

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

22 March 2022

Report of the Assistant Director of Finance (Audit)

Annual Internal Audit Plan 2022-23

1. Purpose

- 1.1 To present to Members for consideration and approval the proposed Internal Audit Plan for 2022-23.

2. Information and Analysis

- 2.1. The Audit Services Plan is designed to provide assurance that the significant risks identified as part of the risk assessment process are being managed effectively and, where appropriate, to make recommendations for improvements in overall control, efficiency and effectiveness. As part of this process Audit Services will also examine risk management frameworks, control and governance arrangements.

- 2.2. The Audit Services Plan has been formulated in accordance with the Internal Audit Strategy and Audit Charter previously presented to the Audit Committee. This Plan is informed by our current risk assessment drawn from a wide range of sources including:-

- Council Plan
- Council's strategic risk register
- Departmental risk registers
- Service plans
- Meetings with Corporate Management Team, Executive Directors and Directors including the Head of Paid Service, Section 151 Officer and Monitoring Officer

- Management requests for assistance
 - previous cyclical Audit work, knowledge of systems, controls and follow up
 - Pro-active fraud work
 - External Audit
 - Sector knowledge of emerging risks
- 2.3. Throughout 2021/22 the work of Audit Services continued to be disrupted by the impact of the COVID-19 pandemic, reduced staffing levels and increased levels of requests for previously unplanned audit work. This has meant a small percentage of audits from 2021/22 have been rolled forward into the 2022/23 Internal Audit Plan. Although this work will be delivered slightly later than originally scheduled, it is important that work is now completed. This will mean the audit outcomes feature in our progress reports provided to Audit Committee so that members can properly understand the effectiveness of Internal Control, Risk Management and Governance arrangements of the Council.
- 2.4. The Council's Internal Audit Plan for 2022/23 (Appendix 2) includes time for activities supporting delivery of audit assignments including counter-fraud support, audit advice, liaison, planning, staff development, quality assurance and Audit Committee reporting.
- 2.5. There is an increased contingency in the 2022/23 Plan: this recognises that the Council now operates in a faster paced environment. This contingency will enable Internal Audit to complete unscheduled audits or provide advice in response to new issues, emerging risks and new opportunities for the Council.
- 2.6. Public Sector Internal Audit Requirements require all UK Local Authorities to implement a Quality Assurance and Improvement Programme to assist in improving the performance of Internal Audit. This includes requirements for external quality assessments (EQA), at least once every five years. The outcome report of the last EQA was considered by Audit Committee in December 2019; this identified opportunities to use assurance mapping as a tool to target Internal Audit work more effectively.
- 2.7. Audit time has been made available in the 2022/23 plan to include an 'Assurance Mapping' exercise at the beginning of the new financial year. This will help us to identify opportunities to draw assurance on the control environment, from third parties such as OFSTED, CQC and other regulatory bodies. Internal Audit resources can then be targeted to fill any remaining assurance gaps and focus on areas where it can add greater value for the Council.

- 2.8. Once the Assurance Mapping exercise is completed, it will be necessary to review the Internal Audit Plan to make sure that resource is effectively targeted to the areas of highest risk. The plan should therefore be viewed as a statement of intent and may be subject to change after the Assurance Mapping Exercise. If significant, these changes will be presented to CMT and reported to a future Audit Committee.
- 2.9. The proposed Audit Services Plan for 2022-23 is based on a staffing structure which provides for the deployment of 2,772 days. This level of resource is based on several assumptions, including the induction of a new Principal Auditor due to start in April 2022, retention of existing staff and the potential impact of sickness on available days to the deliver the Audit Services Plan.
- 2.10. Retention of staff of the required calibre with suitable knowledge, experience, qualifications and skills is one of the most significant risks facing the Unit in the short term. It is essential that such staff are available to Audit Services to enable the Unit to provide a comprehensive, efficient and cost-effective service to the Council and meet the expectations of Members and Senior Management. Members are aware of the staffing challenges which Audit Services has faced during recent years and the impact on available staffing resources. We have made provision within our plans to support and develop staff in our Audit Services.
- 2.11. In common with previous years, the Audit Services Plan will be continually reviewed to ensure that it remains aligned with significant risks whilst remaining responsive to changes in risk, operations, systems and controls. This will be particularly important during 2022-23 due to the ongoing challenges which the Unit will face following recovery from the impact of COVID-19 and induction of new team members. Consequently, it would be prudent to fully review and assess the Audit Services Plan around September 2022 and report the findings to the Audit Committee and the Corporate Management Team. In any event progress against the approved Audit Services Plan will be monitored and regularly reported to the Audit Committee.
- 2.12. Mazars LLP act as the Council's External Auditors and Audit Services will work with them in accordance with the agreed External and Internal Audit Protocol.
- 2.13. The Audit Services Plan is attached at Appendix 2 to this Report and details the Audit Services' coverage for all Directorates and the Corporate Authority, it also identifies the perceived level of risk, the resource to be employed and the expected outcomes of Audit work.

2.14. Timetabling of the individual projects will continue to be agreed with Executive Directors, Directors and Senior Management on an ongoing basis throughout the year, and this will be informed by the findings and emerging initiatives identified.

2.15. *Annual Internal Audit Opinion* – I am satisfied that that the level and mix of resources, together with those areas covered in the plan will enable the Annual Head on Internal Audit to be provided in 2023.

3. Consultation

3.1 No consultation is required.

4. Alternative Options Considered

4.1 Audit Committee could choose not to consider the report content and recommendations.

5. Implications

5.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

6. Background Papers

6.1 File held electronically by the Assistant Director of Finance (Audit).

7. Appendices

7.1 Appendix 1 – Implications.

7.2 Appendix 2 – Audit Plan

8. Recommendation(s)

That the Audit Committee:

- a) consider and endorse the approach taken to create the proposed Draft Internal Audit Plan for 2022/23
- b) note that the plan may be subject to amendment following the completion of an assurance mapping exercise or in response to emerging risks
- c) subject to these comments, approve the draft Audit Services Plan which is attached at Appendix 2.

9. Reasons for Recommendation(s)

- 9.1 Audit Committee is required to approve the annual Audit Plan of the Council.

Report Author: Dianne Downs

Contact details: Dianne.downs@derbyshire.gov.uk

Implications

Financial

- 1.1 Costs associated with the proposed plan will be met from the approved Internal Audit Budget

Legal

- 2.1 The Audit Services Unit discharges the Council's statutory responsibilities under Regulation 5 of the Accounts & Audit Regulations 2015 and significant aspects of the Director of Finance & ICT's statutory duties under Section 151, Local Government Act 1972.
- 2.2 The Public Sector Internal Audit Standards require that the Assistant Director of Finance (Audit), as Head of Internal Audit (HIA), 'must deliver an annual audit opinion and report that can be used' to inform the Council's Annual Governance Statement. This opinion must reflect the work done during the year and 'must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control'. In providing this opinion it is necessary to summarise the main findings and conclusions from Audit work together with any specific concerns the HIA has.

Human Resources

- 3.1 The Public Sector Internal Audit Standards require that the Assistant Director of Finance (Audit), as Head of Internal Audit (HIA), ensures that internal audit resources are effectively deployed to achieve the risk-based plan.

Information Technology

- 4.1 None

Equalities Impact

- 5.1 None

Corporate objectives and priorities for change

6.1 The Council is committed to ensuring good governance and compliance with applicable laws and regulations.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

Appendix 2
Audit Plan