

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

ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2015/16

EXECUTIVE SUMMARY

1. This report provides information on the work of Internal Audit during 2015/16 and its overall opinion on the Council's system of internal control. The report also refers to the formal review of the effectiveness of Internal Audit required to be completed in accordance with the Accounts and Audit Regulations 2015.

Head of Internal Audit Annual Report 2015/16

2. 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 Audit Section. The report for this year covers details of work done in 2015/16.
3. Headlines from the annual report, which is attached at **Appendix 1**, are as follows:
 - Internal Audit's net expenditure in the year was £504,000 compared with a budget of £525,000, with the underspend being largely due to the departure of staff during the year. During 2015/16, Internal Audit had an establishment of 10.06 full time equivalent (FTE) staff which is amongst the lowest levels of staffing when compared with similar sized authorities in South and West Yorkshire.
 - The service delivered 1,641 (92%) actual chargeable days against a budgeted total of 1,775. The main reasons for the shortfall being two members of staff leaving part way through the year, special granted leave, relocation to the Civic Building, an upgrade to the electronic audit system, increased management time in developing the audit planning process and preparing a tender submission
 - Approximately 20% of Internal Audit time was used responsively to address issues which arose during the year. This is consistent with 21% in the previous year.
 - 82% of internal audit recommendations have either been completed or are in progress and on time. Work is ongoing with services to improve this performance
 - The service was rated as 'satisfactory' or 'very satisfactory' in 100% of client surveys received.

- The service has achieved good overall performance against its key performance indicators.
 - A self-assessment against the new UKPSIAS confirms compliance with the standards.
 - Internal Audit supported schools to submit their Schools Financial Value Standard returns to the Department of Education by providing help and support to School Governors and staff on the requirements. All Doncaster maintained schools successfully completed and returned their submissions by the stipulated deadline.
 - The service carried out a range of investigations during the period, some of which resulted in disciplinary and / or Police action.
4. Based upon the audit work undertaken it has been possible to complete an assessment of the Council's overall control environment. This assessment takes account of the work of the External Auditor and the result of any external inspections carried out. **The Head of Internal Audit is able to confirm that the Council's system of internal control for 2015/16 was adequate and operated satisfactorily during the year.**
5. Internal Audit has identified two new areas to be considered for inclusion in the Council's 2015/16 Annual Governance Statement (AGS):
- Direct Payments
 - Supporting Adults Personal Assets Team

Updates have been provided on three other Items which were included in the 2014/15 AGS::

- Core Financial Processes – Debtors
 - Core Financial Processes – Creditors (Procure to Pay) System
 - Doncaster Markets
6. Other weaknesses not considered significant enough for inclusion in the AGS have been highlighted by Internal Audit's work during the year and these have been brought to management's attention. The weaknesses do not change Internal Audit's overall opinion on the control environment.

Review of the Effectiveness of Internal Audit

7. The Accounts and Audit Regulations 2015 include a requirement for local authorities to:
- “...undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance” Reg 5 (1) and
- “conduct a review of the effectiveness of the system of internal control ...” Reg 6 (1) (a).
8. The UK Public Sector Audit Standards have a requirement for an external assessment of the service to be conducted every five years. Kirklees Council's Internal Audit Service will be reviewing our compliance with the

Standards during 2016/17, and we will be conducting a review of Bradford Council's audit function in the 2016/17 year.

For this year the review of the effectiveness of Internal Audit had been informed mainly by:

- Internal Audit's annual report,
- Customer satisfaction,
- A self-assessment against the United Kingdom Public Sector Internal Audit Standards.

9. The main features from these reports that contribute to this satisfactory review of Internal Audit are summarised below:

Internal Audit Annual Report

10. The annual report is referred to above.

Customer Satisfaction

11. At the end of every completed audit, clients are asked to feedback their rating of the auditor's performance. Based upon the team's customer survey responses, the service was rated as 'satisfactory' or 'very satisfactory' in 100% of all surveys received.

Review of Internal Audit

12. The Head of Internal Audit has undertaken an annual self-assessment as required by the standards. Internal Audit is compliant with the standards with one exception; the standards require the Audit Committee to approve decisions relating to the appointment and removal of the Head of Internal Audit. This does not currently reflect local government practice and is not regarded to be a material non-compliance issue and so no change is proposed.

13. While carrying out the self-assessment the Head of Internal Audit has identified two further areas where the Service's arrangements could be improved; these are, (1) to be more explicit in reporting how the Service's work 'adds value' to the organisation and (2) to ensure the risk based audit plans take into account the Council's overall assurance framework as this develops. These are regarded as improvement opportunities rather than non-compliance issues.

Conclusion

14. It is concluded that:

- Internal Audit has effectively planned its work and has completed sufficient work to be able to provide an opinion to the Council on its system of internal control.
- Based on the planning and completion of audit work described in the annual report, customer feedback and self-assessment against the new UKPSIAS standards, it can be confirmed that there has been an effective Internal Audit during 2015/16.

RECOMMENDATIONS

15. The Audit Committee is asked:

- To note the Internal Audit Annual Report for 2015/16, including confirmation that the Council's system of internal control was adequate and operated satisfactorily during the year.
- To support the conclusion that there was an effective Internal Audit in place for 2015/16.
- To note the Head of Internal Audit's self-assessment that the service is compliant with the UKPSIAS.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

16. 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

17. This report provides the Audit Committee with information on the performance of and outcomes from internal audit work and allows the Committee to discharge its responsibility for monitoring Internal Audit activity and provides an assessment on the system of internal control.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

18. 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
	All people in Doncaster benefit from a thriving and resilient economy. <ul style="list-style-type: none">• <i>Mayoral Priority: Creating Jobs and Housing</i>• <i>Mayoral Priority: Be a strong voice for our veterans</i>• <i>Mayoral Priority: Protecting Doncaster's vital services</i>	
	People live safe, healthy, active and independent lives. <ul style="list-style-type: none">• <i>Mayoral Priority: Safeguarding our Communities</i>• <i>Mayoral Priority: Bringing down the cost of living</i>	
	People in Doncaster benefit from a high quality built and natural	

	<p>environment.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	<p>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
	<p>Council services are modern and value for money.</p>	<p>Internal Audit adds value to the organisation through a systematic, disciplined approach to evaluate and improve the effectiveness of the Council's Services</p>
	<p>Working with our partners we will provide strong leadership and governance.</p>	<p>The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council and its partners.</p>

RISKS AND ASSUMPTIONS

19. This report, in presenting information about the state of the Council's internal control environment, allows Members to form an opinion about risks within the Council. The risk to the Council arises if there is inadequate or ineffective action to improve the risk management arrangements identified as unsatisfactory during the year. Information detailed in this report on the implementation of internal audit recommendations gives Members an insight into the extent to which the management of risk is being improved

LEGAL IMPLICATIONS

20. 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

21. There are no identified direct financial implications arising from this report.

HUMAN RESOURCES IMPLICATIONS

22. There are no identified human resources implications arising from this report.

TECHNOLOGY IMPLICATIONS

23. There are no identified technology implications arising from this report.

EQUALITY IMPLICATIONS

24. We are aware of the Council's obligations under the Public Sector Equalities Duties and whilst there are no identified equal opportunity issues within this report, all of the reports identified within the annual report would have been subject to their own relevant equalities implications assessment.

CONSULTATION

25. 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

26. Internal Audit TeamMate files, United Kingdom Public Sector Internal Audit Standards (UKPSIAS), Local Government Advisory Note, Internal Audit Customer Survey Responses, Internal Audit Management Information System.

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ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2015/16

1. Purpose of the report

- 1.1 The purpose of the report is to present the Head of Internal Audit's annual report, which supports the Council's annual governance assessment and its Annual Governance Statement.
- 1.2 The report also contributes to the requirements of the Accounts and Audit [England] Regulations 2015, for the Council to conduct an annual review of the effectiveness of Internal Audit.

2. Introduction

- 2.1 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 on the Council's System of Internal Control.
- 2.2 It is not the intention of this report to give a detailed summary of each of the audits that have been undertaken during the year but to provide a broad review of the Council's 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 more recently the Accounts and Audit [England] Regulations 2015. The main thrust 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 undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Further, councils must, at least once in each year, conduct a review of the effectiveness of its 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 Audit Section.

4. Reviewing the Service

4.1 Internal Audit Resources

Internal Audit's net expenditure in the year was £504,000 ^{*1} compared with a budget of £525,000. Income was generated by providing a comprehensive Internal Audit service to St Leger Homes and Doncaster Children's Services Trust throughout the year.

^{*1} Estimate at March 2016

During 2015/16, Internal Audit had an establishment of 10.06 full time equivalent (FTE) staff which is among the lowest levels of staffing when compared with similar sized authorities in South and West Yorkshire. The establishment will increase slightly to 10.70 (FTE) for 2016/17, increasing the overall available audit days to 1,821 days for the year. A careful approach to risk based planning and robust performance management of our resources is essential given the level of available resources, but it is the opinion of the Head of Internal Audit that current resource levels provide sufficient capacity to provide an adequate level of assurance to the Audit Committee and the Director of Finance and Corporate Services.

4.2 Audit Work Undertaken

A breakdown of time spent in the year April 2015 to March 2016 is summarised below:

Internal Audit Plan v Actual Days April 2015 to March 2016:

Strand	Activity	Planned Days	Total Planned Days	Actual Days	Total Actual Days
Mandatory	Corporate	61		57	
	Core financial systems	211		233	
	Financial admin	141		106	
	Previous year completions	60		90	
	School financial admin	88	561	64	550
Must do work	Governance	30		66	
	Grant and performance Certification	75		48	
	IT Audit	72		52	
	Internal Projects	0		9	
	Proactive Anti-Fraud and Error	184		173	
	National Fraud Initiative	36	397	26	374
Follow-up work			80		123
	Responsive and risk related work		737		592
Total Plan			1,775		1,641

Overall, 92% of chargeable time was delivered, with the main reasons for the shortfall being two members of staff leaving during the year, special granted leave, relocation to the Civic Building, an upgrade to the electronic audit system and increased management time in developing the audit planning process and preparing a tender submission.

There were variances across the original categories of work, but priority was given to ensuring sufficient work was completed to enable the Head of Audit to form an opinion on the internal control environment and be responsive to management for their requests for advice and support.

4.3 Implementation of Recommendations

The Internal Audit Team continues to work closely with managers to encourage a high level of implementation of recommendations that are aimed at improving the level of internal control. The extent to which managers within the Council implemented recommendations within agreed timescales is as follows:

Implementation of Recommendations:

	Number of recs	Implemented (number / %)	In Progress but still in time (number / %)	Not yet Implemented / out of time (number / %)
2015/16	565	328/58%	137/24%	100/18%
<i>Comparable data for 2014/15 to 2012/13:</i>				
2014/15	525	325 / 62%	120 / 23%	80 / 15%
2013/14	724	484 / 67%	187 / 26%	53 / 7%
2012/13	--	57%	37%	6%

The above table demonstrates that since 2012/13 management overall is responsive to and takes action to implement audit recommendations.

Within the 100 actions that have not been implemented are 13 major recommendations. 9 of these relate to the Information Records Management Audit. Progress is anticipated to be made imminently upon a contractual dispute being resolved.

The remaining 4 major actions relate to 2 schools and are based on issues surrounding financial and governance arrangements. This situation has been escalated to the Chairs of Governors and the Assistant Director for Learning & Achievement.

This is a pleasing situation as there were 27 major recommendations outstanding at the beginning of the year and highlights effective arrangements and management response to implementing agreed actions.

Of further note is the Adults Health & Wellbeing Directorate. In February 2015

a report was brought to Audit Committee detailing 84 recommendations outstanding of which 7 related to major risk exposures. As at 18th March 2016 there were only 23 recommendations outstanding, none of which involved exposure to major risks. This has represented a comprehensive improvement in the management of audit recommendations within this directorate. A report is just being agreed around overpayment of personal budgets and this will have many recommendations within it, some of which are major. We are however confident that the directorate will address these issues in a timely manner as has been demonstrated throughout this year.

Any major recommendations that are not implemented in line with agreed timescales are reported as part of the Council's quarterly performance and finance challenge process and consequently monitored through that process as well as being routinely reported to Audit Committee.

Internal Audit will continue to closely monitor progress on these and bring any relevant matters to the Audit Committee's attention in its progress reports to the Committee.

4.4 Customer Satisfaction

At the end of every completed audit, clients are asked to feedback their rating of the auditor's performance. Based upon the team's customer survey responses, the service was rated as 'satisfactory or very satisfactory' in 100% of all surveys received.

4.5 Performance Indicators

At its meeting in June 2013, the Audit Committee 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 year April 2015 to March 2016.

Performance Indicator	Target	April to March	Variance
Percentage of planned audit work completed	90%	85%	-5%
Draft reports issued within 15 days of field work being completed	90%	93%	3%
Final reports issued within 5 days of customer response	90%	92%	2%
% of critical or major recommendations agreed	100%	100%	-
Cost per Chargeable Day	£306	£307	£1
Percentage of Customer Satisfaction Surveys rated satisfactory or very satisfactory	90%	100%	10%

The difference between the target and actual percentage of planned audit work completed is due to members of staff leaving during the year reducing the actual days delivered.in total whilst still resourcing unplanned responsive work

Results relating to major recommendations and customer satisfaction remain very positive.

4.6 Compliance with the UKPSIAS

The Head of Internal Audit is required to report on Internal Audit's compliance with the UKPSIAS. Basic requirements for this are as follows:

- a) 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.
- b) The Internal Audit service is organisationally independent.
- c) There is a Quality Assurance and Improvement Programme (QAIP), the results of which are reported to senior management and the Audit Committee. The results of the QAIP assessment carried out in 2015/16 noted only relatively minor improvement requirements that will be addressed during the following months and will be reflected in the external assessment to be carried out during the year and our own progress reports as required.
- d) There is an external assessment of the service conducted every five years. Kirklees Council's Internal Audit Service will be reviewing our compliance with the Standards during 2016/17, and we will be conducting a review of Bradford Council's audit function.
- e) All instances of non-compliance with the UKPSIAS are reported to the Audit Committee.
- f) The non-conformances are not considered to be significant deviations from the UKPSIAS and therefore do not require disclosure in the Council's Annual Governance Statement.

The Head of Internal Audit has undertaken an annual self-assessment as required by the standards. He has concluded that Internal Audit is compliant with the standards with the exception of the following item:-

- The Standards require the Audit Committee to approve decisions relating to the appointment and removal of the Head of Internal Audit. This does not currently reflect local government practice and is not regarded to be a material non-compliance issue and so no change is proposed. This is an issue reported in previous years.

Additionally, he has identified two further areas which the team can develop to further improve the service:. These are:

- Record and report more explicitly how the internal audit activity adds value to the organisation and its stakeholders by providing objective and relevant assurance and contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.
- To take into account the Council's assurance framework as this becomes better developed

These are regarded as improvement opportunities rather than non-compliance issues.

5. Planning Processes.

The 2015/16 audit plan was derived from the following sources:-

- Review of the Council's risk registers
- Review of revenue and capital budgets
- Cumulative audit knowledge and experience
- Review of key plans, reports and press coverage
- Awareness of priorities identified by the Council's Directors and Assistant Directors
- Knowledge of existing management and control environments, including information relating to any system changes
- Information Asset and Systems Asset Registers
- Review of major partnership risks and major contracts
- Professional judgement on the risk of fraud or error.

6. Summary of Findings from Audit Reviews.

6.1 Main Financial Systems

As part of the annual audit plan Internal Audit undertakes a programme of reviews that covers the main financial systems of the Council. Internal Audit work in these areas is examined by KPMG, who seek to place reliance on this work to assist their own audit of the Council's annual accounts.

6.2 Significant Issues Arising

Internal Audit provides an 'opinion' on the control environment for all systems which are examined. A limited / no assurance opinion is given where one or more major / critical risks are identified in the area under examination.

Updates on three areas of significant weakness identified in the 2014/15 Annual Governance Statement are provided below:

a) Doncaster Markets Financial Administration Review

The internal Audit review identified serious weaknesses in relation to Financial Administration and Health and Safety standards

A significant amount of work has now been completed by management to implement recommendations made by Internal Audit and Health and Safety.

Consequently, significant improvements have been made in respect of Health and Safety concerns.

Financial administration arrangements have also improved. There has been a very substantial reduction in the value of cash collected from traders with the majority of rental income now collected/invoiced through the accounts receivable system. There has been a significant increase in the proportion of spend procured through the appropriate corporate processes.

Full implementation of all the audit recommendations is expected to be completed when the markets team is fully staffed (June 2016), the planned new markets administration system is implemented (September 2016) and the review of leases/rentals is completed (December 2016).

b) Procure to Pay (P2P)

There was a high volume of 'confirmation orders' being raised which are required when users do not initially raise a purchase order via the P2P system. The requirement for confirmation orders generally indicates non-compliance with procurement procedures and adversely impacts on both the efficiency of the payments processes and the length of time taken to pay invoices.. From April 2015 to date there has been a reduction in the numbers of confirmation orders being raised. This is due to system users being retrained and persistent raisers of confirmation orders being targeted.

Invoices were being held within the system as they could not be matched to an order, hence preventing payment .Additional staff resources have cleared a lot of the backlog resulting in 97% of invoices now being paid on time against a target of 95%.

In some Directorates there was a high proportion of off contract spend and further work is being carried out within the procurement team to address this.

Overall, the processes within P2P appear to be working better than last year

c) Debtors and Income Management

This area was exposed to major risks for the period 2014/15 and a limited assurance was given due to:

- Some departments within the Authority not following correct procedures when raising accounts, particularly where goods and services could have been prepaid, causing higher costs for debt collection and a higher risk of non-payment.
- some major delays between provision of services and raising of accounts by some departments.
- the need to reinstate the use of Debt Recovery Agencies and legal action were immediately implemented
- the need for performance targets to be set.

During 2015/16 the vast majority of areas audited received positive audit opinions. There were, however, two areas where significant improvements

were needed, as follows:

a) Safeguarding Adults Personal Assets Team Investigation

There are concerns over the financial administration in the Safeguarding Adults Personal Assets Team. Work is ongoing and is being reported to the Adults improvement Board. A further report will be presented to Audit Committee on completion of the work.

b) Overpayment Review of Direct Payments

There are concerns over the level of overpayments that have been made in paying personal budgets for adult social care and work is currently being completed to establish the full extent of these overpayments.

A key decision has been made to now pay new personal budget monies into bank accounts controlled by the Council and a series of recommendations have been accepted and are being implemented by management. These arrangements will help manage future levels of overpayments.

Work is ongoing and will be regularly reported and monitored by management. A further report will be presented to Audit Committee on completion of the work.

Internal Audit will recommend the above areas are considered for inclusion in the Council's Annual Governance Statement (AGS) for 2015/16, to reflect the significance of the findings in these areas.

Other areas with limited assurance audit opinions but which, in Internal Audit's view, are not sufficiently significant to require consideration for entries in the AGS are summarised below.

1) Payment Card Industry Data Security Standard (PCIDSS) Compliance

Our review found that some teams within the Council do not meet PCI Standards. A submission is being made to the accrediting body to determine whether it now accepts the Council's revised arrangements, or whether these will need to be changed.

2) ICT Governance - Learning & Opportunities: Children & Young People

There were weaknesses in ICT Governance in Learning & Opportunities: Children & Young People (LOCYP). Officers were not clear about their roles and responsibilities and relationships to others with regards ICT Governance. The systems asset register was not up to date and attendance at the Corporate Information Governance Board was poor.

Work undertaken in the last few months has improved the arrangements in place and outstanding improvement actions are anticipated to be complete before the end of March 2016.

3) ICT Themes - CCTV Monitoring

An assessment against the 12 principles of the Data Protection Code of Practice for Surveillance Cameras and Personal Information concluded the principles were not being fully met.

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

4) 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.

5) Driver Licence Checks

Internal Audit testing identified that the Transport Team had a backlog of nearly 1/3 of its drivers to check with the DVLA to ensure these drivers held valid licences.

The backlog has now been considerably reduced and is anticipated being fully addressed by the end of April 2016.

6) European Structural and Investment Fund (ESIF)

ESIF funds consist of the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Agricultural Fund for Rural Development (EAFRD).

We identified that there was a lack of corporate instructions for project officers planning to use or using European Structural Funds which has now been addressed.

6.3 Schools

Internal Audit supported schools to submit their Schools Financial Value Standard (SFVS) returns to the Department of Education by providing help and support to School Governors and staff on the requirements of the returns. All maintained schools successfully completed and returned their submissions by the stipulated deadline.

Two schools where we carried out routine audits received 'unsatisfactory' opinions. These opinions were due to:

- the lack of experience of staff dealing with financial processes
- lack of budgetary revisions together with official orders not being raised causing inaccurate budgetary information and
- no contingency arrangements for the finance function.

A review was carried out at another school to ensure there were no concerns with the finance processes at the school following the suspension of the Headteacher. Major issues with the performance management process and declarations of interest at the school were raised and have since been rectified,

One follow up review was carried out at a primary school as there had been very little progress made in implementing outstanding actions from the audit carried out late in 2014. Since the follow up review, there are only two outstanding actions awaiting implementation, both of these will be actioned in the next couple of months.

A review was carried out at a school where Internal Audit identified expenditure relating to gifts, hospitality, presents and rewards for staff and volunteers at the school made from the voluntary funds. Gifts were routinely made by the Head with the knowledge of the Chair of Governors, to show appreciation for the recipients work at this school. Such gifts on a regular basis are not consistent with good practice and parents' expectations. The school have since revised their policy on the use of school voluntary funds and have improved the transparency of the use of these funds.

6.4 **Responsive Work.**

6.4.1 Approximately 20% of Internal Audit time was used to address issues which arose during the year. This compares to 21% in the previous year and is consistent with a steady demand for investigatory type work. This work can be sub-divided into two categories; investigations and requests for assistance / advice.

6.4.2 Some of the more significant issues not referred to elsewhere in this report that Internal Audit has addressed during 2015/16 include:

- **Deprivation of Liberty Safeguards (DOLS) Invoices** - Members of the DOLS team became suspicious of a potential false invoice received relating to a DOLS assessment. 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 identified no further potentially erroneous claims, but procedures have been strengthened to minimise the risk of future inaccurate claims being received. No safeguarding issues were identified.
- **Investigation - Residents' Monies at a private care home** - The Doncaster Safeguarding Adults Board had been dealing with safeguarding / care issues at a private care home in which the Council has previously placed a small number of clients. South Yorkshire Police became involved after concerns were raised by a client's family about

money missing from their relative's bank account. Internal Audit was requested to review records relating to other clients to determine whether there were similar issues with other clients / residents monies. Evidence was found of further discrepancies, but no further action could be taken by South Yorkshire Police because the evidence was not strong enough to proceed with.

- **Fraud Allegations on Planning Applications** - Significant allegations were received about 5 planning applications, including:
 - Fraud / Corruption –collusion with a developer to pass inappropriate planning applications
 - Data protection breaches
 - Falsification of information for planning purposes and Freedom Of Information (FOI) requests
 - Tampering with information for FOI requests.

These allegations were investigated and all found to be false.

- **Drainage Board Issues** - The Internal Audit Team continued to support enquiries into governance issues and concerns that had commenced in 2014/15. Some of the concerns are now being addressed by central government bodies. Further work is anticipated to be necessary in the next financial year.

6.4.3 Overall, despite the current economic context, the Council is experiencing relatively little reported fraudulent activity. The examples stated above do not change the audit opinion that, overall, the arrangements in place for preventing and detecting fraud and corruption are satisfactory and do not have a detrimental impact on the overall control environment.

7. Assessment of the System of Internal Control for Year to 31st March 2016.

Based upon the audit work undertaken it has been possible to complete an assessment of the Council's overall control environment. Accordingly, on the basis of this work, we can confirm that the Council's system of internal control for 2015/16 was adequate and operated satisfactorily during the year.

Colin Earl
Head of Internal Audit
22nd March 2016