

Report sponsor: Strategic Director - Corporate Resources  
Report author: Head of Internal Audit

## **Internal Audit Plan 2022/23 - Quarter 1**

### **Purpose**

- 1.1 To outline to the Committee the proposals for internal audit work in Quarter 1 of 2022/23. This is in accordance with the Public Sector Internal Audit Standards (PSIAS) which requires that Internal Audit develops a risk-based plan to direct their work in the forthcoming financial year.
- 1.2 The appendix to the report also outlines those areas that the Head of internal Audit has earmarked for audit review in Quarters 2,3 and 4 of the financial year. These are subject to change in light of new and emerging risks and issues.

### **Recommendations**

- 2.1 To consider and approve the Internal Audit Plan for Quarter 1 of 2022/23 at Appendix 1.

### **Reasons**

- 3.1 The Audit and Governance Committee is responsible for providing assurance to the Council on the effectiveness of its governance arrangements, its risk management framework and the internal control environment. The work of Internal Audit supports Committee in providing this assurance.

### **Supporting information**

#### Background to Internal Audit Planning

- 4.1 The Audit Plan must incorporate sufficient work to enable the Chief Audit Executive (Head of Internal Audit) to give an opinion for the 2022/23 financial year on the adequacy of the Council's overall governance, risk and control environment. Internal Audit must therefore have sufficient resources to deliver the Audit Plan.
- 4.2 Management needs to ensure that the appropriate control measures are in place to manage risk and are applied consistently across all services and that there are good governance arrangements to ensure that the Council is operating within both the legal framework and its own protocols and standards.

- 4.3 In accordance with the Public Sector Internal Audit Standards (PSIAS), Internal Audit must develop a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals, for the coming financial year. The chief audit executive (the Head of Internal Audit) must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.
- 4.4 The Chartered Institute of Public Finance & Accountancy's (CIPFA) Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards 2019 Edition (issued February 2019) states: "In the context of the PSIAS, 'opinion' means that internal audit will have done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined."
- 4.5 Internal Audit helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results.

#### Internal Audit Plan 2022/23

- 4.6 The Public Sector Internal Audit Standards require that internal audit independently forms a view on the risks facing the Council and work to be included in the audit plan. Internal audit plans also need to be flexible to respond to changes to those risk that the Council faces, as well as any other changes with the Council e.g. organisational.
- 4.7 The audit plan needs to align strategically with the aims and goals of the Council and the risks to their achievement. It also needs to become more insightful, active, and focused on the future. A static, annual audit plan is not the way forward. Change is now the constant, and the Head of Internal Audit needs to focus on how the plan needs to change in the year. The Institute of Internal Auditors has found in the past few years that a lot of Heads of Internal Audit have been introducing processes for updating their internal audit risk assessment and audit plans during the year.
- 4.8 There is always increased risk in times of change. Over the last couple of years, there have been significant changes both within the senior management team and service structures at the Council. There are also continuing financial pressures on the Council to provide value for money. This means being more efficient and effective and looking for innovative ways of working. The challenge for audit is to help services become leaner and more effective within a controlled environment. Change always raises the level of risk. The uncertainty affects staff and increases the risk of system failure, the relaxation or circumvention of the expected controls and fraudulent activity. We need to ensure that the appropriate control measures are in place and applied consistently across all services and that we have good governance arrangements to ensure that we are operating within both the legal framework and our own protocols and standards.

- 4.9 Internal Audit work will continue to be based on quarterly planning as this has achieved greater flexibility in how work is both planned and delivered. The Head of Internal Audit is able to revisit the plan to determine what audit reviews are required as we progress through each quarter. The aim is to also invite more collaboration on the potential areas for internal audit focus from Directorate Management/Leadership team meeting and to involve them on a quarterly basis to review progress with audit work in their directorate and the evaluate how effective the implementation of audit recommendations has been.
- 4.10 In producing the plan for Quarter 1 and indicative areas for the rest of the year, the Head of Internal Audit has:
- Reviewed the Council's Risk Registers and the Council Plan;
  - Identified any areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last three years;
  - Reviewed horizon scanning documents that highlighted some of the challenges and opportunities faced by the public sector which should be considered by Heads of Audit when determining the assurance requirements of their organisation and when formulating their internal audit plan for 2022/23.
- 4.11 Appendix 1 includes the proposed areas of coverage in quarter 1 and some initial ideas on possible areas for consideration in quarters 2, 3 and 4. This is not intended to be a definitive or complete list of areas that could be subject to review. Additional detail has been provided for all of the suggested audit areas to set out potential areas of focus, and to illustrate how the key risks can and will be incorporated into the audit plan for 2022/23. It is also important to emphasise that the audits included in the plan are not fixed. The plan will be kept under review to ensure that audit resource is deployed on areas of greatest risk and importance to the Council.
- 4.12 The Council Plan states that over the next three years, the Council
- “will work in partnership, recognising that we are better together. We will support Derby to be resilient and grow, becoming more vibrant and greener. The focus of our internal work will be on working smarter, making sure that we build resilience, providing the right services at the right time to those that need it most.”*
- The Audit Plan will build in time to review the key areas that support these objectives to provide assurance on the governance arrangements and the management and mitigation of the risks that could impact on achieving the desired outcomes.
- 4.13 Those audits that were identified in the quarterly plans in 2021/22 and subsequently postponed, have been re-assessed and where deemed to be still relevant, they have been included in the quarter 1 plan.
- 4.14 Internal Audit reviews started in 2021/22 have been carried forward into quarter 1 of 2022/23 but are not included in the Quarter 1 plan in the appendix. These will be reported on in the quarterly Internal Audit progress reports.

## Public/stakeholder engagement

- 5.1 Key stakeholders are consulted on a regular basis as each quarterly plan is formulated.

## Other options

- 6.1 None

## Financial and value for money issues

- 7.1 The Council's contribution to CMAP for 2022/23 will be £529,551 (2021/22 was £502,178 together with a one-off rebate of £121,355). The estimated number of days required to deliver the plan is 1,445.

## Legal implications

- 8.1 None

## Climate implications

- 9.1 None

## Other significant implications

- 10.1 None

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal Finance Service Director(s) Report sponsor Other(s)	Simon Riley, Strategic Director – Corporate Resources	12 March 2022

Background papers:	None
List of appendices:	Appendix 1 - Internal audit plan 2022/23 – Qtr 1

## Appendix 1 - Internal Audit Plan 2022/23

Audit Plan Assignments	Risk Register	Council Plan	Audit Needs Assessment	Third Party Request	Assurance/Reason for audit
<b>Corporate Resources – Quarter 1</b>					
New Financial Management System (Q1to Q4 work)		✓		✓	To provide assurance on the implementation of the new FMS system and how the system is embedded into Council practices.
Grant Certification (Q1to Q4 work)				✓	Annual work to provide a certification audit of specific grant claims.
Right to Buy			✓	✓	Assurance on compliance with the Right to Buy rules/regulations.
Management of information in a remote environment			✓		To provide assurance on the risks associated with the security of information.
Declarations of Interest - Staff and Members			✓	✓	To review the processes and procedures in place across the Council and provide assurance on compliance with the Codes of Conduct.
Pre-employment checks			✓	✓	To provide assurance on the Council's procedures around pre-employment checking given regard to the Government's guidance on the Baseline Personnel Security Standard.
Property Design & Maintenance			✓		Provision of an assurance on the adequacy and effectiveness of systems in operation.

Audit Plan Assignments	Risk Register	Council Plan	Audit Needs Assessment	Third Party Request	Assurance/Reason for audit
Organisational Performance Management			✓		To provide assurance on the accuracy of the performance data and performance management system.
Strategic Communications	CR20		✓		To provide assurance on the robustness of the Council's communication processes, both internal and external.
Revenue Collection Contracts	SR7 / CR6			✓	The Contract Management Programme Team has highlighted this as a potential high-risk area.
<b>Communities &amp; Place – Quarter 1</b>					
Long Term Waste Management Project (Q1to Q4 work)	SR14 / C&PR1	✓	✓		To continue to provide assurance at stage boundaries/key decision (embedded assurance) points of the project. Links to the Council Plan "Sustainable Waste and Transport".
Building Consultancy			✓	✓	To review how the Council manages the risks associated with the Building Consultancy arrangement.
<b>People Services – Quarter 1</b>					
Foster Recruitment	SR28/ PS22	✓			To provide assurance on the processes in place for fostering services, inc. foster care recruitment and alternatives to traditional foster care placements.
Audit of the D2N2 Children's Homes Contract	SR28/ PS22	✓		✓	The Contract Management Programme Team has flagged this as a potential higher risk contractual area for the Council.
Tackling Child Poverty	SR18 / PS13	✓			To contribute to the overall assurance on the Empowered, strong and independent communities outcome.

Audit Plan Assignments	Risk Register	Council Plan	Audit Needs Assessment	Third Party Request	Assurance/Reason for audit
<b>Cross Cutting Services (All the work will be spread across the year)</b>					
DCC Assurance Framework			✓		This is an on-going area of consultancy work with the Council's assurance team.
DCC - Governance Framework			✓		Ongoing work to provide assurance on the overall governance framework.
IT Contingency (Q1to Q4 work)	SR3 / CR3 & CR13		✓		To provide assurance on the risks and the actions in place to reduce the vulnerability of the Council's IT estate to cyber-attacks and also on the management of risks/key controls around IT infrastructure and applications.
Fraud Contingency (Q1to Q4 work)	SR31/ CR28		✓		This contingency will be used to provide assurance on the Council's counter fraud measures and the overall assessment of fraud risks. Also includes work on the National Fraud Initiative (NFI).
Risk Contingency (Q1to Q4 work)			✓		This contingency will be used to provide assurance on how the Council mitigates new and emerging risks, as well as provide assurance on the adequacy of controls to mitigate those risks identified in the risk registers.
Project Management (Contingency)	SR6 / CR19		✓		To provide assurance on the risks associated with the project management approaches across the Council in respect of the management and delivery of major capital projects to agreed objectives and budget.
Contract Management	SR7 / CR6	✓	✓	✓	To provide assurance on the risks associated with the Council's contract management arrangements and to ensure that they are in line with agreed standards. Contributes to the "insight led

Audit Plan Assignments	Risk Register	Council Plan	Audit Needs Assessment	Third Party Request	Assurance/Reason for audit
					Council that delivers value for money" outcome. This also includes work as part of the Contract Management Programme team.
New Systems/Changes to existing systems (Contingency)			✓	✓	To provide consultancy/advice where required on new systems (Financial Management System is a specific audit) and on the changes to existing systems.
<b>Indicative Audit Work – Qtrs 2 to 4</b>					
Key Financial Controls (e.g. reconciliations)			✓	✓	Annual work to provide assurance on the operation of the high level key controls in the Council's financial systems that feed into the accounts.
Claims Handling			✓		To provide assurance on the move in 2022/23 to In-house Insurance Claims Handling.
Cash Handling			✓		To provide assurance that those areas of the Council that still accept cash are adhering to Council policy.
PCI compliance			✓		To provide assurance on the overall policy and procedures around card/data handling practices.
Procurement			✓		To provide assurance on the management of procurement risks.
Asset Management			✓		To provide assurance on the management of risks in respect of the Council's key assets.
Records Management	SR8 / CR7		✓		To provide assurance on how the Council is complying with best practice in the retention/disposal of data/information.
Ascend Programme		✓	✓		To review the governance around the Council's involvement in the Ascend programme.
Schools Contingency			✓		School Financial Value Standards Audits.



Audit Plan Assignments	Risk Register	Council Plan	Audit Needs Assessment	Third Party Request	Assurance/Reason for audit
Shared Lives		✓	✓		To provide assurance on the Council's plans to expand the Shared Lives provision.
Residential Care	PS2/ PS14		✓		To review the Council's residential care arrangements
National Drug Strategy			✓		To consider the Council's response to the Government's launch of the National Drugs Strategy and provide assurance regarding the Council's role in drug treatment measures in the local area.
Stronger Families	SR18 / PS13				To review Derby's Strength-Based Approach Strategy.
Vibrant City Events Plan		✓			To provide assurance on the governance of the Council's cultural offer and its work with key partners to bring vitality into the city centre through events, creativity and performance arts. This links to the "Exciting cultural offer representative of communities" outcome within the Council Plan.
Climate Change		✓			To provide assurance on the compliance with relevant legislation (Environment Act 1995, Ministerial Direction). The review's possible sub-areas include decarbonisation, carbon emissions, walking & cycling, household waste, Council impact on the environment, Carbon Change Action Plan. This links with the Council Plan outcome on "Cleaner air & lower CO2 emissions".
Derby Live Catering– Stocks and Stores			✓		Follow up work to provide assurance on the changes in procedures.
Streetpride HGV Driver resources	CP16				To review actions being taken to recruit and retain HGV drivers to maintain highly visible statutory functions that if not undertaken, are likely to result in potentially significant claims against the Council.

Audit Plan Assignments	Risk Register	Council Plan	Audit Needs Assessment	Third Party Request	Assurance/Reason for audit
Home to School Transport				✓	The Contract Management Programme Team has flagged this as a potential higher risk contractual area for the Council.
Corporate Approach to Succession Planning	CR25				To review and provide assurance on the processes in place in the Council to engender succession planning in directorates/departments/teams.