

## **Internal Audit Plan 2023/24 - Quarter 4**

### **Purpose**

- 1.1 To outline to the Committee the proposals for internal audit work in Quarter 4 of 2023/24. 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 potential audit in the first three quarters of 2024/25. 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 4 of 2023/24 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 the 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 2023/24 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 2023/24

- 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. 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.
- 4.8 In producing the plan for Quarter 4 and potential areas for the future quarterly internal audit plans in 2024/25, the Head of Internal Audit has:
- Reviewed internal audit's work in 2023/24 and work done to date in quarters 1 and 2 of 2023/24, together with any completed audit work in quarter 3.
  - Revisited the Council's Risk Registers.
  - Reviewed those areas highlighted in the previous Internal Audit Plan report as potential areas for audit work for Quarter 4 of 2023/24 and Quarters 1 and 2 of 2024/25.
  - Examined which of those areas scheduled for future audit are key to the overall assurance opinion for 2023/24 in light of the reduction in audit days to meet MTFP savings (see para 4.11 for more detail re MTFP savings)
  - Identified areas that have not been subjected to audit review for several years.
  - Reviewed horizon scanning documents that highlighted some of the challenges and opportunities faced by the public sector.

- 4.9 Appendix 1 includes the proposed areas of coverage in Quarter 4 and also identifies potential areas for audit coverage for the first three quarters of 2024/25 of the rolling 12 month plan. It does not include any audits that were scheduled to start in Quarter 3, but as yet have not yet commenced. Given the current economic climate the quarterly plans will be influenced by, amongst other things, changes to risk faced by the Council and process/procedural/structural changes within the Council which impact on governance and control.
- 4.10 Ongoing Internal Audit reviews started in previous quarters are not included, but will be detailed in the Internal Audit progress reports.
- 4.11 As part of its MTFP savings for 2023/24, the Council has reduced the level of internal audit service it purchases from CMAP by £83,000. As a result of this, Derby will receive 16% less audit coverage in 2023/24. This percentage decrease is factored into all quarterly plans going forward.
- 4.12 CMAP is currently implementing a new Audit Management System. This will require time to be spent outside of normal internal audit work on the configuration and implementation of the system.

### **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 2023/24 will be £467,534 (2022/23 was £529,551). The estimated number of days required to deliver the plan across the financial year is 1,218 compared to 1,445 in 2022/23.

### **Legal implications**

- 8.1 None

### **Climate implications**

- 9.1 None arising directly from this report.

### **Socio-Economic implications**

- 10.1 None arising directly from this report

## Other significant implications

- 11.1 Re-structures within the Council, the introduction of new systems and competing priorities within specific teams has impacted on the scheduling of some of those internal audits that have been identified as potential areas for review in future quarters.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal Finance Service Director(s) Report sponsor Other(s)	Alison Parkin, Director of Finance	24 <sup>th</sup> November 2023
Background papers:	Internal Audit Plan Qtr 1 2023/24 – Item 14, Audit and Governance Committee, 22 <sup>nd</sup> March 2023 Internal Audit Plan Qtr 2 2023/24 – Item 11, Audit and Governance Committee, 14 <sup>th</sup> June 2023 Internal Audit Plan Qtr 3 2023/24 – Item 9, Audit and Governance Committee, 11 <sup>th</sup> October 2023	
List of appendices:	Appendix 1 - Internal audit plan 2023/24 – Qtr 4	

## Appendix 1 - Internal Audit Plan 2023/24

Audit Plan Assignments	Risk Register	Council Plan	Audit Needs Assessment	Third Party Request	Assurance/Reason for audit
<b>Chief Executive's Directorate – Quarter 4</b>					
New Financial Management System (Qtr 1 thro to Qtr 4)		✓		✓	To provide assurance on how the system is embedded into Council practices.
Debt Management (Qtr 1 thro to Qtr 4)				✓	Consultancy work around the proposal to centralise all debt management functions following the move to a new Financial Management System and the embedding of the processes.
Asset Management			✓		To provide assurance on the management of risks in respect of the Council's key assets.
Key Financial Risks (2023/24)			✓		To provide assurance on the Council's mitigation of risks within its financial systems.
National Fraud Initiative	CR28a/ CR28b			✓	Continued oversight of the Council's approach to investigating matches highlighted by the NFI exercise.
<b>Communities &amp; Place – Quarter 4</b>					
Stewardship of Council Vehicles/Fleet Management			✓		To review the framework for the procurement and management of vehicles (and similar equipment) required by the Council to deliver services on a daily basis.
<b>People Services – Quarter 4</b>					
Adult Social Care Transformation				✓	To continue work commenced during 2022-23, consulting and advising on the Council's approach to Adult Social Care transformation.

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(Qtr 1 to 4)					
Home to School Transport				✓	The Contract Management Programme Team has flagged this as a potential higher risk contractual area for the Council.
Schools Contingency (Qtr 1 to 4)			✓		Schools Financial Value Standard Audits.
<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. Also to review changes within the Council that impact on the framework.
Savings programme and Medium Term Financial Risk (Ongoing)	SR15/ CR16 SR16/ CR17				An on-going programme of assurance against this area of principal risk.
Grant Certification (Q1to Q4 work)				✓	Annual work to provide a certification audit of specific grant claims.
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.

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Fraud Contingency (Q1 to 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 (Q1 to 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.
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 – Quarters 1,2 and 3 (2024/25)</b>					
Insurance Claims Handling			✓		To provide assurance on the embedding of the In-house Insurance Claims Handling procedures i.e claims that have reached their outcome have been processed in line with Council procedures and insurance policies. This is the natural progression from the current ongoing audit in to the initial set up of the handling of claims in-house.
Procurement			✓		To provide assurance on the management of procurement risks.
Flood Control / Programme	CP4	✓			To review the current approach to the flood alleviation programmes being undertaken throughout the city and provide assurance that existing measures are suitable and robust.
Section 106 Agreements			✓	✓	To provide assurance over the management of S106 agreements in line with policy and legislation and to ensure that expenditure is appropriately managed in line with the terms and conditions of the agreements.
Multi Sports Arena		✓	✓		To review the management controls in place over operations to ensure that all functions /activities are being appropriately

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					managed and that all income and expenses are being suitably controlled.
Corporate Project Management			✓		Review of the corporate project approach and the Project Management Office.
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 Council that delivers value for money" outcome.
Data Quality			✓		To review the data held by the Council for both accuracy and completeness and to ensure compliance of personal data with GDPR/Data Protection legislation.
Corporate Approach to Succession Planning (People Strategy)	CR25		✓		To review and provide assurance on the processes in place in the Council to engender succession planning in directorates/departments/teams.
SEND	SR30 / PS24			✓	Identified by Audit and Governance Committee at its meeting on 5 <sup>th</sup> October 2022 as an area to keep under consideration.
Project Delivery	SR6/ CR19	✓			To provide assurance over the Council's management of (a) selected project(s) to evaluate the effectiveness of the governance arrangements in place.
Supply Chain Risks			✓		To provide assurance on how the Council mitigates risks within its Supply Chain.
Taxi Licensing		✓	✓		To provide assurance that there are suitable controls in place for performing checks of driver eligibility, vehicle inspections and monitoring over taxi licensing payments made to the Council.



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Parking Services			✓	✓	To provide assurance over the income collection system(s) and accounting records for the Citys on-street and off-street parking and penalty charge notices.
Equality Diversion and Inclusion (EDI) Plan – Delivery of Actions			✓		To provide assurance on the progress with delivery of the actions to support the five equality objectives.
Schools – Establishments Reviews			✓		Risk-based review of 5 schools. On conclusion of this programme of work, a common findings report will also be prepared.
Joint Agency Funding			✓		To provide assurance on the efficient and effective use of joint agency funding.
Payroll			✓		To provide assurance on the Council's mitigation of risks within its payroll and expenses systems.
Mutli-Agency Safeguarding Hub (MASH)			✓	✓	To consider operational processes within the MASH, including referrals, performance monitoring, data gathering and data sharing.
Health Protection Arrangements				✓	To consider the Health Protection Strategy and the internal arrangements in place for prioritising actions previously undertaken by the UK Health Security Agency.
Transitioning into Adulthood			✓		To review the arrangements in place for children transitioning to adulthood, to ensure Council's legislative responsibilities are met and people are adequately supported through this transition process.
House Building Projects		✓	✓		To provide assurance over the Councils house building projects and perform a deep dive to evaluate the effectiveness of governance arrangements over specific projects, as appropriate.

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Asylum Seeking Children			✓		To provide assurance that the Council is assessing and accommodating children seeking asylum in line with the requirements of the Children Act 1989.