AUDIT & GOVERNANCE COMMITTEE
12th June 2024

Report sponsor: Director of Finance & s151
Officer
Report author: Head of Internal Audit

ITEM 09

Internal Audit Plan 2024/25 - Quarter 2

Purpose

1.1   To outline to the Committee the proposals for internal audit work in Quarter 2 of 2024/25 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 remaining two quarters of 2024/25 and the first quarter of 2025/26. 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 2 of 2024/25 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 2024/25 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 2024/25

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 2 and potential areas for Quarters 3 and 4 in 2024/25 and Quarter 1 of 2025/26, the Head of Internal Audit has:
- Reviewed internal audit's work in 2023/24 and work to date in 2024/25
- Revisited the Council's Risk Registers and emerging risk log.
- Reviewed those areas highlighted in the previous Internal Audit Plan report as potential areas for audit work for Quarters 2,3 and 4 of 2024/25.
- Examined which of those areas scheduled for future audit are key to the overall assurance opinion for 2024/25.
- Discussed key departmental issues/risk areas with individual Service Directors
- 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 2 and also identifies potential areas for audit coverage for the remaining two quarters of 2024/25 and the first quqrter of 2025/26 of the rolling 12 month plan. 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   Following the reduction by the Council in the annual contribution it pays to CMAP, audit coverage is now approximately 16% less than it received in 2022/23 and prior years. The overall level of internal audit coverage in 2024/25 will be similar to that in 2023/24 (see also para 7.1)

4.12   CMAP's new Audit Management System went live in April 2024. This will still require time to be spent outside of normal internal audit work on the embedding of the system into day to day internal audit practices.

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 2024/25 will be £486,236 (2023/24 was £467,534). The estimated number of days required to deliver the plan across the financial year is 1,230 which is similar to the number of days required in 2023/24.

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 The introduction of new systems and competing priorities within specific teams has impacted on the scheduling of internal audits that have been idenfied 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	Alison Parkin, Director of Finance & s151 Officer	29th May 2024
Other(s)		

Background papers:	27th March 2024 – Item 14 - Internal audit plan 2024/25 – Qtr 1
List of appendices:	Appendix 1 - Internal audit plan 2024/25 – Qtr 2

Appendix 1 - Internal Audit Plan Quarter 2 - 2024/25

Audit Plan Assignments	Risk Register	Council Plan	Audit Needs Assessment	Third Party Request	Assurance/Reason for audit
Chief Executive's Directorate – Quarter 2					
CIA - 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 embeddeding of the processes.
Assurance & Development Group (Qtr 1 thro to Qtr 4)	CP17	✓		✓	To support the effective operation of the Project Management Office (PMO) and PMO Board, through regular attendance of the Assurance and Development Group, for which representation from Internal Audit has been requested, as part of the Council's Business Partnering approach. The purpose of the PMO is to make sure that projects in a complex environment run as smoothly as possible, in line with agreed standards, to achieve better outcomes for the city.
Artificial Intelligence (Qtr 1 thro to Qtr 4)			✓	✓	To provide consultancy/assurance over the implementation of new artificial intelligence systems being introduced at the Council. Internal Audit will also have representation on the AI Compliance Group and the AI Income Management Workstream.
MTFP				✓	The Audit and Governance Committee requested that Internal Audit provide it with a piece of work that provides assurance on how the MTFP is put together and presented.

Audit Plan Assignments	Risk Register	Council Plan	Audit Needs Assessment	Third Party Request	Assurance/Reason for audit
					was added to the Internal Audit Plan
Equality Diversity and Inclusion (EDI) Plan – Delivery of Actions			✓		To provide assurance on the progress with delivery of the actions to support the five equality objectives.
Place Directorate – Quarter 2					
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.
Planning & Development Control		✓		✓	To provide assurance that planning enforcement activities are being adequately documented and operating effectively and efficiently, with suitable controls to ensure appropriate enforcement action is taken, where necessary, for risks to be appropriately managed.
Emergency Planning			✓		To establish whether the Emergency Planning provision(s) in place fulfil the duties and responsibilities laid on the Council by legislation and to assess the suitability of these arrangements.
People Services – Quarter 2					
Adult Social Care Transformation (Qtr 1 to 4)				✓	To continue work commenced during 2022-23 and progressed during 2023-24, consulting and advising on the Council's approach to Adult Social Care transformation.
Schools Contingency (Qtr 1 to 4)			✓		Schools Financial Value Standard Audits.

Audit Plan Assignments	Risk Register	Council Plan	Audit Needs Assessment	Third Party Request	Assurance/Reason for audit
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.
Cross Cutting Services (All the work will be spread across the year)					
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.
Fraud Contingency (Q1to Q4 work)			✓		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.

Audit Plan Assignments	Risk Register	Council Plan	Audit Needs Assessment	Third Party Request	Assurance/Reason for audit
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.
Indicative Audit Work – Quarters 3 and 4 (2024/25)					
Key Financial Risks (2024/25)			✓		To provide assurance on the Council's mitigation of risks within its financial systems.
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 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.

Audit Plan Assignments	Risk Register	Council Plan	Audit Needs Assessment	Third Party Request	Assurance/Reason for audit
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.
Commercialism			✓		To provide assurance on the Council's commercialism programme including the effectiveness of its "ten commercial principles".
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.
Project Delivery	SR6/ CR19	✓			To provide assurance over the Councils management 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.
Bus Station			✓		To undertake a review of the Bus Station policies and procedures to ensure that controls over security, cash collections, controlled stationery and staff are adequate and robust.
Allestree Park		✓		✓	To provide assurance that the Council has proper oversight over the Derbyshire Wildlife Trust's (DWT) management of the Allestree Park site. It was noted at the Audit & Governance Committee that a terms of reference to formalise arrangements between the Council and the DWT had been developed and implemented, and that a project board was now also in place. The committee

Audit Plan Assignments	Risk Register	Council Plan	Audit Needs Assessment	Third Party Request	Assurance/Reason for audit
					requested that this be included in the indicative audit plan for a future review.
Joint Agency Funding			✓		To provide assurance on the efficient and effective use of joint agency funding.
Adults Safeguarding			✓	✓	To review safeguarding processes within Adult Social Care to ensure cases are properly managed, responded to on a timely basis, and are adequately monitored. The audit will cover both the Multi-Agency Safeguarding Hub (MASH) and Deprivation of Liberty Safeguards (DOLS).
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.
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.
Youth Justice Service				✓	To continue with work undertaken to date, to review the Council's arrangements for Youth Offending Services with a view to assisting with preparations for the next HMIP inspection.
Section 117 (Mental Health Act)			✓	✓	To consider the revised s117 Policy, ensuring that the responsibilities of the Council and its partner organisations have been adequately defined and are being delivered upon.
Parking Services Note: Management has requested that audit takes place in late 2024/25 due to other pressures.			✓	✓	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.

Audit Plan Assignments	Risk Register	Council Plan	Audit Needs Assessment	Third Party Request	Assurance/Reason for audit
Blue Badges Note: Management has requested that audit takes place in late 2024/25 due to other pressures.			✓	✓	Following the transfer of the blue badge service to Parking Servies, this review will look at the new processes introduced and to provide assurance that good governance has been retained.