighted several areas that required improvements and needed to be addressed by the school. There were several tasks not being undertaken regularly including reconciliations between the bank account and the school financial management system, and failing to raise orders routinely, to ensure the expenditure was committed against the budget and make budget monitoring accurate.

Limited progress has been made in implementing the actions raised during the audit, due to resourcing issues. A key member of finance staff had left the school since the audit, impacting on workload and the implementation of recommended actions. However, there is now an Office Manager in post and workloads will be reorganised to ensure that tasks can be completed in the required timescales. The school is now focusing on implementing the outstanding actions.

Regular follow-ups and contact with the school will continue to be carried out to ensure progress regarding the implementation of outstanding actions is maintained.

Hexthorpe Primary School

The review highlighted several areas that required improvements and needed to be addressed by the school. There were issues regarding staff knowledge and experience in completing important financial tasks which resulted in inaccurate budget information being presented to governors. The school did not ensure important financial management tasks were completed when staff were absent. Budget revisions were not undertaken regularly, and orders were not routinely raised resulting in expenditure not being committed against the budget and budget monitoring information not being accurate and complete.

Limited progress has been made in implementing the actions raised during the audit which is mainly due to resourcing issues. The school has lost members of staff in the office and still needs to make adequate provision for ensuring financial tasks are adequately resourced and completed. We will continue to work with the School to ensure progress is made regarding the implementation of outstanding actions.

Denaby Main Primary School

The review highlighted several control weaknesses that allowed policies and procedures to be contravened without appropriate challenge and intervention, including relating to performance reviews, pay decisions and conflicts of interest. New management are now making good progress in implementing the actions raised during the audit and the School has maintained contact with Internal Audit regarding the outstanding actions and advice on implementation.

Other Schools' Based Work

During the period Internal Audit has also:

- Completed a review regarding Voluntary Fund administration at a primary school. This led to a strengthening of the controls in place at this school which will be recommended to all other schools to implement.
- Provided all relevant material to support a management investigation regarding pay increments at a primary school. The person involved has now left the school.

- Junior School - Loss of Monies. Whilst the monies could not be recovered, an advisory note was issued to the school providing advice on how to prevent such occurrences in the future.
- Governor Forum – Delivery of workshops covering the School Financial Value Standard process and School Voluntary Fund administration.
- Provided ongoing support and advice throughout the Education and Standards Service as required.

Changes to the Audit Plan

Internal Audit is required to ensure its audit plan remains flexible and is able to adapt to new and emerging risks and changing priorities.

A number of new risks or urgent work have arisen during this year, which require Internal Audit to reschedule some of its original programmed work. A schedule of the changes is provided in **Appendix 1**.

By making the changes identified, Internal Audit can better respond to the Council's needs and priorities, and provide assurance where it is required and adds more value.

The proposed changes will augment the overall assurance and opinion Internal Audit is able to provide at the end of the audit year.

Section 2: Responsive work carried out in the period

The following responsive work has been completed in the period;

- **Food Standards Agency Payments** - Concerns were raised by a Senior Manager in Regeneration and Environment that monies received from the Food Standards Agency to perform specific food standards testing on their behalf were being mismanaged and were being paid to staff outside of the normal payroll process. No wrongdoing was uncovered but advice was given by both Internal Audit and Human Resources on how to deal with and pay future requests from the agency.
- **Deprivation Of Liberty Safeguards (DOLS)- Doctor's Invoices** - Members of the DOLS team became suspicious of a potential false invoice received from an external doctor commissioned to assess the mental health of individuals before an individual is detained under the Mental Health Act. Internal Audit was asked to examine whether the service had been received in this case, and to assess whether there were any other potential false invoices received. The audit work confirmed there was just the one false invoice claimed. The doctor is no longer being used to carry out assessments. Procedural changes have been introduced to provide greater assurance that assessment visits had actually taken place. No safeguarding issues were identified.
- **Doncaster 50+ Partnership - Letter to Mayor** a letter was received by the Mayor from a Doncaster citizen concerned that the Council was inappropriately supporting the Doncaster 50+ Partnership. Internal Audit found that no inappropriate support was considered to have been made and the concerned citizen was responded to as appropriate.

Section 3: Progress on the implementation of audit recommendations

The position on outstanding critical and major recommendations is detailed in the table below:

Direct Payments/Personalised Budgets*	
Exposure	Current Position
Inappropriate amounts being paid to service users, Inappropriate spend and Inadequate recovery processes result in loss of money to the authority.*	<p>This issue is still outstanding. There are now substantial work and resources being put into managing this area from staff within Adults, Health and Communities and Finance and Corporate Services.</p> <p>A full time member of staff is now working on this and a significant amount of work has already been completed.</p> <p>Original Implementation date: 30/06/2014 Revised implementation date: 30/11/2014 31/03/2015 31/12/2015 31/03/2016</p>
Inappropriate amounts being paid to service users. This is evidenced through there being £940,000 of monies recovered from service users since 2010 for surplus funds from bank accounts and underpayment of contributions. Loss and wastage of public funds.*	<p>A new Resource Allocation System (RAS) has been implemented. Social Workers are required to evidence their judgements around needs, risk frequency and risk severity which managers scrutinise prior to authorisation.</p> <p>An extension of time is requested to allow for the completion of a recalibration exercise and thorough evaluation to assess the effectiveness of the new system</p> <p>Original Implementation date: 30/11/2014 Revised implementation date: 30/04/2015 30/11/2015 29/02/2016</p> <p>* A comprehensive review involving staff from Adults, Finance and internal audit has been carried out in the area of Personal Budgets / Direct Payments in order to address the long- running and ongoing concerns and this is being reported upon separately to this committee. It is clear that new arrangements put into place are better managing the service and that stronger financial and monitoring controls are being developed. This is important as there is a targeted increase in uptake in this form of service delivery over traditional domiciliary care.</p> <p>Internal Audit will continue to provide developmental support, adding value to the service, through more efficient, effective and economic arrangements.</p>

Information/Manual Records Management	
Exposure	Current Position
<p>The ICO recommended that Business System Owners and Information Administrators should be in place.</p>	<p>The need for Business System Owners and Information Asset Administrators to be in place will be highlighted within the Information Asset Owner training. Staff will be nominated and supported by Information Asset Owners along with key members of staff in their service areas. The majority of systems now have an identified system owner.</p> <p>Original Implementation date: 31/01/2014</p> <p>Revised implementation date: 31/10/2014 31/01/2015 28/02/2016</p>
ICT Governance - Learning & Opportunities: Children & Young People (LOCYP)	
Exposure	Current Position
<p><u>System Asset Register</u></p> <p>Unclear responsibilities and lack of awareness / accountability.</p> <p>Inadequate/Incomplete records of systems held.</p>	<p>LOCYP will ensure that their System Asset Register is accurate and up to date.</p> <p>The Children's Trust will produce their own System Asset Register.</p> <p>Original Implementation date: 31/05/15</p> <p>Revised implementation date: 31/10/15 31/03/16</p>
<p><u>Strategy</u></p> <p>Children's Services staff lack of awareness of Corporate priorities.</p> <p>Children's Services long term vision not linked to the Corporate ICT Strategy and list of priorities.</p>	<p>An Information Strategy and an Information Governance Strategy showing a long term vision for the directorate which links into DMBC's ICT Strategy and list of priorities is to be led by Peter Featherstone, Business Manager, once the System Asset Register is in place.</p> <p>Original Implementation date: 31/05/15</p> <p>Revised implementation date: 31/10/15 31/03/16</p>
<p><u>Unclear responsibilities.</u></p> <p>ICT Governance not acknowledged in the new staff structure.</p> <p>Poor ICT Governance.</p>	<p>The C&O: CYP Performance Head of Service job description will be revisited and ICT governance responsibilities included.</p> <p>Original Implementation date: 31/05/15</p> <p>Revised implementation date: 31/10/15 31/03/16</p>

Section 4: Performance Information

Audit Resources:

The Audit Plan presented to the Audit Committee in April 2015 identified the time available for internal audit during the year, the expected number of chargeable audit days and the expected usage of available time.

The following table shows the original full year budget, profile for the period April to 31 December 2015 and actual achieved to date:

	Budget	Profile days 31/12/2015	Actual days 31/12/2015	Variance
Gross Days:	2,679	2,009	2,089	80
Less – annual and statutory leave	-476	-428	-428	0
Less – maternity leave	-0	-0	-0	0
Less – Special Granted Leave / Bereavement	-8	-8	-28	-20
Less – Unpaid Leave	-20	-15	-15	0
Less – Election Leave	-11	-5	-5	0
Available days	2,164	1,553	1,613	60
Less :-				
Sickness	-64	-48	-57	-9
Service Development	-24	-18	-32	-14
Professional Training and CPD	-108	-81	-74	7
Management and supervision	-167	-125	-198	-53
Administration and support	-26	-20	-74	-34
Total deductions	-389	-292	-435	-103
Audit days available for 2015/16	1,775	1,261	1,178	-43

Audit Time Charged:

Planned audit	1,531	1,083	1,016	-37
Responsive audit	244	178	162*	-6
Actual Audit Time Charged	1,775	1,261	1,178	-43

*Actual time spent

The number of available audit days is below expected levels due to several factors, the main one being additional time required for office relocation and associated archiving, and an upgrade to the Service's electronic audit system.

Performance Indicators

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. The indicators are shown below along with current performance for the period 1 April 2015 to 31 December 2015.

Performance Indicator	Target	1 April to 31 Dec 2015	Variance
Percentage of planned audit work completed	75%	70%	-5%
Draft reports issued within 15 days of field work being completed	90%	86%	-4%
Final reports issued within 5 days of customer response	90%	92%	2%
% of critical or major recommendations agreed	100%	100%	0
Cost per Chargeable Day	£303	£309	£6
Percentage of Customer Satisfaction Surveys rated Satisfactory or above	90%	100%	10%
Percentage of jobs completed within 10% of budget	90%	84%	-6%

Despite the reduction in available audit days, the team has managed to maintain progress in delivery of the audit plan to 70.2% of the plan delivered against target of 75% and we are confident in being able to deliver work to provide our annual assurance opinion.

The slight fall in levels of jobs completed within budget is more indicative of under-allowance of time for the complexity of work rather than poor performance.

Results relating to major recommendations and customer satisfaction remain extremely positive with 100% of critical or major recommendations agreed and 100% of Customer Satisfaction Surveys rated Satisfactory or above.

Appendix 1

Proposed Changes to approved Audit Plan

Due to an unforeseen use of contingency time and emerging risks, a number of plan changes have been made.

These involve the cancellation of the following jobs:

- **Bereavement Services - Pet Cemetery** – Cancelled due to delays in the service being set up.
- **Best Bar None** – Management has made a decision to no longer offer the scheme, therefore this audit is no longer needed.
- **School theme – Educational attainment and funding** – Cancelled due to time reallocated to work on School Voluntary Funds.
- **Trading Standards Data Protection Review** – deferred in favour of higher risk work (Safeguarding Adults Personal Assets Team (SAPAT))

The following jobs have been added to the plan:

- **Tourist Information Centre** – Cash testing identified an issue which showed poor financial controls.
- **Care Home Sale Audits (6)** – Requested on transfer to Runwood Homes
- **Overpayment Review of Direct Payments** - A high level of overpayments were identified in this area.
- **Danum Drainage Board Follow Up** – Follow up work was required to ensure that the Board had responded appropriately to previously reported governance weaknesses.
- **Bentley Training Centre Review** – Review was requested by the client and undertaken jointly with management.
- **Governance and Assurance Mapping** – Assistance sought by management to develop departmental arrangements.
- **Conisbrough Balby Street Primary School Follow-up Audit**– Significant concerns raised in the original audit necessitated a more comprehensive follow up.

The following jobs have been deferred and will be transferred to the 2016/17 audit plan:

- **Public Sector Equalities** – Delayed process by customer and job was delayed until Quarter 4 (not ready for Quarter 2). The SAPAT work is priority so the customer has agreed to reschedule to Q1 of 2016/17 plan.
- **Creditors** – This review will be undertaken later than originally anticipated in order to better assess the impact of ongoing management actions in this area from the previous audit, and to release additional resources into other audit work.
- **Deprivation Of Liberty Safeguards (DOLS)** – Service undergoing process redesign under the digital council programme. Audit review rescheduled following this work