

DERBYSHIRE COUNTY COUNCIL

AUDIT SERVICES PLAN

2022/23



"Audit Services aspires to enhance and protect organisational value by providing risk based and objective assurance, advice and insight"

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Background

The Audit Services Unit discharges the Council's statutory responsibilities under Regulation 5 of the Accounts & Audit Regulations 2015 to '*undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes*'. In addition the Unit performs significant aspects of the Director of Finance & ICT's statutory duties under Section 151 of the Local Government Act 1972. The Unit also works with Mazars LLP, the Council's appointed external auditors.

The role and responsibilities of the Unit are further clarified and reinforced in the Council's Financial Regulations and Standing Orders Relating to Contracts, Audit Charter, Internal Audit Strategy, Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan and the requirements of Whistleblowing Policy.

Cabinet has approved the Audit Charter which draws together existing practice and formalises procedures relating to Audit Services, whose mission is to enhance and protect organisational value by providing risk-based assurance, advice and insight.

Our work is carried out in conformance with the UK Public Sector Internal Audit Standards (PSIAS). These are recognised under the Accounts and Audit Regulations as the relevant, best practice benchmark for the provision of an adequate and effective internal audit service. The PSIAS define internal auditing as '*an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It 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.'

A professional, independent and objective internal audit service is one of the key elements of good governance in local government.

The PSIAS also requires that the '*chief audit executive (Assistant Director of Finance (Audit)) must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals....*

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

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 confirmed Audit Services conforms overall and in each of the four areas of focus assessed. Whilst not making any formal recommendations, the report did identify opportunities to further develop the service including the use of assurance

mapping as a tool to target Internal Audit work more effectively.

Assurance Mapping

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 map existing assurances and identify opportunities to leverage 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 and strengthen our current approach.

Current Risk Assessment Process

The Audit Services Plan has been formulated in accordance with the Internal Audit Strategy and informed by our 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 and emerging risks

The chart below identifies key factors which influence our risk assessment:-



Source: Audit Services

As part of this process Audit projects have been identified which will be developed specifically to address key Corporate and Departmental risks and build on those areas where frauds/control weaknesses have previously been identified. The Council provides a wide range of diverse services in a

dynamic environment with limited resources which are under increasing pressure.

The planning of Audit assignments is recorded in Project Briefs which are designed to inform the scope of the Audit, identify key risks, activities/controls to be tested, resource and reporting requirements.

Audit Services Plan

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.

Audit Services recognise the requirement to provide Members and Senior Management with assurance on the operation of core financial systems and will continue our programme of compliance and reviews of other services, systems and processes according to an assessment of risk and business need.

Throughout 2020/21 and 2021/22 the work of the Unit was disrupted due to the impact of the covid-19 pandemic and this will continue to affect Audit Services in 2022/23 and beyond. It is anticipated that during 2022/23 the Council will return to more normalised working arrangements and provision of services, but Audit recognise continuing

pressures in some service areas during recovery, so will work with management to agree scheduling of assurance work.

The Unit will continue to actively support the Council's promotion of good governance and the work of the Governance Group. In addition Audit Services contribute to the work of the Information Governance Group and a number of other groups in order to support Senior Management and the implementation of systems and projects.

Our work regarding the assessment of new, revised and existing IT systems to verify their compliance with the Council's ISO27001 accreditation, General Data Protection Regulation (GDPR) requirements and Departmental service priorities will continue.

Audit Services will seek to identify opportunities to improve value for money through its on-going programme of reviews and specific project work.

The Council takes a robust stance against fraud and corruption whether it is attempted on or from within the Council. The Audit Services Plan includes provision for this work based on previous experience; actual time spent will vary depending on the number and complexity of matters which require investigation. As part of this work referrals are made to the Police where potential criminal activity is detected and, where required, specific reports are produced to assist Management by recommending where control frameworks require strengthening.

Audits which make up the Audit Services Plan are assigned a priority ranking and resources are directed at those areas

of highest risk. Should unforeseen events impact on the delivery of the Audit Services Plan then those areas considered to be of lower risk may not be completed.

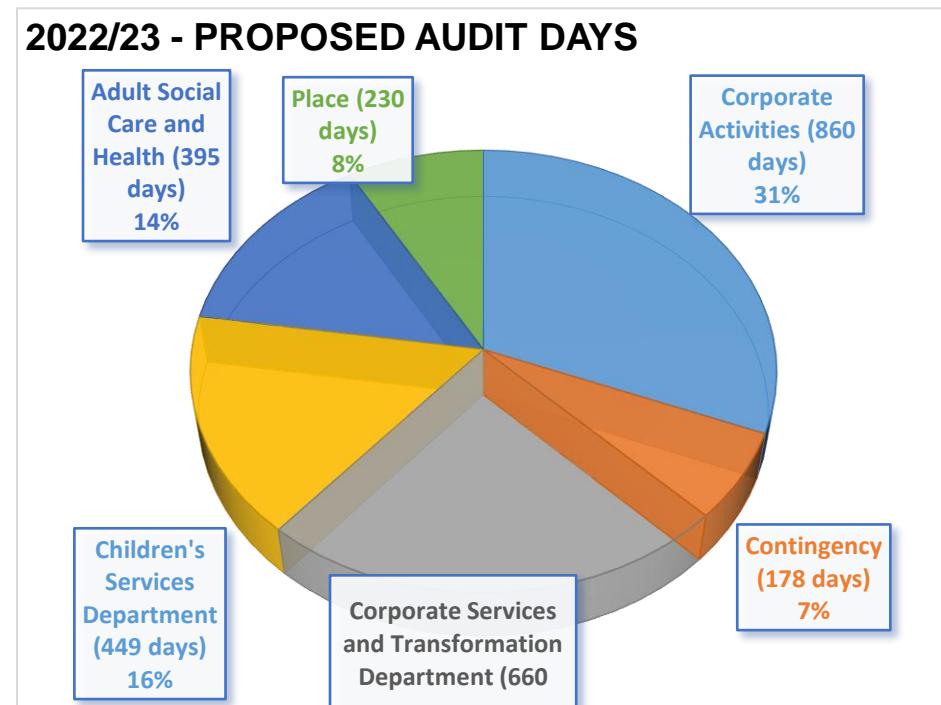
Looking forward the Council will face a number of challenges including:-

- funding pressures;
- sector-wide recruitment and retention difficulties impacting on staff capacity and resilience
- matching available resource to increased demand levels in some front-line services
- increasingly volatile world likely to cause ongoing supply chain challenges and potential failures
- increased pressures on local incident planning for major events including flooding
- delivery of climate change actions to achieve agreed targets
- impact of a significant data breach or cyber attack upon the Council's infrastructure
- new ways of working and flexible working arrangements
- introduction of new ways for customers and the public to access services
- recovery from covid-19 pandemic and new globally emerging challenges this is posing both within the Council and externally.

During these turbulent and challenging times it is essential that the Audit Services Plan is continually reviewed to ensure that it remains aligned with significant risks whilst remaining sufficiently flexible to respond to changes in risk, operations, systems and controls. Any amendments will be identified

through Assurance Mapping, Audit Services' ongoing liaison and discussions with the Audit Committee, Corporate Management Team, Executive Directors, Directors and Senior Managers. Progress against the approved Audit Plan will continue to be monitored and regularly reported to the Audit Committee.

The following chart summarises the proposed Audit Services Plan and deployment of available resources:-



Source: Audit Services

Resources

Resource requirements are considered each year as part of the Audit planning process. The Council continues to operate under increasing financial pressures and the demands and restrictions placed upon it by the covid-19 pandemic. The need to seek innovative working methods, generate income and cashable savings is essential in helping to protect vital services.

The Council is progressing a number of developments including an enterprising council approach, project management initiative and new ways of working which will bring further challenges and opportunities requiring Audit Services' input and support. Such input is likely to extend beyond one year in some cases and may require a project-based approach.

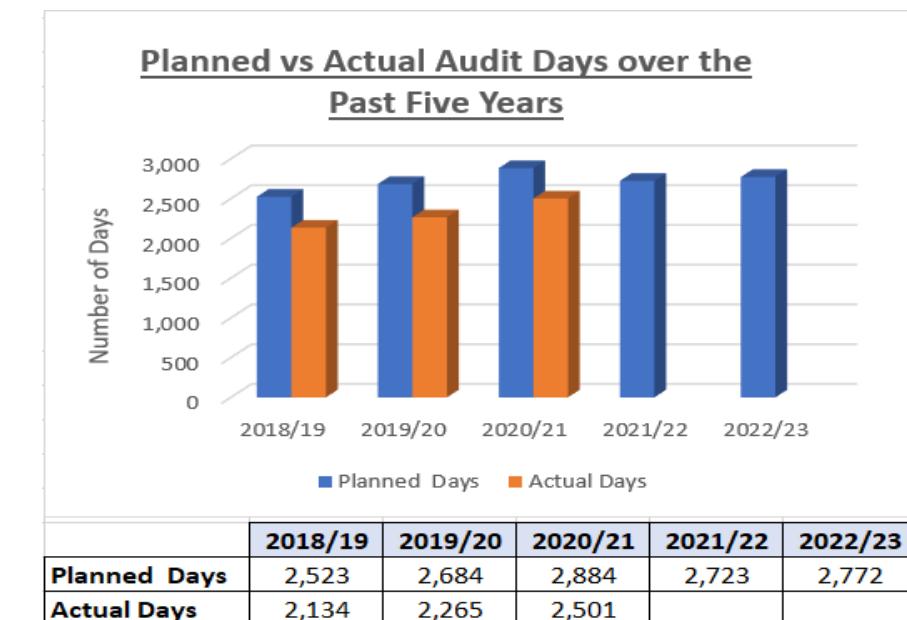
The Unit is committed to providing a full range of Audit services, including the specialist areas of investigative and IT Audit work. It is essential that the level of skills, experience and qualifications available is maintained to enable Audit Services to continue to provide a comprehensive, efficient and cost-effective service to the Council.

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, including induction of new staff.

The Audit Services Plan for 2022-23 requires the deployment of 2,772 Audit days which has been assessed based on known and estimated resources. Several assumptions have been made in this calculation and updates to Members on available resources will continue to be provided as part of regular reporting on the achievement of the Audit Services Plan. Our staffing structure is set out at page 17.

The detailed Audit Services Plan is shown on pages 9 to 16 and includes a contingency for unforeseen work. This enables the Unit to be reactive and able to respond to emerging risks and unforeseen situations, which may arise throughout the year, which are not included in the Plan.



Delivery of Audit Work

The scope and timing of Audit work will be discussed with Management and all Audit assignments will be reported to the appropriate levels of Management on completion. Audit staff will provide an opinion and a level of assurance which Management may draw from the adequacy and effectiveness of the overall control framework in operation in the area subject to Audit based on the results of our work.

Audit staff will continue to support Management by making prioritised recommendations based on our findings which will, if implemented, improve the effectiveness, efficiency and adequacy of governance, risk and internal control frameworks. These recommendations are incorporated into an Action Plan. Recommendations are classified as those which will result in improvements in governance and control and those which will result in improvements in efficiency and effectiveness. Audit Services have systems in place to routinely follow up the status of agreed recommendations with Executive Directors and Directors.

To enable the Unit to deliver the Audit Services Plan we will seek to foster collaborative working arrangements with Senior Management. This is essential to ensure that the scope of Audit work and its objectives are understood, key staff are available to assist Audit delivery, prompt reporting of actions and agreed recommendations are implemented in accordance with time scales.

During the year Audit Services will liaise with the Corporate Management Team, Executive Directors and Directors to provide updates on performance, significant findings from

Audit work and identify any issues which affect the current and future Audit Plans.

Audit Services will continue to assess and develop opportunities to streamline service delivery through the use of IT and the remote capture of information, to assist in maximising the effectiveness of Audit resources and reduce the impact of Audit visits on operational staff.

Quality Assurance and Improvement Programme

The PSIAS require the Assistant Director of Finance (Audit) to develop and maintain a Quality Assurance and Improvement Programme (QAIP) covering all aspects of the internal audit activity. The QAIP sets out the procedures for the ongoing monitoring, supervision, review and measurement of Audit Services' activity. It also includes arrangements for both internal and external assessments of such activity. The QAIP enables evaluation of the Unit's conformance with the definition of internal auditing, the PSIAS and whether internal auditors apply the Code of Ethics. The QAIP was presented to the Audit Committee.

The Unit has an Audit Manual based on accepted, professional best practice which as well as being compliant with the PSIAS builds quality into every stage of the Audit process. The Audit Manual is subject to regular review and all staff must observe its requirements.

Client Feedback

The Unit has well established systems in place to collect feedback, which is also used to inform improvements, but these arrangements will be reviewed during 2022/23 as part of our QAIP.

Audit Services Annual Report

The Audit Services Annual Report draws together the results of the work undertaken against the approved Audit Plan and is a requirement of the PSIAS which states that 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 Audit Services Annual Report incorporates:

- the opinion
- a summary of the work that supports the opinion; and
- a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

This Report is a key output from the Unit providing independent and objective assurance regarding the results of Audit work, and the opinion informs the Council's Annual Governance Statement.

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.

External Audit

Mazars LLP are the Council's External Auditors, and we will work with them in accordance with the agreed External and Internal Audit Protocol which has been reported to the Audit Committee. Findings from Audit Services' work informs External Audit's risk assessment and development of their programme of work. This in turn supports their assessment that the statement of accounts fairly presents the Council's financial position and the adequacy of arrangements for ensuring the Council's economic, efficient and effective use of resources.

Derbyshire Audit Services

Internal Audit Plan 2022/23

The information summarized below by Service Department identifies our work for the year totalling **2,772** days and the expected outcomes of that work for the Council.

Corporate Activities

It is intended to spend **1,038** days on the Audit of Corporate Activities, over the areas: listed below. This includes contingency to respond to emerging risks and additional management requests.

Audit Area	Risk	Expected Outcomes
Corporate Projects		
emPSN (SCo & ICo)	M	Attendance at Audit Committee meetings as the Council's appointee as a contributor to the adequacy and effectiveness of systems and internal controls in place to deliver the objectives of this collaborative project to Derbyshire schools.
Workforce Development/ Succession Planning	H	Review of the adequacy and effectiveness of systems in place to identify significant workforce issues, develop appropriate skill sets and workforce capacity.
D2N2 LEP	M	Provision of internal audit as part of the Council's Accountable Body responsibilities.
Supply Chain Failure	H	Assessment of the adequacy and effectiveness of systems in place to monitor supplier resilience, commissioning arrangements and contingency planning.
Corporate Culture	H	Evaluation of the adequacy and effectiveness of governance arrangements, communication and ethics which underpin the purpose, vision, values and priorities of the Council.
New Delivery & Commissioning Models/ Partnership Working	M/H	Review of the adequacy and effectiveness of systems in place to assess new and changes to delivery models including partnership working, and the monitoring of outcomes that supports the Enterprising Council approach.
Climate Change	H	Review of the adequacy and effectiveness of systems in place to respond to climate change initiatives including the identification of risks, threats and opportunities.
Modern Ways of Working	M/H	Evaluation of the adequacy and effectiveness of systems in place to ensure that robust controls are maintained during return to normalised working/transition to new ways of working.
Asset Optimisation	H	Support the programme which is implementing the transition towards a full corporate landlord operating model referred to as Asset Optimisation.

Audit Area	Risk	Expected Outcomes
East Midlands Freeport	M/H	Governance, support and advice.
County Deals	M/H	Governance, support and advice.
Customer Complaints and Enquiries Process	M	Review of compliance with the Council's complaints and enquiries process.
Thriving Communities	M	Evaluation of the pilot scheme and potential extension across the Council.
Corporate Governance		
Embedding Corporate Governance	H	Attendance and support to the Council's Audit Committee and Governance Group. Work to support the production of the Annual Governance Statement (AGS) and embedding the principles of good corporate governance throughout the Council.
Services to Members	M	Systems and compliance review of operations relating to Members including payment of allowances, declarations, Chairs fund, Member training.
Information Governance Group and Support	H	Attendance and support to the Council's Information Governance Group (IGG), review of associated IT security policies and the maintenance of the Information Security Management System.
Cyber Security Group & Support	H	Assessment of the adequacy and effectiveness of systems in place to protect information systems (hardware, software and associated infrastructure), from unauthorised access, harm or misuse whether intentional or accidental.
Data Protection Group & Support	H	Attendance and support to the Council's Data Protection Group, review of associated policies and guidance on data protection matters including Data Protection Impact Assessments (DPIA).
Corporate Fraud Prevention		
External Audit Liaison	M	 Part of the Council's Corporate Fraud Prevention culture including liaison with external partners and the provision for investigative reviews of areas of irregularity/suspected fraud identified within the year.
National Fraud Initiative	H	
National Anti-Fraud Network	M	
RIPA Management & Admin	H	
Internal Audit-Special Investigations	H	
Strategic Management		
Strategic Management	H	Management of the Audit, Insurance and Risk functions.
Assurance Mapping	M	Mapping of key assurances across Council services and activities.
Audit Contingency		
Audit Contingency	-	A 6% (178 days) contingency for unforeseen work, completion of previous year's audit work (2021-22) and training support for new audit staff within the Unit.

Corporate Services and Transformation Department

It is intended to spend **660** days on the Audit of the Corporate Services and Transformation Department which will be allocated over the following areas:-

Audit Area	Risk	Expected Outcomes
Departmental Review		
Departmental Review Management & Administration	M	Provision of an assurance to the Executive Director of Corporate Services and Transformation and Members with regard to compliance with internal and external regulatory requirements and the effective discharge within the Department of delegated responsibilities/requirements in relation to corporate governance.
External Grants and Certifications	M/H	Review and certification of grant claims to support external funding.
Themed and Operational		
Business Continuity Planning - Corporate Response	H	Provision of an assurance on the adequacy and effectiveness of systems in operation, risk management and the overall control environment.
Communications and Call Derbyshire	H	
Implementation of ICT Strategy	H	
Business Continuity Planning – ICT	H	
Regulatory		
Coroner's Service Review	M	Provision of an assurance on the adequacy and effectiveness of systems in operation and the overall control environment.
Corporate/Departmental ICT Services		
Network Infrastructure Review	H	Provision of an assurance on the adequacy and effectiveness of systems in operation for the network management including firewall administration, software patching and service resilience.
Server Infrastructure Review	H	Assessment of systems in operation for the Council's on-premise servers including management of legacy systems, patching and service resilience.
Corporate Database Review	H	Systems and compliance review of operations relating to the Council's database management procedures including vendor updates, service resilience and data security.
Bacs Payment System Review	M	Assessment of the adequacy and effectiveness of systems in place for the creation, review and payment of Bacs transactions.

Audit Area	Risk	Expected Outcomes
Departmental IT systems & Contracts	H	<p>Assessment of new and existing Departmental IT system development controls together with supporting new system implementations including the SAP ERP solution.</p> <p>Assessments of core data protection principles and ISO27001 controls in accordance with the requirements of the protocol developed with the Director of Finance & ICT.</p>
Core Financial Systems		
General Support and Audit Guidance	M	
Human Resources Management	H	
Accounts Payable	M	
Corporate Purchasing	H	
Accounts Receivable	M	
Accountancy, Budgetary Control and Financial Resilience	H	
LGPS Central Audit	M	
Treasury Management	M	
 <p>Provide an assurance on the adequacy of the systems and controls in place for the management of aspects of the Council's key financial functions and human resource activities.</p>		
Probity and Compliance		
Financial Regulations & Standing Orders	M	Ongoing support and guidance in the review and development of the Council's' Financial Regulations & Standing Orders.
Insurance & Risk Management	M	Due to the Insurance and Risk falling under the responsibility of the Assistant Director of Finance (Audit), work to be undertaken under the guidance of the Interim Director of Finance & ICT to assess compliance with the approved risk management strategy and Insurance procedures.
County Property		
County Property Activities	H	<p>Review of key systems and operational procedures within the Property Division.</p> <p>Assessment of adequacy of processes which manage staff training, external contract compliance and asset valuations.</p>

Children's Services Department

It is intended to spend **449** days on the Audit of the Children's Services Department which will be allocated over the following areas:-

Audit Area	Risk	Expected Outcomes
Departmental Review		
Departmental Review Management & Administration	M	Provision of an assurance to the Executive Director of Children's Services and Members with regard to compliance with internal and external regulatory requirements and the effective discharge within the Department of delegated responsibilities/requirements in relation to corporate governance.
External Grants and Certifications	M/H	Review and certification of grant claims to support external funding.
Operational Reviews		
Supporting Families Programme	L	Review and certification of grant claims to support external funding.
Starting Point	H	Provision of an assurance on the adequacy and effectiveness of systems in operation, risk management and the overall control environment.
Children at Risk of Missing Education	M/H	
Impact of Children in Care	M/H	
Use of Personal Budgets for Children with SEND	M/H	
Management of Service Demands	H	
Management of School Exclusions	M/H	
Schools		
Nursery, Primary and Special	M/H	Provision of an assurance to Governors and the Corporate Authority regarding the adequacy and effectiveness of governance arrangements, financial systems and other operational procedures. Also, to discharge the Section 151 Officer's duty to ensure compliance with auditing requirements as specified by the Department of Education (DfE)
Secondary	M/H	
Schools General Support	-	
Information Security Reviews	M/H	Assessment of new and existing School IT system development controls, together with evaluation of core data protection principles.

Audit Area	Risk	Expected Outcomes
Establishment Reviews		
Children's Homes	M/H	Review of the adequacy and effectiveness of systems in operation and the overall control environment to support vulnerable children and young adults.
Departmental IT systems & Contracts		
Departmental IT systems & Contracts	M/H	<p>Assessment of new and existing Departmental IT system development controls together with supporting new system implementations.</p> <p>Assessments of core data protection principles and ISO27001 controls in accordance with the requirements of the protocol developed with the Director of Finance & ICT.</p>

Adult Social Care and Health

It is intended to spend **395** days on the Audit of the Adult Social Care and Health Department which will be allocated over the following areas:-

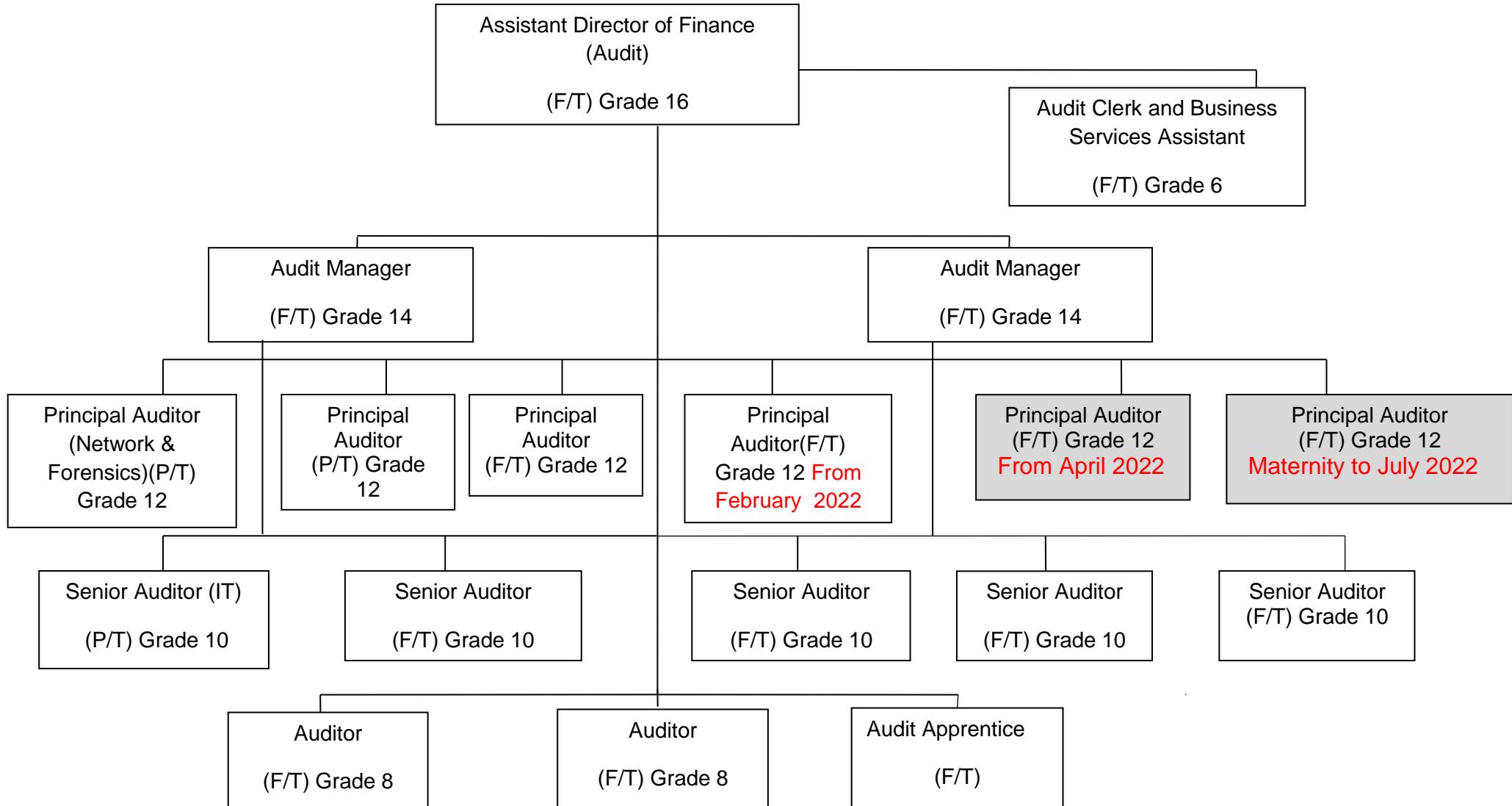
Audit Area	Risk	Expected Outcomes
Departmental Review		
Departmental Review Management & Administration	M	Provision of an assurance to the Executive Director of Adult Social Care and Health and Members with regard to compliance with internal and external regulatory requirements and the effective discharge within the Department of delegated responsibilities/ requirements in relation to corporate governance.
Public Health	M/H	Provision of an assurance on the adequacy and effectiveness of systems in operation, risk management and the overall control environment.
External Grants and Certifications	M/H	Review and certification of grant claims to support external funding.
Operational Reviews		
Private Residential Care	H	Provision of an assurance on the adequacy and effectiveness of systems in operation, risk management and the overall control environment.
Review of Commissioning Arrangements	M/H	
Deputyship System	M/H	
Disabled Facilities Grants Administration	M/H	
Direct Payments	H	
Financial Assessments	M/H	
Better Lives	M/H	
Establishment Reviews		
Residential Care	M	Provision of an assurance on the adequacy and effectiveness of systems in operation, risk management and the overall control environment.
Day Care	M	
Community Care Centres	M	
Departmental IT systems & Contracts		
Departmental IT systems & Contracts	M/H	Assessment of new and existing Departmental IT system development controls together with supporting new system implementations. Assessments of core data protection principles and ISO27001 controls in accordance with the requirements of the protocol developed with the Director of Finance & ICT.

Place

It is intended to spend **230** days on the Audit of the Place Department which will be allocated over the following areas:-

Audit Area	Risk	Expected Outcomes
Departmental Review		
Departmental Review Management & Administration	M	Provision of an assurance to the Executive Director of Place and Members with regard to compliance with internal and external regulatory requirements and the effective discharge within the Department of delegated responsibilities/ requirements in relation to corporate governance.
External Grants and Certifications	M/H	Review and certification of grant claims to support external funding.
Operational Reviews		
Highways Management	H	 Provision of an assurance on the adequacy and effectiveness of systems in operation, risk management and the overall control environment.
Countryside Management	M/H	
Public Transport & Taxi Contracts	M/H	
Regeneration	M/H	
Inspection and Control of Highway Assets	H	
Public Library Service	M/H	
Capital Programme	M/H	
Departmental IT systems & Contracts		
Departmental IT systems & Contracts	M/H	Assessment of new and existing Departmental IT system development controls together with supporting new system implementations. Assessments of core data protection principles and ISO27001 controls in accordance with the requirements of the protocol developed with the Director of Finance & ICT.

AUDIT SERVICES: STAFF STRUCTURE 2022/23



Note

(F/T) = Full-Time Working

(P/T) = Part-Time Working