Derby City Council

Report sponsor: Director of Financial Services
Report author: Head of Internal Audit

Internal Audit Plan 2023/24 - Quarter 1

Purpose

1.1 To outline to the Committee the proposals for internal audit work in Quarter 1 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 Quarters 2 to 4 of 2023/24. 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 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 1 and potential areas for the other quarterly internal audit plans in 2023/24, the Head of Internal Audit has:
        • Reviewed internal audit's work in 2022/23.
        • 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 1 of 2023/24.
        • 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 1 and also identifies potential areas for audit coverage for the next three quarters (Quarters 2 to 4 in 2023/24) of the rolling 12 month plan. Given the current economic climate the 2023/24 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 number of days it purchases from CMAP by 10%, which equates to a reduction of 145 audit days. This has led to a £53,000 reduction in the 2023/24 contribution that it makes to CMAP. Additionally, the Council has sought to reduced the level of its annual contribution to CMAP by a further £30,000. This is equivalent to another 82 audit days. This reduction in annual contribution will mean that the Council will receive an estimated 1,218 audit days in 2023/24, compared to 1445 audit days in 2022/23. The audit days are still higher than the 1,168 audit days the Council was purchasing in 2015/16, when its External Auditor expressed their opinion that this was an insufficient level.

4.12   Overall this is a 15.7% reduction in internal audit. This will impact on the breadth of coverage required to provide the annual audit opinion. It will also mean that there is no resource available for any audit investigations requested by Derby, without having to reduce the planned programme of audit work, further decreasing the coverage for the annual audit opinion.

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

Socio-Economic implications

10.1   None arising directly from this report

Other significant implications

11.1   None

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 Financial Services	13th March 2023
Other(s)		

Background papers:	Internal Audit Plan Qtr 4 – Item 9, Audit and Governance Committee, 30th November 2022
List of appendices:	Appendix 1 - Internal audit plan 2023/24 – Qtr 1

Appendix 1 - Internal Audit Plan 2023/24

Audit Plan Assignments	Risk Register	Council Plan	Audit Needs Assessment	Third Party Request	Assurance/Reason for audit
Chief Executive's Directorate – Quarter 1					
New Financial Management System (Qtr 1 thro to Qtr 4)		✓		✓	To provide assurance on how the system is embedded into Council practices.
Insurance - Claims Handling				✓	Consultancy work to assess the proposed processes/procedures.
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.
Records Management	SR8 / CR7		✓		To provide assurance on how the Council is complying with best practice in the retention/disposal of data/information.
Customer Complaints and Enquiries Process			✓		Review of compliance with the Council's complaints and enquiries process.
National Fraud Initiative	SR31/ CR28			✓	Overseeing the Council's approach to investigating matches highlighted by the NFI exercise.
Absence Monitoring	SR21 / CR22		✓		To review the Council's absence monitoring arrangements and ensure they are being used to effectively manage colleague absences.

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Communities & Place – Quarter 1					
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".
Trading Standards			✓		To review the Council's Trading Standards service arrangements.
Compliance with Statutory Functions (Assets & Engineering)			✓		To review compliance with the statutory functions within the Assets & Engineering section and evaluate any risks with the current approach.
Pest Control			✓		To review the Council's Pest Control service arrangements.
People Services – Quarter 1					
Residential Care	PS25		✓		To review the Council's residential care arrangements with a view to providing assurance regarding the use of residential care to mitigate the risks around demand and complexity of need for adult social care.
Safeguarding – The Role of the Local Authority Designated Officer (LADO)			✓		To provide assurance on the arrangements in place to meet the responsibilities of the LADO and the allegations management process.
Adult Social Care Transformation (Qtr 1 to 4)					To continue work commenced during 2022-23, consulting and advising on the Council's approach to Adult Social Care transformation.
Schools Contingency (Qtr 1 to 4)			✓		School Financial Value Standards Audits.

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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 (Q1to Q4 work)	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.
Risk Management – assurance mapping			✓		Internal Audit input into assurance mapping of principal risks.
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

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					assurance on the adequacy of controls to mitigate those risks identified in the risk registers.
Contract Management Contingency	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.
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 2 to 4 2023/24					
Claims Handling			✓		To provide assurance on the embedding of the In-house Insurance Claims Handling procedures.
Procurement			✓		To provide assurance on the management of procurement risks.
Procurement & Contract Management Platform (PCMP) System	SR7 / CR6			✓	To provide assurance over the system setup and security now that the PCMP has gone live.
Asset Management			✓		To provide assurance on the management of risks in respect of the Council's key assets.
Home to School Transport				✓	The Contract Management Programme Team has flagged this as a potential higher risk contractual area for the Council.
Corporate Project Management			✓		Review of the corporate project approach and the Project Management Office.
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.

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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			✔	Requested by Audit and Governance Committee at its meeting on 5th October 2022.
Schools Attendance	SR27 / PS20		✔		To consider the requirements on the Council from the recent Schools White Paper and Department for Education guidance, with a view to ensuring the Council are adequately supporting the city's Schools with attendance management arrangements.
Management of School Exclusions			✔		To provide assurance assurance on the adequacy and effectiveness of systems in operation, risk management and the overall control environment.
People Services – Establishment Reviews			✔		To provide assurance assurance on the adequacy and effectiveness of systems in operation, risk management and the overall control environment.
Supply Chain Risks			✔		To provide assurance on how the Council mitigates risks within its Supply Chain.
Fire Safety Compliance Management			✔		To provide assurance on compliance with relevant fire safety legislation/guidance for council buildings (excl council housing).
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.
Security of Corporate Buildings			✔		To provide assurance assurance on the adequacy and effectiveness of systems in operation, risk management and the overall control environment.

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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.
Partnership Governance		✓			A new on-going programme of assurance, focussing on partnership governance arrangements for key partnerships
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.
Key Financial Risks (2023/24)			✓		To provide assurance on the Council's mitigation of risks within its financial systems.
Liberty Protection Safeguards	PS23		✓		To consider and advise on the Council's arrangements for transition from Depreviation of Liberty (DoLS) to Liberty Protection Safeguards (LPS), to ensure Adults and CYP service provision and delivery is not negatively impacted.
Mutli-Agency Safeguarding Hub (MASH)			✓	✓	To consider operational processes within the MASH, including referrals, performance monitoring, data gathering and data sharing.
Funding Arrangements for Care			✓		To provide assurance on processes around initial assessments, funding implications and responsibilities when arranging care packages, debt managment, out of area transfers and disputes/disagreement processes.