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Appendix 1

Derby City Council –

Internal Audit Annual Report 2023-24

Audit & Governance Committee: 12th June 2024

Derby City Council

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Our Vision

To bring about improvements in the control, governance and risk management arrangements of our Partners by providing cost effective, high quality internal audit services.

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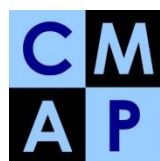
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Providing Excellent Audit Services in the Public Sector

Derby City Council – Internal Audit Annual Report 2023-24

Introduction

Why an Audit Opinion is required

The Public Sector Internal Audit Standards (PSIAS) states:

Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Extracted from Public Sector Internal Audit Standards Updated March 2017 - 2450 Overall Opinions

In this instance, the Chief Audit Executive is Richard Boneham, Head of Internal Audit and Head of the Audit Partnership.

With regard to overall opinions, CIPFA's Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards 2019 Edition (issued February 2019) also states:

"The Public Sector Requirement in PSIAS 2450 requires that the Chief Audit Executive must provide an annual report to the board timed to support the annual governance statement. This must include:

- *an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework – i.e. the control environment*
- *a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance providers)*
- *a statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme.*

In local government, the annual opinion should be guided by the CIPFA Framework Delivering Good Governance in Local Government.

The annual report should also include:

- *disclosure of any qualifications to that opinion, together with the reasons for the qualification*
- *disclosure of any impairments ('in fact or appearance') or restriction in scope*
- *a comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets*
- *any issues the Chief Audit Executive judges particularly relevant to the preparation of the annual governance statement*
- *progress against any improvement plans resulting from QAIP external assessment.*

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. Internal audit will word its opinion appropriately if it cannot give reasonable assurance (e.g. because of limitations to the scope of, or adverse findings arising from, its work)."

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How an Audit Opinion is Formed

Internal Audit's risk-based plan must take into account the requirement to produce an annual internal audit opinion. Accordingly, the Audit Plan must incorporate sufficient work to enable the Head of Internal Audit to give an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Internal Audit must therefore have sufficient resources to deliver the Audit Plan.

External Assurance Bodies

Internal Audit Findings

Progress with Actions

Audit Opinion

Possible Overall Opinions

The Head of Internal Audit's opinion relative to the organisation as a whole could fall into one of the following 3 categories:

- **Inadequate System of Governance, Risk and Internal Control** – Findings indicate significant weaknesses and the need for urgent remedial action. Where corrective action has not yet started, the current remedial action is not, at the time of the audit, sufficient or sufficiently progressing to address the severity of the control weaknesses identified.

- **Adequate System of Governance, Risk and Internal Control Subject to Reservations** – A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions will be at too early a stage to allow a satisfactory audit opinion to be given.

- **Satisfactory System of Governance, Risk and Internal Control** - Findings indicate that on the whole, arrangements are satisfactory, although some enhancements may have been recommended.

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Quality Assurance and Improvement Programme

A quality assurance and improvement programme is designed to enable an evaluation of the Internal Audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the Internal Audit activity and identifies opportunities for improvement.

Public Sector Internal Audit Standards state:

> **Public sector requirement**
>
> The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

Extracted from Public Sector Internal Audit Standards Updated March 2017 - 1320 Reporting on the Quality Assurance and Improvement Programme

Public Sector Internal Audit Standard 1312 also requires that:

"External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation."

Assessments are based on the following 3 ratings:

- **Generally Conforms** - means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards.

- **Partially Conforms** - means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.

- **Does Not Conform** - means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

Our last external quality assessment on our overall conformance with the Standards was undertaken in September 2022 and it was determined that we generally conformed with each standard.

'Generally Conforms' means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

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The CMAP Leadership team revise the QAIP on an annual basis, with regular reviews of the progress on actions throughout the year. The QAIP is a standing item on all CMAP team meeting agendas and on the CMAP Operational Group meeting agendas.

The QAIP for 2023/24 and the progress made during the year on securing the improvements is shown on pages 23 to 24.

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Audit Opinion 2023-24

Based on the work undertaken during the year, I have reached the overall opinion that there is a **Satisfactory System of Governance, Risk and Internal Control** - Findings indicate that on the whole, arrangements are satisfactory, although some enhancements may have been recommended.

In forming this opinion, I am satisfied that no conflicts of interest have occurred which would have any bearing on my independence or objectivity. Also, my organisational independence and objectivity has not been subject to any impairment in fact or appearance; nor has the scope of our work been restricted in any way.

I have arrived at this opinion having regard to the following:

- The level of coverage provided by Internal Audit in 2023/24 saw a reduction of 15.7% compared to 2022/23 as the Council reduced its annual contribution to CMAP by £83,000. However, I considered the level of coverage achieved in the year to be adequate to support my overall audit opinion.

- The 2023-24 Quarterly Internal Audit Plans, approved by the Audit & Governance Committee, were informed by internal audit's own assessment of risk and materiality in addition to consultation with Senior Management to ensure it aligned to the organisation's key risks and objectives.

- The changing risk environment within the Council has been taken into account during the 2023-24 financial year.

- There was no change in the Statutory Officer roles during the year.

- Work has been planned and performed so as to obtain sufficient information and explanation considered necessary, in order to provide evidence to give reasonable assurance that the Council's control environment is operating effectively.

- Our organisational independence and objectivity has not been subject to any impairment in fact or appearance; nor has the scope of our work been restricted in any way.

- A risk management framework exists that informs the quarterly internal audit plans. I attend the Corporate Risk Management Group and have access to all necessary Risk Management information.

- Our insight gained from our interactions with Senior Management and the Audit & Governance Committee.

- The number of audits that have resulted in assurance ratings of either "limited" or "no" assurance. There were seven audits categorised as limited assurance, seven Schools Financial Value Standard reviews that were given limited assurance and there were no audits that were given a "no assurance" rating.

- To reach my overall opinion, I have also considered the findings of those audits at draft report stage.

  Note: Those audits at draft report stage, do not take into account management responses on recommendations made. However, they will have been agreed with the auditee at a closing meeting.

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- The degree to which recommended actions have been implemented to address our concerns over risk and control weaknesses within the Council. It should however be noted that there has been a considerable increase in the number of risk accepted recommendations during this year, which is an indication of a change in risk appetite and tolerance at the Council.

- Although some audits were not deemed as "assurance audits" (i.e. investigation work, consultancy and advice work) they have highlighted issues around governance, risk and control that generally require either remedial or mitigation actions. This work is included in my assessment of the governance, risk and control framework.

- I am also able to take assurance around specific governance, risk and control issues from a number of sources:

  o reports that are presented to the Audit and Governance Committee, as well as items that are considered by Cabinet, the various Scrutiny Committees and the Regulatory Committees.

  o Internal Audit attendance at various Council Boards/Groups

  o External sources e.g. the Ofsted focused visit on the quality and impact of Child Protection and Child in Need Plans undertaken in October 2023

The audit plan at Derby City Council is a quarterly rolling plan. My annual opinion is based on audit work completed in the 12 months from 1 April 2023 to 31 March 2024. The outcomes of this work are contained in my Annual Internal Audit Report for 2023/24, which starts on page 9 of this document.

My opinion is provided with the following caveats:

- The opinion does not imply that Internal Audit has reviewed all risks, controls and governance arrangements relating to the Council. The opinion is substantially derived from the conduct of risk-based audit work and as such, it is only one component that is taken into account when producing the Council's Annual Governance Statement.

- No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.

- Full implementation of all agreed actions is essential if the benefits of the control improvements detailed in each individual audit report are to be realised.

Overall, management is making adequate progress with the implementation of required actions to address the risks and weaknesses that Internal Audit has identified during 2023/24. However, there are still areas where implementation of agreed actions is not being progressed satisfactorily, or insufficient evidence is available to demonstrate the recommendation has been implemented. Such instances are raised with Senior Management as part of our quarterly review of the progress being made on the implementation of recommendations. The progress reports to Audit and Governance Committee have identified areas of concern around lack of progress and where appropriate, the Committee has invited the responsible manager to attend Committee to provide an update and explanation for the lack of progress.

There are also still isolated instances of non-response to draft internal audit reports. Again, these are raised with the Committee and the responsible manager is invited to attend Committee to explain their non-compliance with process. The escalation process is now being more tightly enforced.

In 2023/24, I have also seen an increase in the level of non-engagement with Internal Audit which has led to audit reviews not progressing in a timely manner.

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Audit Coverage

Assurances Provided

Chart 1 and Table 1 below seek to summarise the assurances provided from the audit coverage provided to Derby City Council during 2023-24. These assurance ratings inform my Internal Audit Annual Opinion.

Chart 1 – Overall Assurance Ratings – 2023-24
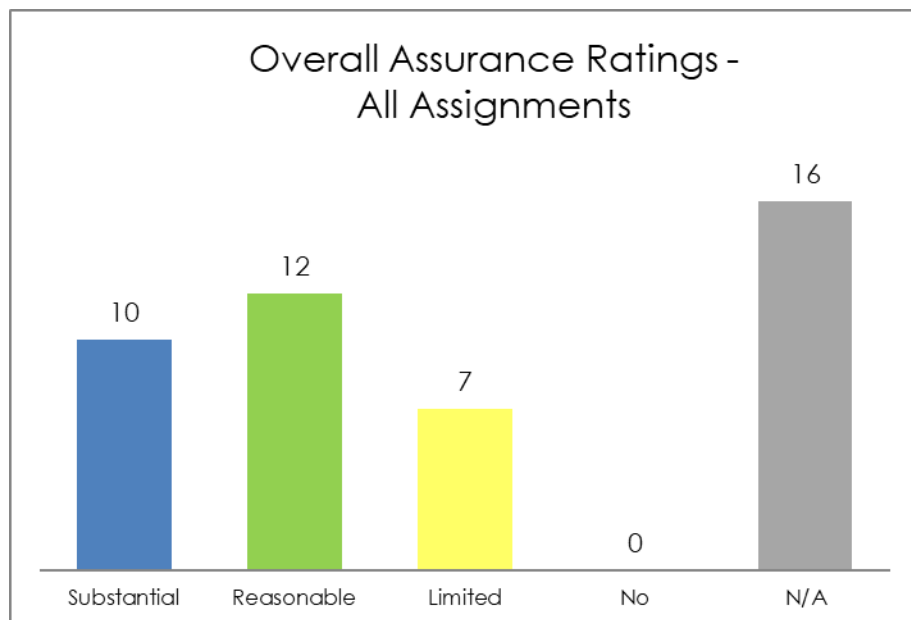
Note: Chart 1 does not include Schools Financial Value Standard reviews.

Table 1 – Assurances Provided by Type of Audit Review

Type of Review	Assurances Provided						
	Substantial	Reasonable	Limited	No	N/A	Not Complete	Totals
Key Financial System	3				2	3	8
System/Risk	5	9	7		2	12	35
Governance/Ethics		1				1	2
IT Audit					2		2
Anti-Fraud					4	1	5
Client Support Work	1				6	1	8
Procurement/Contract	1	2				3	6
Totals	**10**	**12**	**7**		**16**	**21**	**66**
Schools		3	7		1	1	12
Totals	**10**	**15**	**14**		**17**	**22**	**78**

Note: The Schools line consists of 9 individual school visits to carry out a review of compliance with the Schools Financial Value Standard and the 2022/23 Assessment Report (Reasonable Assurance). The not complete review is the 2023/24 Assessment Report.

Assurance Ratings Explained

Substantial - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

N/A – The type of work undertaken did not allow us to reach a conclusion on the adequacy of the overall level of internal control.

These assurance ratings are determined using our bespoke modelling technique which takes into account the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks.

Key Areas of Audit Work in 2023/24

Key Financial System audits

An important area of Internal Audit's assurance work is the review of the risks and controls associated with the Council's main financial systems. The main areas of work were around the key financial controls, the new financial management system, the use of Procurement Cards, grant certification work, as well as some consultancy work. We were able to provide substantial assurance for those areas reviewed.

Grant Certification:

The Audit Team carries out grant certification work each year to enable the Chief Executive to certify that funding received for grants has been used in line with the conditions attached to the grants. In 2023/24 we looked at six grants. This work has resulted in the identification of one weakness - We raised an audit memo for the Multiply audit because of difficulties in reconciling the required statement to the ledger. We have audited Multiply again in 24/25 (for the 23/24 allocation) and we can report that they have implemented our recommendation and all transactions were coded to a single cost centre.

Although 2023/24 saw a continued improvement regarding the timeliness of the involvement of Audit in the grant certification process there were still occasions when notification was received a matter of days before the deadline for the return of the certificate signed by the Chief Executive and the Chief Internal Auditor. This

continues to create difficulties with completing the review and providing the necessary signatures.

New Financial Management System:

During 2023/24, we continued our review of the new CIA system implemented on 1st April 2023 through attendance at the Project Board meetings. The meetings were very constructive and addressed all issues we would have expect to be considered. We also concluded our work the data migration process to the new financial system. We were able to provide substantial assurance on the data migration process. We did make one low risk recommendation around the fact that there was no single document to provide evidence of what data was transferred from Oracle to CIA, when, by who, what testing was carried out and who verified and signed off on the process. Management have noted this for all future projects involving the need to migrate data to a new system.

System/Risk audits

These audits were our main area of focus in the year and concentrated on the internal control systems developed by management to mitigate operational risks and to report upon the adequacy of those controls. These audit reviews are mainly departmental systems but can include corporate systems. Overall, we were able to provide substantial/reasonable assurance for 14 of the reviews but were only able to provide Limited assurance for seven others. These were:

- Management of Schools Exclusions

  Management have chosen to risk accept seven of the 11 recommendations made.

- Residential Care

  Two significant recommendations were made around the lack of timeliness of invoicing and that there was no outstanding debt report produced or received by the Residential Care team due to financial system limitations. This meant the level of current debt for Residential Care was not known.

- Payment Card Industry (PCI) Compliance

  The audit found that there were still areas of non-compliance with the Standard. Weaknesses in the governance and accountability processes had been identified previously. In May 2018 a review of PCI proposed a series of recommendations to achieve full PCI Data Security Standard (DSS) compliance. The Council has not moved forward in implementing all of the recommendations. Non-compliance can lead to additional charges or the withdrawing of the ability to accept card payments. Accountancy have estimated that currently, due to non-compliance, the additional charges being incurred each month are between £800 and £1200.

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- Compliance with Statutory Functions (Assets & Engineering)

  The audit found a number of weaknesses in the arrangements in place for inspection of highway structures and the recording of highway structure asset and inspection information, which impacted on the Council's progress with implementing the 'Well-Managed Highway Infrastructure Code of Practice 2016'.

- Highways Maintenance

  The key weaknesses found were that a significant amount of planned works were being managed outside of the Confirm highways management system and that a significant proportion of defects raised were not being repaired within the target timescales set and this performance data was not being monitored by management.

- Building Consultancy

  The audit found weaknesses in the governance arrangements in that fees were not being published in compliance with the Building (Local Authority Charges) Regulations 2010 and the Data Sharing Agreement did not make it clear what information is held or what precisely it would be used for.

- Climate Change

  Weaknesses were found in the governance framework, particularly with regard to policies, strategies and structures in place to enable an effective response to climate change. The Climate Change Action Plan and the goal of net zero by 2035, was highly reliant on the expertise, monitoring and coordination of two Climate Change Officers, but with no long-term contingency and succession arrangements in place.

Governance/Ethics audits

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled. Internal Audit reviews specific areas of the governance framework each year. In 2023/24 we focused our attention on an audit of the Management of Information in a Remote Environment. The review focused on the information security measures already in place at the Council, along with those introduced in response to the shift towards remote working, ensuring that they provide the same level of security as those used to secure physical files in the Council House. It also looked to ensure that adequate cyber security training and best practices were in place to ensure data was kept safe by all staff, whether they were working from home, through a remote desktop connection or using Council based applications. The review gave a reasonable assurance rating due to some partial weaknesses in access controls.

IT Audits

One key area of work each year is our IT audit coverage. This work is important as it provides assurance around the Council's mitigating actions to reduce the threat of

cyber-attacks and keep data secure. It also provides assurance on the mitigation of risk within IT developments /projects. We have continued our practice of notifying IT Management of any data security issues as they arise rather than delaying until the formal reporting stage. This has added value to the audit process in that potential data security issues can be mitigated in a timely manner. We then follow the mitigations through to the implementation stage. We have noted improvements in data security, but we are still identifying oversights that could lead to a data breach or privacy violations.

Procurement/Contract

Internal Audit continues to be actively involved in working to strengthen contract management and contract monitoring throughout the Council In 2023/24 we reported on three contracts:

- D2N2 Children's Homes Contract

- Revenue Collection Contract (Lot 2 - Parking)

- Street Lighting PFI

One review was rated as "Substantial Assurance", the other two were given a "Reasonable Assurance" rating.

Anti-Fraud or investigation type work

Internal Audit has an important role to play in ensuring that management has effective systems in place to manage the risk of fraud within the Council. Internal audit's role includes promoting counter-fraud best practice, testing and monitoring systems through probity work and advising on change where it is needed. Internal Audit also may be involved in the investigation of suspected internal fraud, theft or major irregularity (where there is some form of alleged financial irregularity, which may have resulted in financial loss to the Council). Internal Audit works closely with the Council's Counter Fraud team.

In 2023/24, we were involved in the following investigation work either leading on or providing a supporting role:

- Whistleblowing - Learning, Inclusion and Skills.

- Allestree Hall & Golf Course.

- Trading Standards – Use of RIPA.

- Highways Maintenance.

Our audit and investigation work also provides me with evidence on the effectiveness of Council's Counter Fraud and Corruption Framework.

Client Support type work

On an ad-hoc basis, Internal Audit is called upon to provide risk and control advice on issues throughout the Council where risk and control systems and processes are embryonic or not yet mature. This work varies in type but does still feed into the overall assurance opinion. In 2023/24, we were involved in the following areas:

- Adult Social Care Quality Assurance (QA) Audits

- Adult Social Care QA - Safeguarding

- Adult Social Care QA - Mental Health

- Adult Social Care Transformation

- Risk Management - Assurance Mapping

- Insurance - Claims Handling

- Trading Standards Complaint and Review of Statements

Schools Financial Value Standard – SFVS

Each year Internal Audit carries out work to provide the Chief Financial Officer with assurance around the Schools Financial Value Standard (SFVS) to enable her to certify the annual return to the Department for Education. We visit a proportion of LEA schools each year to perform an independent assessment of their performance against the Standard. In 2023-24 we undertook detailed reviews at nine of the 36 schools. The remaining schools provide Internal Audit with a self-assessment return, the results of which are incorporated into an SFVS Annual Report. For the nine schools that Internal Audit reviewed, two attracted a Reasonable rating and seven attracted a Limited rating.

We made a total of 107 recommendations across the nine school audits; 75 of these were considered to present a low risk; 15 were considered to present a moderate risk; with the remaining 17 presenting a significant risk; there were no critical risk recommendations made. Two of the significant risk recommendations have been implemented. Table 2 shows the breakdown of recommendations and the status of implementation. Table 3 shows the breakdown of those recommendations not implemented at the year-end by the agreed target date by school type.

Table 2 – Recommendations made at Schools

	Implemented	Being Implemented	Risk Accepted	Superseded	Action Due	Future Action	Total
Low Risk	3	1	0	0	31	40	**75**
Moderate Risk	0	0	0	0	3	12	**15**
Significant Risk	0	0	0	0	2	15	**17**
Critical Risk	0	0	0	0	0	0	**0**
	3	**1**	**0**	**0**	**36**	**67**	**107**

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Table 3 - Recommendations due that have not yet implemented by School type

Recommendations Not Yet Implemented	Nursery	Primary	Secondary	Chequebook	Special	TOTALS
Being Implemented	0	1	0	0	0	**1**
Implemented	0	3	0	0	0	**3**
Action Due	4	32	0	0	0	**36**
Future Action	10	59	0	0	0	**69**
	14	**95**	**0**	**0**	**0**	**109**

Although the audits were completed by the end of Quarter 4, the SFVS Assurance Statement was not finalised until late April 2024. It is then sent to the Chief Financial Officer to enable them to sign off the Mandatory SFVS Return by 24th May this year. The SFVS Annual Report for 2023/24 will therefore be treated as a brought forward audit in 2024/25.

Audit Plan Assignments 2023-24

Table 4 below summarises the 2023-24 Audit Plan assignments and their outcomes (where completed) and includes those assignments from the 2022-23 Audit Plan which were still ongoing in 2023-24.

Table 4: Individual Audit Assignments Completed in 2023/24

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Grant Certification 2023/24	N/A					n/a
DCC New FMS 2023-24	N/A					n/a
FMS Data Migration 2022-23	Substantial				1	100%
Procurement Cards 2022-23	Substantial				1	
Key Financial Controls 2022-23	Substantial				4	100%
People Services - Establishment Reviews - Perth House	Substantial			1	2	67%
People Services - Establishment Reviews - Bonsall View	Reasonable			2	3	80%
Management of Schools Exclusions	Limited			5	6	64%
Safeguarding - The Role of the Local Authority Designated Officer (LADO)	Reasonable			4	1	40%
People Services - Establishment Reviews - Children & Young People	Reasonable			3	6	22%
Residential Care 2023-24	Limited	2	2	4		13%
Home to School Transport 2023-24	Reasonable			3	7	30%
Element 3 Funding	Reasonable			1	2	67%
Youth Justice Service	N/A			1		100%
PMO - Development Group 2023-24	N/A					n/a
Fire Safety Compliance Management	Reasonable			1	2	
Cash Handling 2022-23	Reasonable			1	4	100%
PCI Compliance 2022-23	Limited			5	4	11%
Health & Safety 2021-22	Substantial				1	100%
Trading Standards 2023-24	Substantial				2	50%

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Audit	Assurance					%
Compliance with Statutory Functions (Assets & Engineering)	Limited				3	10	
Highways Maintenance	Limited				4	7	
Building Consultancy	Limited				4	6	10%
Climate Change 2022-23	Limited				5	8	8%
Grounds Maintenance 2022-23	Reasonable				1	2	
General Licensing 2022-23	Substantial					1	
Street Cleansing 2022-23	Substantial					3	100%
Right to Buy 2022-23	Reasonable				2	3	60%
Management of Information in a Remote Environment	Reasonable				2	1	
IT Key Controls 2023-24	N/A				4	4	13%
Leavers Data Matching 2023-24	N/A				2	1	100%
Whistleblowing - Learning, Inclusion and Skills	N/A						n/a
Allestree Hall & Golf Course - Investigation	N/A				2	2	75%
Trading Standards Complaint - RIPA Logs	N/A						n/a
Counter Fraud and Corruption Framework	N/A						n/a
D2N2 Children's Homes Contract	Reasonable				3	3	33%
Revenue Collection Contract (Lot 2 - Parking)	Substantial					3	100%
Street Lighting PFI 2022-23	Reasonable				1	5	100%
Adult Social Care Quality Assurance Audits	N/A						n/a
Adult Social Care QA - Safeguarding	N/A						n/a
Adult Social Care QA - Mental Health	N/A						n/a
Adult Social Care Transformation 2023-24	N/A						n/a
Insurance - Claims Handling	Substantial					2	
Trading Standards Complaint	N/A						n/a
Trading Standards Complaint - Review of Statements	N/A						n/a
Redwood Primary School - Imprest Account	N/A						n/a
TOTALS					**2**	**62**	**111**	**36%**

Note: Excludes individual school SFVS audits

Table 5 below shows the status and percentage completion of 2023/24 audits which were still on-going at 31st March 2024.

Table 5: Audit Assignments not completed by 31st March 2024

2023-24 Jobs not completed at 31/3/24	Status at 31/3/24	% Complete
People Services		
Funding Arrangements for Care	Allocated	0%
Schools Attendance	Fieldwork in Progress	75%
Corporate Resources		
Risk Management - Assurance Mapping	Allocated	25%
Attendance Management - 2023-24	Allocated	10%
Partnership Governance 2023-24	Allocated	10%
IR35	Draft Report	95%
Appointeeships - Virtual Accounts	Draft Report	95%
Debt Management Consultancy	In Progress	75%
Key Financial Risks 2023-24	Fieldwork in Progress	20%
Asset Management 2023-24	Allocated	5%
Records Management 2023-24	Fieldwork Complete	80%

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|		
Customer Complaints and Enquiries Process	Fieldwork in Progress	70%
Security of Corporate Buildings	Fieldwork in Progress	45%
Communities & Place		
Pest Control 2023-24	Fieldwork in Progress	65%
Waste Management 2023-24	Fieldwork in Progress	65%
Stewardship of Council Vehicles /Fleet Management	Fieldwork in Progress	40%
Market Hall Project - Phase 2	Draft Report	95%
Eastern Gateway - FHSF	Fieldwork in Progress	15%
Moorways Sports Village	Fieldwork in Progress	20%
Highways Maintenance - Investigation	In Progress	30%
Schools		
Schools SFVS Annual Report 2023/24	Being Drafted	50%

For those audits at draft report stage, I have reviewed the findings and taken these into account in my overall opinion. There is one audit rated as "Reasonable Assurance" and two that are rated as "Limited Assurance".

There was one audit, Transparency Code, brought forward from 2022/23 that was still not completed by 31 March 2024. The draft report was issued in November 2022 and was rated as "Limited Assurance". Senior management are still considering what is the best option going forward to address the key issue around ownership and overall co-ordination of the process.

B/Fwd Jobs from 2022/23	Status	% Complete
Chief Executive's		
Transparency Code	Draft Report Issued	95%

Internal Controls Examined

For those audits finalised during 2023-24, we established the following information about the controls examined:
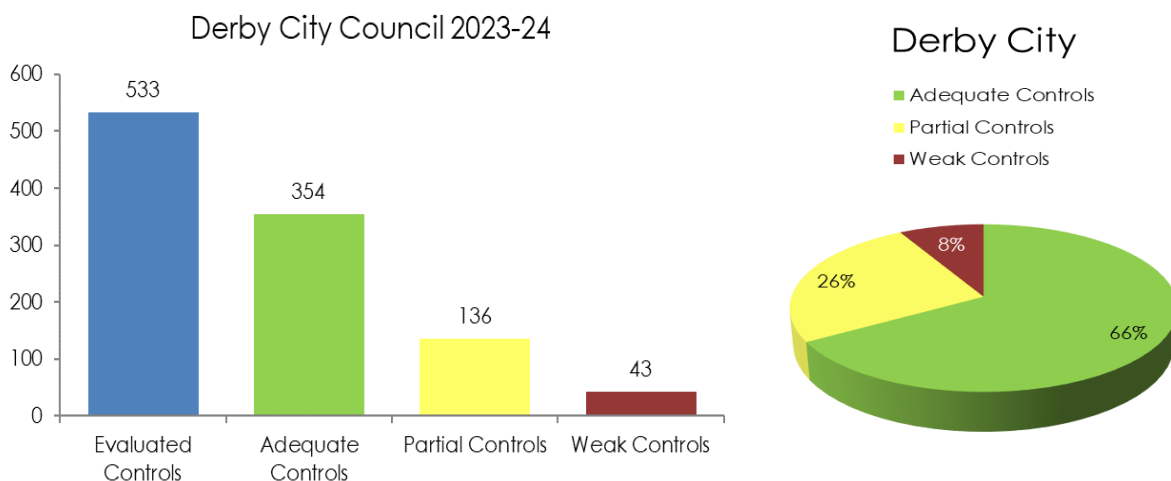
Recommendations Made

The control weaknesses identified above resulted in 175 recommendations which suggested actions for control improvements. Table 6 below and the accompanying

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charts show where the recommendations came from, how the recommendations were risk rated and the current status of all recommendations made in 2023-24:

Table 6: Recommendation status for the Audit Assignments Completed in 2023/24

Audit Assignments Completed in Period	Type of Review	Recommendations Status			
		Total Closed	Action Due	Being Implemented	Future Action
FMS Data Migration 2022-23	Key Financial System	1			
Procurement Cards 2022-23	Key Financial System			1	
Key Financial Controls 2022-23	Key Financial System	4			
People Services - Establishment Reviews - Perth House	System/Risk	2	1		
People Services - Establishment Reviews - Bonsall View	System/Risk	4	1		
Management of Schools Exclusions	System/Risk	7	4		
Safeguarding - The Role of the Local Authority Designated Officer (LADO)	System/Risk	2		2	1
People Services - Establishment Reviews - Children & Young People	System/Risk	2	7		
Residential Care 2023-24	System/Risk	1			7
Home to School Transport 2023-24	System/Risk	3		1	6
Element 3 Funding	System/Risk	2		1	
Youth Justice Service	System/Risk	1			
Fire Safety Compliance Management	System/Risk		3		
Cash Handling 2022-23	System/Risk	5			
PCI Compliance 2022-23	System/Risk	1		8	
Health & Safety 2021-22	System/Risk	1			
Trading Standards 2023-24	System/Risk	1	1		
Compliance with Statutory Functions (Assets & Engineering)	System/Risk		7		6
Highways Maintenance	System/Risk		7		4
Building Consultancy	System/Risk	1	9		
Climate Change 2022-23	System/Risk	1	3	1	8
Grounds Maintenance 2022-23	System/Risk		2		1
General Licensing 2022-23	System/Risk		1		
Street Cleansing 2022-23	System/Risk	3			
Right to Buy 2022-23	System/Risk	3	1	1	
Management of Information in a Remote Environment	Governance/Ethics			2	1
IT Key Controls 2023-24	IT Audit	1		2	5
Leavers Data Matching 2023-24	IT Audit	3			
Allestree Hall & Golf Course - Investigation	Anti-Fraud	3			1
D2N2 Children's Homes Contract	Procurement/Contract	2		4	
Revenue Collection Contract (Lot 2 - Parking)	Procurement/Contract	3			
Street Lighting PFI 2022-23	Procurement/Contract	6			
Insurance - Claims Handling	Client Support Work		1		1
TOTALS		**63**	**48**	**23**	**41**

Note: Above table excludes individual school audits

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Derby City Council - Recommendations Summary

Excluding SFVS audits, of the 175 recommendations made during 2023-24, 63.4% of all recommendations were considered to present a low risk, with 35.4% presenting a moderate risk. There were two significant risk recommendations made which equates to 1.2% of all recommendations.

Recommendations Made 2023-24

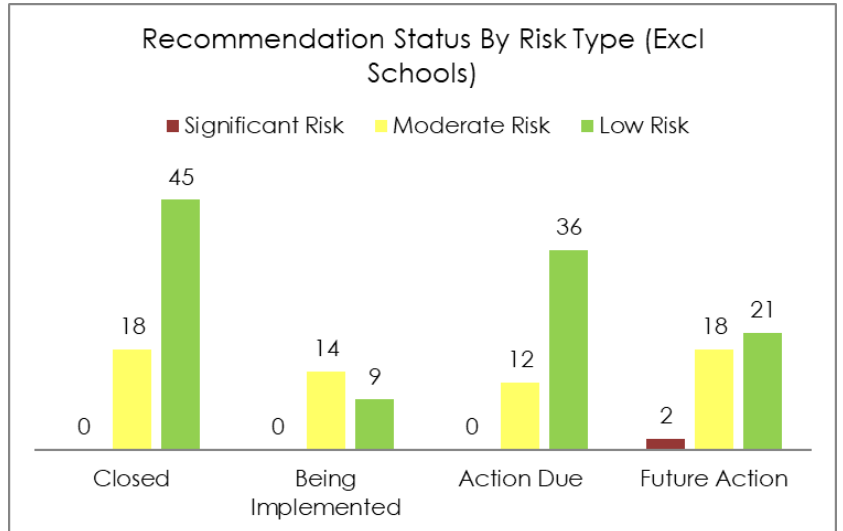| Risk Category	Count
Significant Risk	2
Moderate Risk	62
Low Risk	111
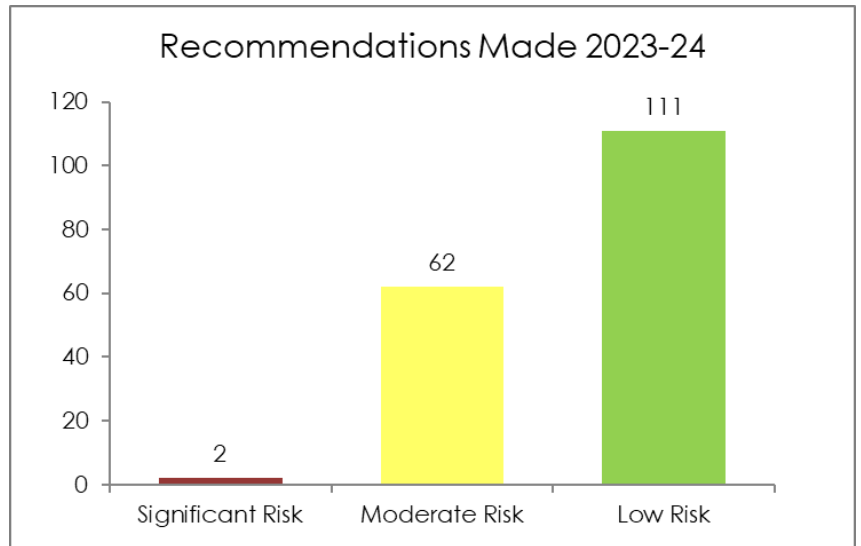
Of the 175 recommendations made, 36% have been closed, 13.2% have passed their original action date and a revised target has been set (Being Implemented), 27.4% have passed their original action date but we have not yet received information regarding the status of management's action. The remaining 23.4% have an agreed original action date set in the future. The percentage of recommendations made in the year that have been closed is considerably lower than in 2022/23 (47.1%).

Recommendation Status - All Assignments

Status	Count
Closed	63
Being Implemented	23
Action Due	48
Future Action	41

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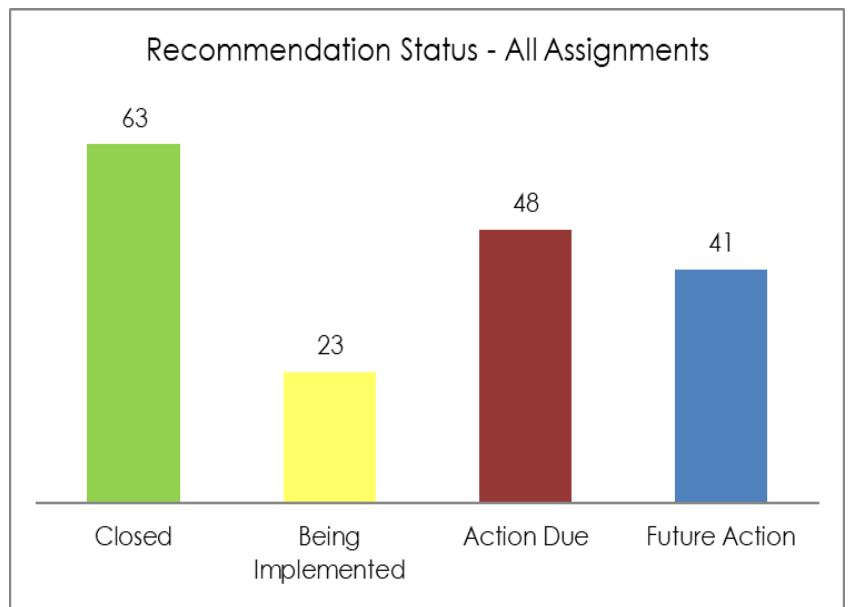
71% of the Moderate Risk recommendations and 59.5% of the low risk recommendations are still to be implemented. We will continue to monitor all recommendations not yet addressed and where appropriate, we will bring those risk recommendations that remain outstanding to the attention of the Audit & Governance Committee throughout the coming year.

Recommendation Status By Risk Type (Excl Schools)

Legend: ■ Significant Risk ■ Moderate Risk ■ Low Risk

Status	Significant Risk	Moderate Risk	Low Risk
Closed	0	18	45
Being Implemented	0	14	9
Action Due	0	12	36
Future Action	2	18	21

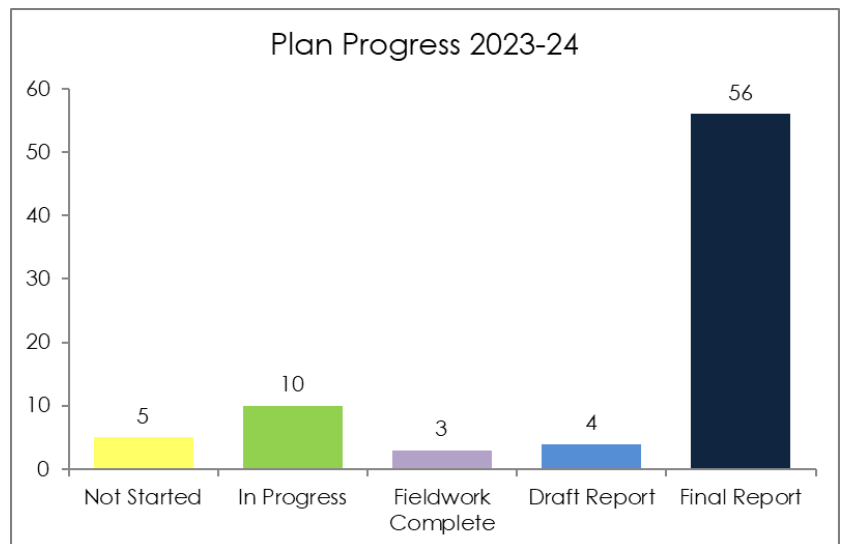# Derby City Council – Internal Audit Annual Report 2023-24

Performance Measures

During 2023/24, eight customer satisfaction surveys have been returned. The survey contains 11 questions regarding the audit service provided and asks managers to score each on a scale of 1-5 (1=Very Poor, 2=Poor, =Fair, 4=Good, 5=Excellent). The overall average score out of a maximum of 55 was 53 for 2023/24 compared to 49.5 in 2022/23.

Customer Satisfaction Returns 2023-24

Category	Value
Excellent	8
Good	0
Fair	0
Poor	0
Very Poor	0

By the end of the 2023-24 financial year we had completed 88.8% of our planned internal audit work. Our benchmark percentage is 90%. There were five audits that we had planned to start that were not started at 31st March 2024:

- Funding Arrangements for Care
- Risk Management - Assurance Mapping
- Attendance Management - 2023-24
- Partnership Governance 2023-24
- Asset Management 2023-24

Plan Progress 2023-24

Category	Value
Not Started	5
In Progress	10
Fieldwork Complete	3
Draft Report	4
Final Report	56

CMAP central midlands audit partnership

QAIP – Improvement Plan

One of the outcomes of the CMAP Quality Assurance and Improvement Programme is that it enables an assessment of the efficiency and effectiveness of the Internal Audit activity and identifies opportunities for improvement.

The CMAP Leadership team revise the QAIP on an annual basis, with regular reviews of the progress on actions throughout the year. The QAIP is a standing item on all CMAP team meeting agendas, on the Operational Group meeting agendas and is reported to Partner Audit Committees on a regular basis. The Improvement Plan that was in place during 2023/24 is shown below.

Actions	Current Position
1. We should ask staff to complete a Personal Development Plan as part of our overall Training & Development Plan for the Team.	Currently we only have individual development plans. We are looking at how best to convert this into a CMAP Training & Development Plan. No progress due to other higher priorities.
2. We should formally develop our approach around the use of data analytics and other CAATs and identify the benefits it could bring to the audit processes.	Strategy for the use of data analytics within CMAP needs to be produced.
3. We should continue to develop the process for incorporating other assurance information into our overall risk assessment process and our overall opinion and how the other assurance provider information we gather can be used to demonstrate an audit assurance framework for each partner organisation. We also need to get all Partners interested in producing their own Assurance Maps.	This approach may need to vary for each partner. All are at different stages in relation to what they are doing on assurance mapping and what CMAP can use in its process. A consultancy piece of work on assurance mapping has been assigned at Derby CC but is on hold due to lack of engagement.
4. To support the improvement of the organisation's governance framework, we should undertake consultancy work to facilitate the self-assessment of the effectiveness of the Audit Committee at all partner organisations. This will be particularly important given the proposed changes to the composition of Audit Committees with the addition of co-opted/ independent members.	Support is currently provided at four partners to help them assess the effectiveness of their audit committees.
5. We should consider how we could systematically evaluate the potential for the occurrence of fraud at each partner organisation and how each organisation manages fraud risk.	No progress made on a formalised approach. However, other work and audit work informs our knowledge on this.
6. To review all CMAP reports that are to be published to assess compliance with the	We will progress with this once we have implemented the new Audit Management

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Actions	Current Position
Web Content Accessibility Guidelines (WCAG).	System and assessed the reporting templates that are available.
7. To implement the new Audit Management System ready for go live on 1st April 2024. Further development will be required throughout 2024/25.	The system is now live, although there are still developments required e.g. report templates. The original Audit Management System is still in use for those audits that commenced in 2023/24 and also parallel running for time recording until the report templates are finalised. 2024/25 audits will use the new system.

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