

Ashford in the Water,
near Bakewell

Audit Services Annual Report 2021-22



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

**Dianne Downs
Assistant Director of
Finance (Audit)**

Background to the Annual Report

The Annual Report provides a summary of the work undertaken by Audit Services during 2021-22 and the results of that work including details of Audits undertaken, outcomes from assurance work and senior management actions.

The Annual Report has been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS) to provide:

- An opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- Detail of the Audit Plan delivered throughout the year and overall outcomes to support the Audit Opinion.
- An opinion that can be used by the Council to inform its Annual Governance Statement (AGS).
- A statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme (QAIP).

Work undertaken by Audit Services is conducted in accordance with the standards required by the PSIAS. The Head of Internal Audit's Annual Opinion records significant levels of conformity with the International Standards for the Professional Practice of Internal Auditing. The work of the Unit complies with the Council's Audit Charter, Internal Audit Strategy and Quality Assurance and Improvement Programme which are subject to regular review.

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Regulatory Framework and Scope of Audit Operation

As defined by the Chartered Institute of Internal Auditors, 'The role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively'.

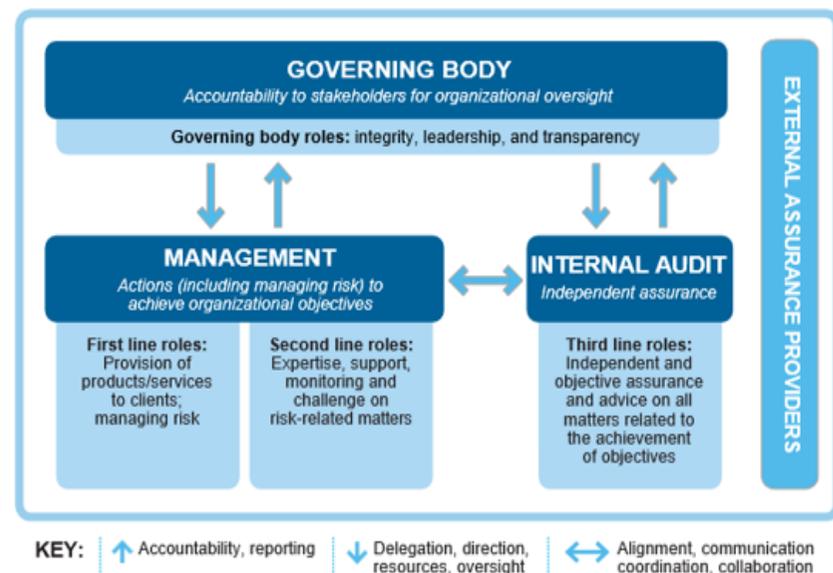
The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control, together with a duty to prepare an Annual Governance Statement (AGS). The Audit Opinion on the Council's control environment contained within this report is included within the AGS, to provide independent assurance to the Council's stakeholders. To support this, Audit Services discharges the Council's statutory responsibilities as defined within:

- Regulation 5 of the Accounts & Audit Regulations 2015.
- Section 151 of the Local Government Act 1972, in relation to significant aspects of the Director of Finance & ICT's statutory duties.

To support Audit Services, the Council has an approved Audit Charter and Audit Strategy. The Unit's role and responsibilities are also documented in the Council's policies and procedures including Financial Regulations and Anti-Fraud and Anti-Corruption Strategy. The Unit utilises the Chartered Institute of Auditors Three Lines Model to support its role in assuring the effective management of risk and corporate governance structures.

The independence of Audit Services is achieved by maintaining reporting lines which allow for direct and unrestricted access to the Council Leader, Audit Committee, Head of Paid Service, other Executive Directors, Section 151 Officer, Monitoring Officer, Directors and Members. The Council's Constitution gives the Audit Committee overall responsibility for Internal and External Audit and sets out the role and responsibilities of the Head of Audit. Safeguards are in place to ensure my management of the Risk and Insurance functions to which I have line management responsibilities do not compromise my independence in line with the PSIAS.

The IIA's Three Lines Model



Head of Audit - Audit Opinion

This report covers the 2021-22 financial year and is designed to offer a timely, independent and objective assessment of the Council’s arrangements. My opinion is based on Internal Audit work performed during 2021-22, my observations since joining the Council in September 2021 and information from Audit Services based on their experience from previous years’ Audit. My overall opinion on the Audit Services assessment of adequacy and effectiveness of the Council’s arrangements during this twelve-month period is of a “Qualified Assurance” on the adequacy and effectiveness of the internal control framework, risk management and governance procedures within the County Council. Whilst the arrangements were generally found to be satisfactory, some enhancements have been recommended for senior management to action and improve the control framework.

In forming my opinion, I am satisfied that no conflicts of interest have occurred which would have any bearing on Audit Services independence or objectivity. In addition, our organisational independence and objectivity has not been impaired in any way. This opinion is based on:

- ongoing support and review of the Council’s governance arrangements including the AGS;
- individual opinions reported in Audit Services Memoranda arising from risk-based Audit assignments drawn from the approved Audit Plan;
- the implementation of recommendations in respect of previous years’ internal audit work;
- assessment of risk management arrangements and assurance frameworks;
- management responses to findings and recommendations;
- the extent of resources available to deliver the internal audit work, although these were less than those required to achieve the approved Audit Plan;
- the proportion of the Council’s audit requirements that has been covered within the period;
- known and assessed impacts on the governance, risk management and control framework during the Covid-19 pandemic recovery and from implementation of phase 1 of the Council’s Modern Ways of Working arrangements, including hybrid working arrangements.

Level of Assurance	Explanation and significance
Substantial Assurance	Whilst there is a sound system of governance, risk management and control minor weaknesses have been identified which include non-compliance with some control processes. No significant risks to the achievement of system/audit area objectives have been detected.
Qualified Assurance	Whilst there is basically a sound system of governance, risk management and control some high priority recommendations have been made to address potentially significant or serious weaknesses and/or evidence of a level of non-compliance with some controls or scope for improvement identified, which may put achievement of system/audit area objectives at risk. Should these weaknesses remain unaddressed they may expose the Council to reputational risk or significant control failure.
Limited Assurance	Significant weaknesses and/or non-compliance have been identified in key areas of the governance, risk management and control system which expose the system/audit area objectives to a high risk of failure, the Council to significant reputational risk and require improvement.
No Assurance	Control has been judged to be inadequate as systems weaknesses, gaps and non-compliance have been identified in numerous key areas. This renders the overall system of governance, risk management and control inadequate to effectively achieve the system/audit area objectives which are open to a significant risk of error, loss, <u>misappropriation</u> or abuse. Immediate remedial action is required.

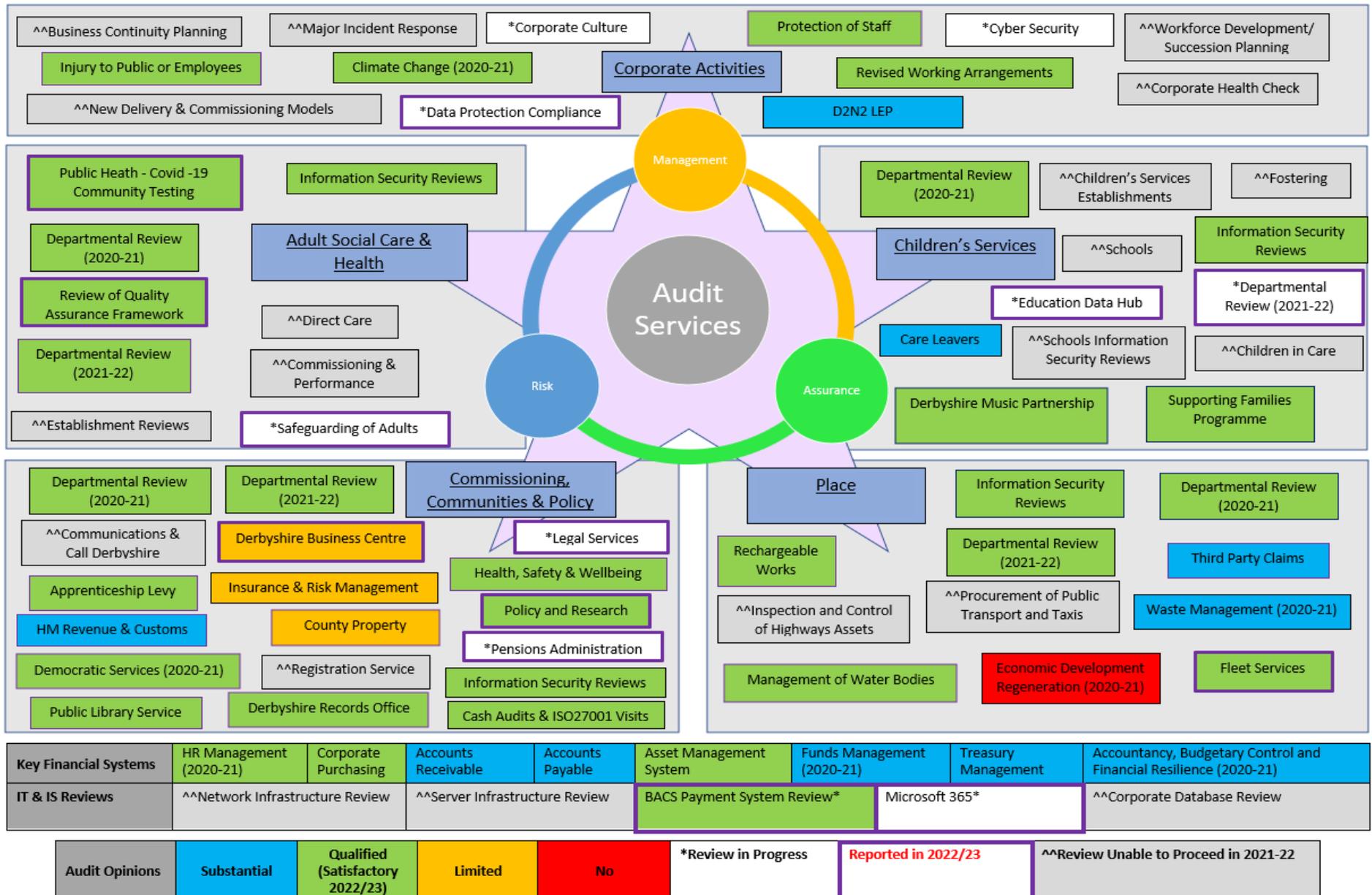
I am satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given and that Audit Services can provide reasonable levels of assurance as to the adequacy of arrangements. In giving this opinion, it should be noted that assurance can never be absolute, and there may be weaknesses in the system of internal control that I am not aware of. This may be because they are outside of our programme of work or were not brought to my attention.

My Head of Internal Audit professional opinion, delivered on page 4, reflects overall adequacy and effectiveness of arrangements of the Council's framework of governance, risk management and control, but is therefore delivered with a small number of **minor caveats**:

- I was appointed and started in post with Derbyshire County Council, mid-way through the financial year covered by this report. This means I was not involved in setting the approved audit plan and some audit work was delivered before I started with the Council and without my oversight.
- Previous external reviews of Audit Services had recommended development of an assurance map to ensure Annual Audit Plans provided appropriate coverage of risks. This need was acknowledged by Audit Services but had not been actioned prior to my appointment.
- My report to Audit Committee in February 2022, set out findings of my self-assessment of the Council's counter fraud arrangements and highlighted some areas for improvement, including the need for a fraud risk assessment to ensure risks are effectively reviewed and managed.
- The pandemic response and staffing resource pressures meant that during this period and in previous years, some complex audit work had been put on hold for extended periods. This included aspects of audits covering workforce planning, culture reviews, economic regeneration and some ICT audit work. Routine school or establishment visits were not delivered in 2021-22. Previous annual and progress reports ensured Audit Committee were informed of anticipated delays to planned audits.
- My review of Audit Services conformance with the PSIAS identified that there was significant, but not full, conformity with the PSIAS. Further details of this are set out in the final section of this report covering the Quality Assurance and Improvement Programme and in Appendices 4 and 5. These areas of non-conformance are not sufficient to impact overall scope or operation of Audit activity.

Despite these recorded caveats, I have no reason to doubt the professionalism, dedication or quality of work delivered by Audit Services before my start date. Previous external assessment in 2019 confirmed conformance with the PSIAS and appropriate plans have now been put in place to address any remaining issues that have been identified.

Summary of Audit Opinions



Available Audit Resources

As part of the regular update on progress presented to the Audit Committee throughout 2021-22, Members have been informed on the staffing resources within the Unit. During 2021-22 there were notable gaps at Principal Auditor level, through vacancies, sickness levels and maternity leave. The Assistant Director of Finance (Audit) acts as the Head of Internal Audit for the Council, and this post was also vacant for the first five months of 2021-22.

The Head of Internal Audit is required to ensure that audit resources are appropriate, sufficient and effectively deployed to achieve the approved Audit Plan. Since my appointment on 6 September 2021, the Unit's staffing resources have been steadily improving to the point where I am now able to report appointments were made to all vacant posts prior to the financial year end. In the current workforce climate, where demand for suitably qualified and experienced staff is outstripping demand, this is a really positive position for the Council to be in. Whilst there will be an ongoing training and development commitment throughout 2022-23, the recent Auditor appointments have strong local government auditing skills and include a Principal Auditor who returned to the Unit following a period in the private sector.

As the Unit's staff structure is now in an improved position from when I joined, my next priority is to ensure the team builds upon its current abilities to streamline audit processes and develop the skills required to effectively support the future challenges that senior management are facing. These include budget and workforce pressures, cyber security, environmental, social and governance matters to name a few. Whilst internal staff resources will enable upskilling of current staff, the nature of some of the higher risk areas will likely involve wider collaboration with professional bodies, internal audit team networks and external training.

Audit Services continue to work to safeguard the Council and its senior management by promoting the principles of good governance, ensuring that adequate controls are in operation and risks are managed well. The Unit has started the journey of assurance mapping to help support the Audit Committee take an objective view of the Council's risks and sources of assurance. Whilst a fundamental element of an effective 'risk aware' internal audit service, the process is still at an early stage. However, once complete it will enable the Unit to better utilise available resources into areas where the Council will receive most value and target gaps in assurance, controls or high-risk areas.

In the last quarter of 2021-22, phase one of the Council's Modern Ways of Working moved towards a conclusion with the gradual phased return of staff to offices. This is an important step in the return to normal activities for the Unit, as the importance of 'on-site' visits and face to face discussions are important areas that assist Auditors in forming their opinion

during reviews. Whilst I welcome the gradual return to the office and flexibility provided to managers to work with their teams to create the right mix of office and home working to deliver on service needs, I am very mindful of the wellbeing impact the pandemic has had on all staff including Auditors. I will be putting in place measures to ensure all Audit staff are supported during this process and will be monitoring this matter closely. Although, the Council has taken a number of steps to return to more normalised working, 2021-22 remained a challenging year for the completion of reviews and access to information.

I would like to put on record, my appreciation to the Audit staff for their professionalism and commitment throughout a very difficult year, half of which, my post of Assistant Director of Finance (Audit) was vacant. Special thanks go to the two Audit Managers for their hard work during this period to ensure that Audit Services continued to support the Council and provide assurance for Members.

Planning Audit Activity

The Unit has established practices to formulate the Audit Plan and inform our risk assessment. This is drawn from a wide range of sources including the Council Plan, Strategic and Departmental Risk Registers, Service Plans and other information, as illustrated in the 'Audit Plan' graphic. The Plan is discussed and agreed by key stakeholders including individual Executive Directors and Directors, Head of Paid Service, Section 151 Officer, Monitoring Officer and is available to the Council's External Auditor prior to submission to, and approval by the Audit Committee.

The Audit Services Unit is part of the Corporate Services and Transformation Department (restructured from Commissioning, Communities and Policy in December 2021), and the Assistant Director of Finance (Audit) has direct access to all Members, all levels of Management and employees of the Council. The Assistant Director of Finance (Audit) meets with the Corporate Management Team and individual Executive Directors to discuss progress against the Plan and emerging issues. The Plan is subject to ongoing review and adjusted to meet changing risks with regular updates of Audit activity reported to the Audit Committee.

Our work contributes to the Authority's ambition to be an enterprising and value for money council. We support Management in formulating and implementing robust governance, risk management and control systems and ensuring ongoing compliance. Although as mentioned previously, the Covid-19 pandemic has been an ever-present issue that has affected all elements of the Audit process.

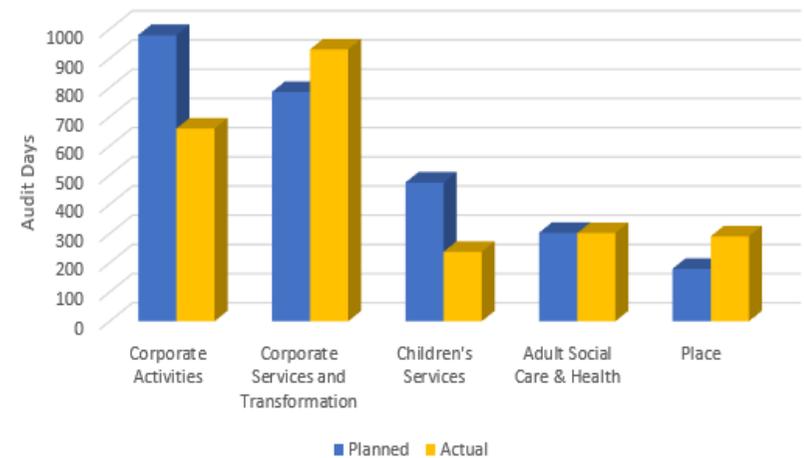


Audit Services Outcomes

The impact of the pandemic has been far reaching across the majority of the Council’s service areas resulting in increased pressures and demands on staff resources. This is reflected in the scheduling of Audits and the ability to progress reviews in a timely manner. Steps have been taken throughout this period to work with senior management to help minimise the impact of the reviews. Audit performance monitoring has been adjusted to take account of the recurrent problems, in accessing information and scheduling meetings with key staff.

Despite these challenges, reasonable coverage of the approved 2021-22 Audit Plan has been provided across a number of the key risk areas, although some work in Corporate activities was reduced. There were, notably, fewer fraud investigations this year than in previous years. Assurance levels across the Council’s ICT service is limited due to the availability of staff to support the reviews, although I presented a joint report with the Assistant Director of ICT to Corporate Management Team in February 2022 raising concerns in this area. Routine school and establishment visits were not delivered in 2021-22. Caveats have been added to my overall opinion, to recognise the impact of audits not delivered. The outcome of the Audit Performance for 2021-22 is shown below, with 89% of planned days delivered:

**Planned Days against Actual Days for each Audit Area
2021-22**



2021-22 Outcome	Days
Approved Audit Plan	2,723
Actual Productive Days	2,422
Shortfall in Productive Days Delivered	301

Analysis of Audit work including a summary of Reports and Memoranda issued throughout the year, is provided at **Appendix 1**, with more detailed comments on individual reviews within the main body of this Report.

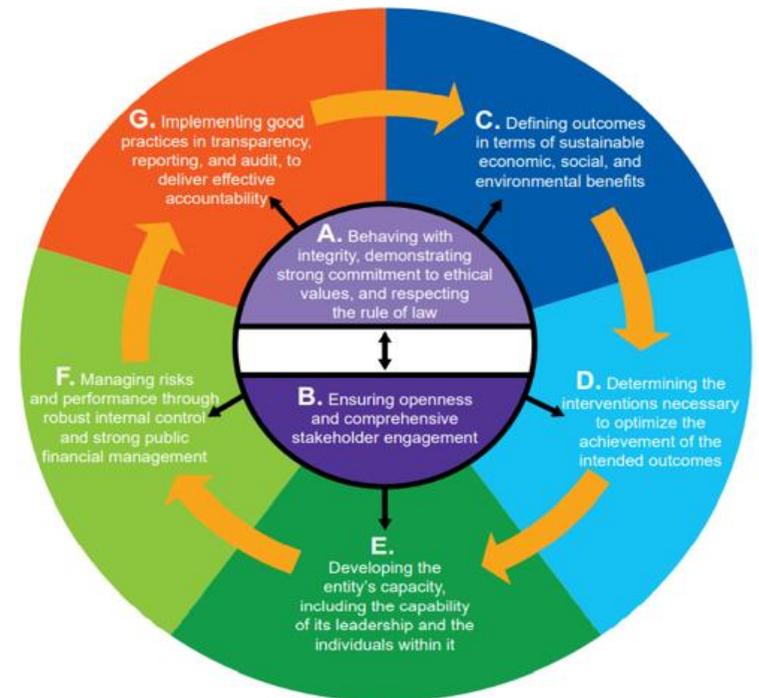
I would like to take this opportunity to express my thanks and appreciation to all those who provided support and assistance during the course of this year’s Audits.

Governance Arrangements

Corporate governance includes the systems, processes and values by which councils operate and are held accountable to their communities and stakeholders. The importance of effective corporate governance cannot be underestimated as it is fundamental to underpinning credibility and confidence in public services. The Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk. The Council has a corporate governance framework in place that aligns with best practice and compliance with the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

The Council is committed to effective corporate governance and demonstrates this by:

- Holding regular meetings of the Governance Group.
- Reviewing the Council's governance arrangements against the CIPFA/SOLACE Delivering Good Governance in Local Government Framework.
- Assessing the effectiveness of its governance arrangements against the Local Code of Corporate Governance.
- The completion of Executive Director Assurance Matrices.
- Considering the impact of External Assessments.
- Preparing the AGS.
- Monitoring the progress against the recommendations in the AGS Action Plan.



Source: International Framework: Good Governance in the Public Sector (CIPFA)

Audit Services staff contribute and help define the Council's Corporate Governance Framework and procedures.

The Council's systems of governance and internal control are based upon a framework which embraces regular management information, approved policies and procedures (including the Constitution, Financial Regulations and Standing Orders relating to Contracts), administrative procedures (including segregation of duties), management supervision and a structure of delegation and accountability.

Annual Governance Statement 2020-21 (AGS) Progress

During 2021-22 the Council's Governance Group has overseen the implementation of the 2020-21 AGS Action Plan which has resulted in:-

- Revisions to the Council's Whistleblowing Policy.
- Implementation of aspects of the good practice recommendations following receipt of recent report from the Committee on Standards in Public Life.
- Review of the decision-making processes to ensure that decisions are taken with regard to, or are based on the longer term view.
- The development of a comprehensive Asset Management Strategy.
- Continuing to action the recommendations of Local Government Association Peer Review to aid future improvement.

Despite these achievements, there remain a number of areas which require further work to improve and strengthen the Council's governance framework, with actions required to:-

- Complete the review of the Derbyshire Partnership Protocol and Toolkit as well as a detailed review of all partnership arrangements.
- Communicate the Anti-Fraud arrangements and support this with training. A training module has been developed using the Council's online learning platform which is available to staff. Further work is needed to encourage better take-up.
- Embed processes delivered as part of the implementation of mod.gov, in particular timescales to enable approval of reports on behalf of the Chief Financial Officer and Monitoring Officer.
- Development of a governance training programme covering Local Government Governance Basics; Decision Making basics; Report writing/Producing Effective reports, The Constitution, Ethics, Political awareness; Anti-Fraud and Corruption and Whistleblowing is to be developed to improve knowledge.

Examples of Good Practice and Areas for Improvement

Each Audit Memorandum produced reflects areas of good practice identified by the Audit Services' review and includes a prioritized Action Plan detailing recommendations for improvements. The following are examples of where a substantial Audit Opinion (Strengths) or Limited Audit Opinion (Areas for Improvement) were reported from our work undertaken in 2020-21. Due to the timing of the reviews, these may include or refer to previous year's reviews issued in the current year and report on the areas covered within the Audit scope agreed with senior management as part of the initiation phase.

Good Practice	Areas for Improvement
<p><u>HM Revenue & Customs (HMRC) Review</u></p> <p>Overall, the testing undertaken confirmed that procedures were operating effectively, with embedded processes in place to ensure information was submitted to HMRC on time, and evidence retained to support the Council's tax administration. Whilst a small number of improvements were identified, which will strengthen existing controls in place, none of these were assessed as being high priority.</p> <p>Significant progress had been made to address the previously raised eleven recommendations, despite ongoing additional pressures resulting from Covid-19.</p> <p><u>Care Leavers</u></p> <p>Whilst a number of policies require an annual refresh to ensure governance and support arrangements are consistent, a strategic approach has been developed towards care leavers with details of the Council's objectives included within the Council Plan with an Action Plan in place.</p>	<p><u>Mobile Device Management Control</u></p> <p>Operational procedures were not consistently applied to enable the prompt deployment of security patches, the effective monitoring of inventory assets or secure installation of Apps within the Council's network. Whilst the implementation of enhanced security features within the Microsoft security suite will strengthen current procedures, this requires prompt action.</p> <p><u>Insurance & Risk Management</u></p> <p>Inconsistencies with the revaluation of certain property assets and gaps in the maintenance of historical liability records, have resulted in the Council incurring additional costs when submitting insurance claims. Improvements and efficiencies should be delivered as part of the Council's new Risk Management Strategy, although this will take a number of years to fully embed and ensure staff have the correct tools and training to ensure risk is managed and recorded effectively.</p>

Support for care leavers was operating satisfactorily with all sampled care leavers supported well and in line with agreed policies and protocols. A 'care leavers' Council has also been developed to ensure care leavers are able to contribute to what support they receive. It was also positive to report that all areas reviewed relating to the Support for Homeless Young People were deemed to be satisfactory.

Waste Management

The Council, in conjunction with Derby City Council and local Waste Collection Authorities, have established a contractual and governance framework to ensure that it effectively discharges its waste disposal responsibilities in accordance with s.51 Environmental Protection Act 1990. Oversight is provided by the Derbyshire Waste Partnership (DWP), the Cabinet Member for Infrastructure and Environment and Cabinet. The review identified that these governance arrangements were generally operating effectively.

The Review identified good practice in relation to the setting and monitoring of the Waste Management budget, the administration of waste contracts, the implementation of the new waste management IT system and information security compliance. Minor improvements were recommended in relation to the potential creation of a customer services key performance indicator and the reconciliation of false and true output tickets.

Third Party Claims

Third-Party Claims cover third party actions made against the Council in respect of damage or personal injury sustained on

Property Services

Despite a new operating model being recently introduced to manage the portfolio and deliver the Asset Management Framework, the structure to support the new model was not in place at the time of the review. As a result, the service is not operating effectively in line with the Framework.

The service does not have any effective key performance indicators (KPIs) for the inhouse service, with cost centres not aligned to the new structure within the Division. Savings targets for 2020-21 have not been achieved, which will likely increase budget pressures in coming years.

the highways or footpaths which the Council is liable to maintain.

The majority of areas subject to review were found to be operating in accordance with agreed procedures and working effectively. Good practice areas were identified within the service provision, together with a small number of areas for improvement that will strengthen the internal control environment. These included minor revisions to current guidance procedures and improvements that should be delivered as part of future IT system replacements.

Detailed Analysis - Corporate Activity

Departmental Performance	2020-21	2021-22	Departmental Opinions	2020-21	2021-22
Days within the Approved Audit Plan	1,060	980	Substantial	-	1
Actual days delivered	546	660	Qualified	6	3
Departmental % of Audits days achieved	51.5%	67.3%	Limited	2	-
Number of Reports / Memoranda Issued	11	8	No	-	-
			Other (including letters)	3	4

The Unit undertook work on a variety of systems and procedures, themed and operational projects, including potential fraud investigations. Audit Services issued 8 Reports and Memoranda within the Corporate Activities area, which are detailed within **Appendix 1**. An overview of the main Audit opinions is shown below.

Corporate Fraud Prevention

At the Audit Committee meeting on 22 March 2022, I updated Members on the overall effectiveness of the Council's arrangements on counter fraud and corruption. The completed self-assessment against the national strategy for 'Fighting Fraud and Corruption Locally' (FFCL), highlighted where current best practice was embedded, but also identified areas, where improvements are required. These key areas of work that were started in 2021-22 and will continue through 2022-23 include:

- Update of Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan and internal process documents.
- Staff training and development.
- Development of Fraud Risk Assessments.
- Communications and fraud awareness.
- Building effective partnerships.

It is important that Members, staff and our external suppliers, and partners are ever vigilant to the continually emerging threat of fraud and corruption across all of the Council's functions and high-risk areas including waste management, procurement and online activities. It is, however, important to reflect that the Council does not have responsibility for a number of service areas subject of continual and high-volume fraud attempts including Council Tax, State Benefits, Housing and Tax Credits.

Whilst Audit staff worked on 7 investigations of potential fraud, misconduct or irregularity during this year, this remains lower than in years prior to the pandemic. At this point it is unclear why the number of investigations has reduced over the past couple of years, although may be as a result of the revised working arrangements that has reduced the opportunity / access to the Council's assets and staff being more isolated and therefore not being aware of inappropriate activities. Given the current financial pressures faced by individuals and organisations, it is likely that fraud referrals in 2022-23 will rise. As part of the investigation work undertaken, 4 Audit Reports were issued to senior management for action which detailed the review findings and measures to improve controls to prevent recurrence.

As in previous years, Audit Services have worked with staff across various Departments to co-ordinate the Council's response to the National Fraud Initiative (NFI) 2020-21 data matches. Reported to the Audit Committee meeting on 22 March 2022, actions are in place to recover the £76,732 of matches where a recovery was deemed appropriate. It is important to note that despite the value of the recovery, this represents a fraction of the value of payments made by the Council's exchequer services and pensioner payments in the same period. There was no indication from the work undertaken that the control environment in place had been compromised, and the transactions were as a result of errors or delayed notifications of deceased persons. The National Anti-Fraud Network (NAFN) remains a valuable intelligence source on potential frauds and the Unit continues to disseminate relevant information to Members, Executive Directors and Directors in order to ensure that the Council is informed of known and emerging fraud risks.

As the Assistant Director of Finance (Audit), I have responsibility for the oversight and monitoring of powers exercised under the Regulation of Investigatory Powers Act (RIPA) as the Council's RIPA Monitoring Officer. Whilst there have been no applications in 2021-22, I intend to refresh the Council's RIPA Policy in line with current Home Office Guidance during 2022 and attend specific RIPA training. I am aware that there are opportunities for the Council to better use its RIPA powers and also ensure that all activities which may fall under RIPA best practice, are duly recorded and approved.

D2N2 Local Enterprise Partnership (LEP)

As part of the Council's Accountable Body services, the Unit completed a review of activities during 2021-22. The results of the Audit work confirmed that satisfactory governance and control arrangements were in place, with effective reporting and financial support arrangements, with oversight provided by the Council as the Accountable Body.

Information Integrity and Cyber Security

Each year the value on which organisations including the Council places on its information and ability to have real-time access to data, continues to increase especially as more services and resident interactions are automated. The Council's IT network is used extensively every day of the week to provide access to emails, video conferencing and key IT systems.

Throughout 2021-22, Audit staff have supported colleagues to assess compliance and resilience of third-party suppliers against the Council's information security framework and the Data Protection Act 2018. Whilst awareness of, and certification against recognised information security standards (i.e. Cyber Essentials) is becoming more accepted across all sectors, there is a need to further strengthen core security requirements including the default use of Multi Factor Authentication (MFA). Again, simple steps including the use of strong passwords, up to date antivirus software, regular patching of devices and effective backups, play an important role in protecting organisations to reduce their surface area of attack.

The risk of a cyber-attack against the network has always been an ever-present threat, and recent cyber events against other authorities, including Gloucester City Council, Hackney Council, Redcar and Cleveland Council demonstrated far reaching implications that can last for months after the initial incident has been resolved. In the case of Redcar and Cleveland Council, the Government provided £3.68m of financial support to help with the estimated costs of £10.4m incurred by the Authority.

The likelihood of such an incident has increased significantly with the invasion of Ukraine by Russia. On 17 January 2022, The National Cyber Security Centre (NCSC) issued guidance to all organisations on the actions to be taken because of a heightened cyber threat. In response to the guidance, Audit Services worked with ICT colleagues to report the outcome of an assessment against the NCSC recommended best practice to the Council's Corporate Management Team, with further updates scheduled in 2022.

The joint audit and ICT mapping exercise against best practice recommendations from NCSC proved timely and escalated implementation of some control measures. Whilst outside of this 2021-22 annual reporting period, it is worth noting that the Council detected an attempted cyber-attack on one of the Council's IT systems in May 2022. This had the potential to cause disruption to services and initial investigations revealed that the incident could be part of a wider cyber-attack which has targeted many other organisations. Immediate steps were taken to further increase the protection of data and systems in response to this attack. Forensic analysis was undertaken, with the Council working closely with

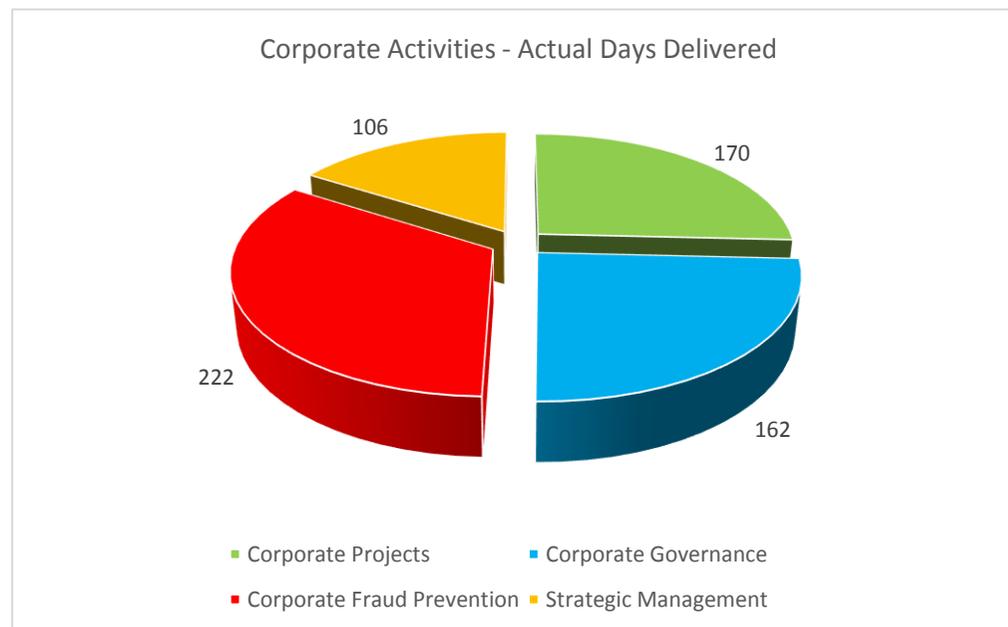
specialists including the National Cyber Security Centre, Microsoft and the Information Commissioner’s Office. Whilst not possible to provide an absolute assurance on this event, the evidence seen by the Microsoft team did not indicate that the attack had compromised the Council’s internal network. Microsoft commented that the Council overall had a number of effective controls in place, although made recommendations to strengthen these further.

As outlined above, the importance of effective controls within ICT networks and systems is essential to maintaining service delivery, data integrity and availability. However, as a result of resourcing issues within the Council’s ICT team there were delays in arranging engagement meetings with Audit. Significant elements of the IT Audit work included within the 2021-22 Audit Plan have not been delivered, including the database administration review, server management arrangements and network infrastructure.

These matters were escalated to senior management, and this work has now been included on 2022-23 Audit Plan to fill gaps in assurance. Work started towards the end of 2021 on the Council’s Microsoft implementation, but until this work is completed, I have some reservation on the level of assurance that I am able to provide in this area.

Modern Ways of Working (MWoW)

Throughout the year, Audit staff have worked closely with the project leads to provide assurance and advice during phase one of the project. Whilst phase one was drawing to a conclusion in the first quarter of 2022, phase two, will bring further opportunities to obtain efficiencies from the Council’s property estate and a reduction in supporting resources including printing and stationery. As recognized by the Project Team the move to a more agile workforce increases opportunities for revised working arrangements and potentially staff recruitment due to new flexibilities that were not present a few years ago. Arrangements are also being put in place to ensure wellbeing resources are available to support staff who may be experiencing problems and that revised governance structure are introduced.



Corporate Activities Support and Consultancy Work

Meetings and Support

In addition to our programme of Audits, the Unit assists Management with the provision of ongoing support, advice, attendance at various meetings including those with Departmental staff and project boards. Meetings attended by Audit staff promote the principles of good governance and control frameworks:

Governance Group - The Group has a key role in considering and promoting governance matters (including the development and revision of related policies), supporting the work of the Audit Committee and production of the AGS. The Group has developed a Local Code of Corporate Governance and Director Assurance Matrices to support the AGS.

Information Governance Group - Audit Services continue to be an integral part of the ongoing monitoring and compliance work required to maintain the Council's ISO27001:2013 accreditation. The Unit's role includes attendance at the monthly meetings of the Group, review of information security policies and ongoing information security reviews as specified within the Audit Plan. The Unit's staff are the contact point for the External Auditor in relation to the provision of internal audit in respect of the ISO27001 standard and will be working with the Information Security Manager to assess the implications of the new standard that has recently been issued.

Data Protection Group - Chaired by the Council's Data Protection Officer (DPO), the group meets regularly to review on going compliance with current data protection legislation, respond to emerging issues, and promote a consistent application of data protection principles across all Departments.

Ukrainian Family Scheme - Audit Services have supported and reviewed the process for making emergency payments to refugees who have relocated to Derbyshire. The system needed to be operational within a short timeframe and a number of options had been considered regarding the best / easiest payment method which was subject to appropriate control.

Detailed Analysis - Corporate Services and Transformation*

Departmental Performance	2020-21	2021-22	Departmental Opinions	2020-21	2021-22
Days within the Approved Audit Plan	705	785	Substantial	5	6
Actual days delivered	679	931	Qualified	12	13
Departmental % of Audits days achieved	96%	118.6%	Limited	2	4
Number of Reports / Memoranda Issued	21	26	No	-	0
			Other (including letters)	2	3

(*The Commissioning, Communities and Policy Department was renamed Corporate Services and Transformation in December 2021)

The Unit undertook work on Departmental systems and procedures, themed and operational projects, core finance activities and IT system reviews. Audit Services issued 26 Reports and Memoranda within the Department, which are detailed within **Appendix 1**. An overview of the main Audit opinions is shown below:

Departmental Review (2020-21 Review issued in 2021-22)

The Departmental review evaluated compliance with statutory and regulatory requirements, strategic planning and governance arrangements, budgetary control, risk management, supply chain, human resources and the information security standard ISO27001. The Audit found that overall core procedures were operating satisfactorily, with the Department continuing to discharge its statutory and legislative responsibilities. Adjustments have been made to governance arrangements to provide an informed, coordinated and timely response to the pandemic and an additional Covid-19 Risk Register has been developed.

Areas where improvements were reported included the process by which the 'business as usual' Risk Register are reviewed and updated need to be strengthened, together with improvements to human resources administration. The areas which require further attention include induction of agency staff, ensuring equipment loaned forms are completed, retention of receipts for expenses incurred and completion of annual driver checks. The progression of standard processes for contract award and management across the Council, will improve management controls over the procurement supply chain, together with supplier business continuity arrangements. The provision of guidance within this area will provide a clear methodology for assessing high risk / high value contracts.

Accounts Payable Review

As an important part of the Council’s core financial operations, the Accounts Payable function is considered to be well managed and generally operating in compliance with documented procedures. Regular payment performance information is produced and reported with guidance notes and information available to all staff. The Accounts Payable Team continue to process a significant amount of invoice and payment transactions, which totalled almost 750,000 in the period December 2020 to December 2021. During this period, the target to pay 90% of invoices within 30 days has generally been met

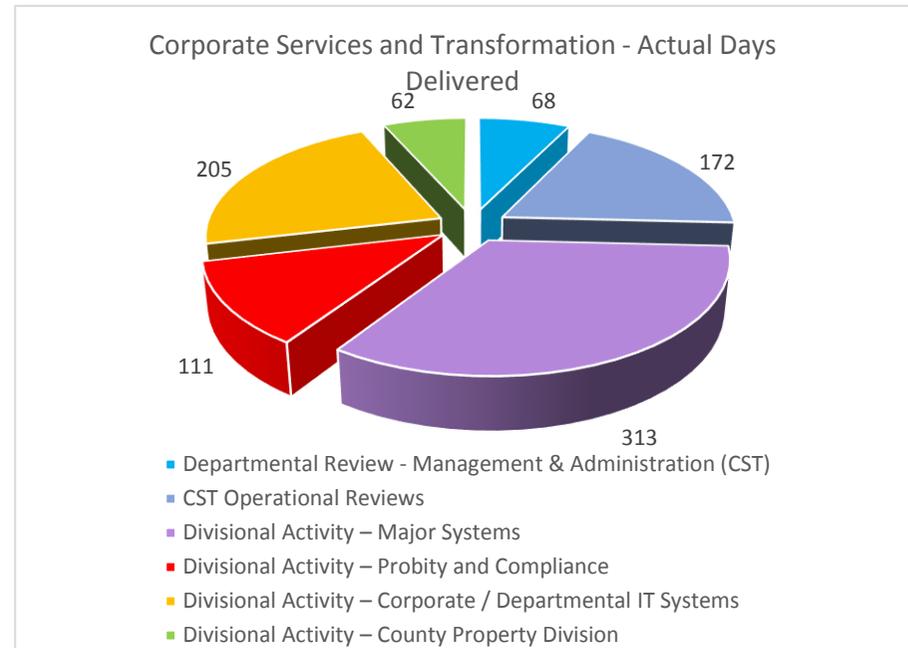
Accounts Receivable Review

The Accounts Receivable function oversees the billing, collection and management of the Council’s income, with established processes in place. These processes have been adapted during the course of the pandemic and continue to operate effectively. Management information and performance against specified Key Performance Indicators (KPIs) is monitored and reported on a regular basis.

Human Resources Management (2020-21 Review issued in 2021-22)

The Audit confirmed that systems and controls surrounding payroll administration were generally adequate and operating effectively. The service has continued to work effectively during the pandemic given the challenges of remote working, with monthly payrolls continuing to be processed promptly and accurately. Staff demonstrated an awareness of the importance of ensuring the security and confidentiality of the information, during the Audit review.

Areas of improvement included the requirement for recruiting managers to maintain evidence of employee qualifications, with inductions completed for new staff using the standard induction checklists. The wider and regular distribution of service performance reports will allow senior management outside of HR to be kept informed of performance, improve transparency and accountability.



HM Revenue & Customs (HMRC) Review

As taxes are managed corporately via key IT systems including the SAP finance application, the majority of the administration for the payments is undertaken automatically at the point of each transaction. The taxation parameters within the SAP system were found to be reviewed / periodically tested by the SAP Development Team and staff from the Human Resources Team. To demonstrate the Council's management of its tax affairs and compliance control framework, the publication of a Tax Strategy (last updated March 2021), provides clarity on the steps taken to achieve this. The strategy makes reference to a number of the elements reviewed by the Audit, including policy frameworks that were generally found to be operating satisfactorily.

Insurance and Risk Management

The review identified significant weaknesses in the revaluation of Council assets, the maintenance of the List of Insurable Assets and Pollution Liability Register. This resulted in the Council having to finance significant rebuild costs of Harrington Junior School and places the Council at risk of significant future financial liability. The maintenance of these records rests with Property Services and is outside the control of the Risk and Insurance Management Team.

The team's responsibilities and resources have been impacted significantly by the challenges arising from Covid-19. Whilst these pressures were beginning to ease at the conclusion of the Audit, it has caused delays in the planned update to the Risk Strategy 2020-21, the creation of the Corporate Risk Management Group and the development of risk training. Additional resources were noted as being required to ensure that policies and procedures on the 'Our Derbyshire' website are up to date, service level agreements with third parties signed and protocols established regarding the notification of near misses and potential security incidents.

Corporate Property

The Division is responsible for a large and diverse property portfolio and operates within an annual budget in excess of £10m. A new operating model has recently been introduced to manage the portfolio and deliver the Asset Management Framework, although the structure to support the new model are not yet fully in place. As a result, the Division is yet to operate effectively in accordance with the operating model approved by Cabinet. The revised model has resulted in the introduction of new governance and operating practices which are supported by a number of areas of good practice, but

many of these are not yet fully embedded. Internal procedures and guidance manuals require review and update to reflect the new operating model and changes to responsibilities and reporting structures.

Operating performance of in-house activity is not formally reported utilising performance measures, as KPIs are currently under development. These need to be developed, approved and implemented as a matter of priority to allow internal performance to be monitored and reported regularly to senior management. There is no benchmarking of performance against other similar organisations.

The savings target for 2020-21 of £1.893m has not been achieved, with this rolled forward into the target for 2021-22, with a programme of work currently underway to identify where savings could potentially be made. This will add further budgetary pressure for the current financial year. As a result of the issues identified during the Audit, a limited assurance was reported to management.

Occupational Health Management IT System Follow - Up Review

Overall, the review identified that in the majority of areas assessed during the Audit, administration procedures were found to be operating satisfactorily and in line with service requirements. There were, however, areas where improvements within the current governance and IT system security arrangements could be improved to embed efficiencies within the service. One of the key outstanding areas highlighted during the review, was the number of perceived benefits not fully realised following the implementation of the e-Opas IT solution. The move to provide an online and automated system, has not been delivered in the three plus years since the implementation phase was completed. There have been a number of reasons for this, including availability of software functionality and resources to automate historical records. Whilst a number of these issues remain a challenge, it is important that a clear template is developed to deliver on the previously reported benefits and service efficiencies.

IT System - AVC Partner Procurement

The Audit due diligence review established that in general the supplier had a satisfactory information security framework in place. This was evidenced by the supplier's certification against the requirements of the Cyber Essential 'Plus' scheme. This certification provides a degree of externally assessed assurance that the supplier works to a recognised information security framework standard. In addition, the supplier's Information Security Policy (SISP) responses provided further assurances on their information security policies in place.

Corporate Services and Transformation Department Support and Consultancy Work

In addition to our programme of Audits, the Unit assists management with the provision of ongoing support, advice, attendance at various meetings including those with Departmental staff and project boards. This level of engagement is necessary to help the Council achieve its objectives by providing assurance that risks are being managed effectively and promote the principles of good governance and control frameworks. Examples include:

Finance Officers' Group - Meets on a regular basis to discuss a range of budgetary and accounting issues and supports the Director of Finance & ICT.

Risk Management - Monitor and support corporate leadership and Departmental Management Teams (DMT) in understanding Corporate Risk Management challenges, improving risk awareness and performance, and delivering change.

SAP Implementation - Drawing upon resources from across the Council to support the migration from the current SAP ERP system to the new SAP S/4HANA Enterprise Resource Planning application.

ICT Governance Group - Meets on a monthly basis to discuss ICT resources and delivery of Departmental projects and resource requests. Includes progress updates on core ICT strategies and delivery of the Microsoft Office 365 and enterprise security control framework

Detailed Analysis – Children’s Services

Departmental Performance	2020-21	2021-22	Departmental Opinions	2020-21	2021-22
Days within the Approved Audit Plan	650	475	Substantial	1	1
Actual days delivered	390	238	Qualified	19*	3
Departmental % of Audits days achieved	60%	50.1%	Limited	1*	-
Number of Reports / Memoranda Issued	22*	4	No	-	-
			Other (including letters)	1	-

(*2020-21 - Includes 11 primary school ‘virtual’ audits).

The Unit undertook work on Departmental systems and procedures, themed and operational projects including an assessment of an IT system procurement. Audit Services issued 4 Reports and Memoranda within the Department, which are detailed within **Appendix 1**. An overview of the main Audit opinions is shown below:

Children’s Services Departmental Review (2020-21 Review issued in 2021-22)

The Departmental review evaluated compliance with statutory and regulatory requirements, strategic planning and governance arrangements, budgetary control, risk management, supply chain, human resources and the information security standard ISO27001. Sufficient evidence was obtained to confirm the Department had measures in place to meet regulatory and legislative requirements and comply with the Council’s Constitution.

High priority recommendations were made to enhance user authentication controls and the availability of an effective audit trail in one of the Department’s IT systems reviewed during the Audit, with business continuity arrangements for suppliers requiring resources to address current gaps. Training and support for the effective management of staff absences in accordance with the Council’s Attendance Management and Ill Health Capability Procedure, was a recurrent theme.

Care Leavers

The Executive Director for Children’s Services has a statutory obligation to safeguard children with the Council acting as Corporate Parent. Since the previous review in July 2019, the service was brought back in house having been previously

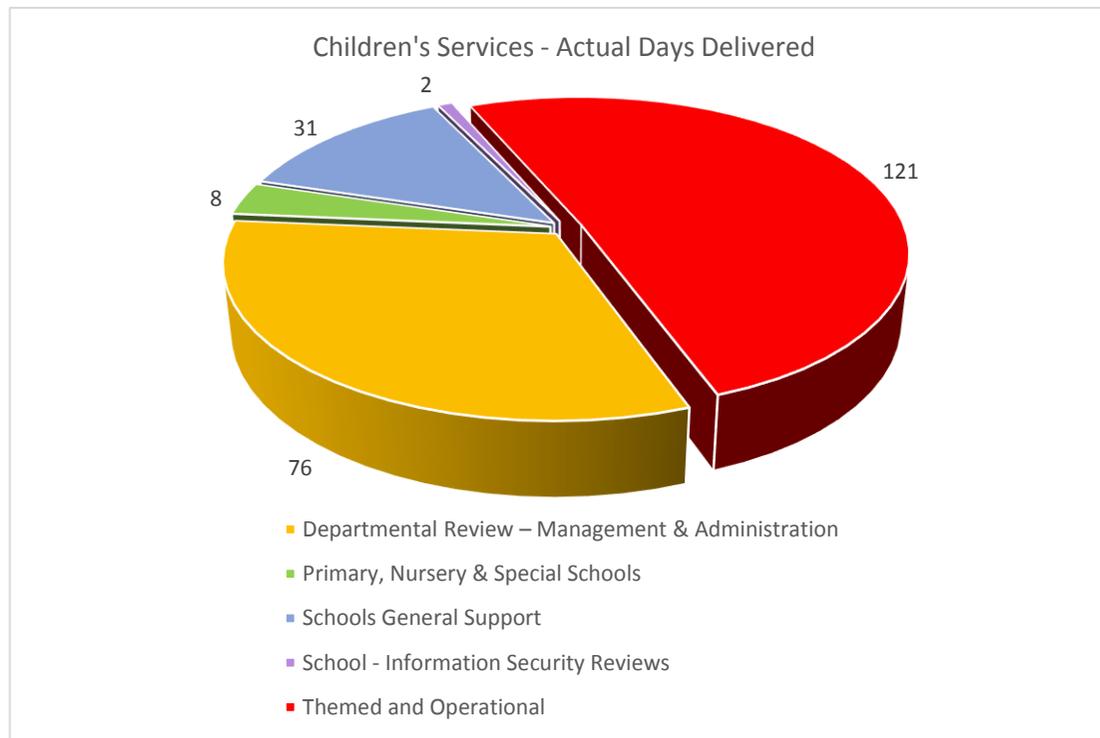
provided by an external organisation. The review focused on the service governance arrangements, finance and performance management, support to individuals in care and those affected by homelessness.

Whilst a small number of issues were raised with senior management at the conclusion of the review, none of these matters were considered to be a high priority for the service and therefore the overall opinion was raised from 'qualified' in 2019 to 'substantial' during this review. Whilst the budget and staff resources remain an ever-present challenge, the service was found to have an effective control framework in place.

Derby and Derbyshire Music Partnership

The Derby & Derbyshire Music Partnership (DDMP) is the music service provided by Derbyshire & Derby City Councils, aiming to provide quality music-making opportunities to pupils in Derby and Derbyshire. The impact of the pandemic has had a significant impact on the activities and level of music education, as many of the establishments and services were operating under restrictions. In the majority of the areas reviewed during the Audit, there was evidence of compliance with the Council's policy framework and local guidance notes for staff. Appropriate finance arrangements were in place with budget monitoring of the service undertaken and evidence of quotations being obtained for the replacement of musical instruments.

One of the key challenges facing the service is the availability of a suitably secure and accessible location, where the many thousands of musical instruments can be safely stored. The absence of a periodic inventory check of musical instruments meant that it was not possible to place reliance on the accuracy of the inventory records held by the service. Improvements within elements of the staff recruitment procedures were reported governance arrangements not clearly defined within elements of the partnership activities.



Schools

Due to the Covid-19 restrictions and staff resourcing issues faced by the Unit, no reviews of schools were undertaken during 2021-22. However, Audit Services continued to monitor the submissions of the School Financial Value Standard (SFVS) returns by Derbyshire local authority-controlled schools to ensure they have met the Department for Education (DfE) required submission date of 31 March each year. Moving forward into 2022-23, school audit reviews will be more risk based and focus on key themes that is having the largest impact on school operations, this will include information security, procurement management and effective governance arrangements.

Supporting Families Programme

During 2021-22 Audit Services reviewed seven Supporting Families Grant submissions which included a total of 787 families. The Council met its agreed maximum target and was able to claim £629,600.

Children's Services Support and Consultancy Work

Holiday Activities and Food Programme (HAF) - Audit Services reviewed the expenditure which has been incurred for the HAF grant of approximately £2.3m. Local authorities in receipt of the grant are asked to ensure that the offer of free holiday club provision is available for all children in receipt of benefits-related free school meals in their area. As part of this review, Audit Services identified a number of areas for improvement in the grant administration process which have been reported to Management.

Youth Justice Board Grant - Audit Services provided the Youth Justice Board with independent assurance that the grant has been used for delivery of the funded activities.

Schools - Throughout the year, Audit Services provided ongoing support and guidance to the Council's maintained schools on a wide range of matters. This included advice in respect of governance, procurement, HR and information security and data protection.

Detailed Analysis – Adult Social Care and Health

Departmental Performance	2020-21	2021-22	Departmental Opinions	2020-21	2021-22
Days within the Approved Audit Plan	299	303	Substantial	-	-
Actual days delivered	245	302	Qualified	5	6
Departmental % of Audits days achieved	82%	99.7%	Limited	3	-
Number of Reports / Memoranda Issued	9	6	No	-	-
			Other (including letters)	1	-

The Unit undertook work on Departmental systems and procedures and IT system reviews. Audit Services issued 6 Reports and Memoranda within the Department, which are detailed within **Appendix 1**. An overview of the main Audit opinions is shown below:

Adult Social Care and Health Departmental Review (2020-21 Review issued in 2021-22)

The Departmental review evaluated compliance with statutory and regulatory requirements, strategic planning and governance arrangements, budgetary control, risk management, supply chain, human resources and the information security standard ISO27001. Sufficient evidence was obtained to confirm the Department had measures in place to meet regulatory and legislative requirements and comply with the Council's Constitution.

High priority recommendations were made to enhance business continuity arrangements and improvements within the monitoring and support for employees who may be working excessive hours within the service area. Progress made in responding to the previous Audit review identified that of the twenty-three recommendations raised, seven had been implemented, three are no longer applicable, leaving thirteen outstanding. Whilst this demonstrates some control improvements have been made since the previous review, there remains further opportunities to strengthen the control environment.

Supply of an Externally Hosted Mental Health Assessment IT Application

The IT system was considered a high-risk application with regard to the service requirements and nature of the personal data likely to be processed / held by the system. Certification against the information security standard ISO27001:2013 accreditation, provided an element of independent assurance around the supplier's information security processes, which

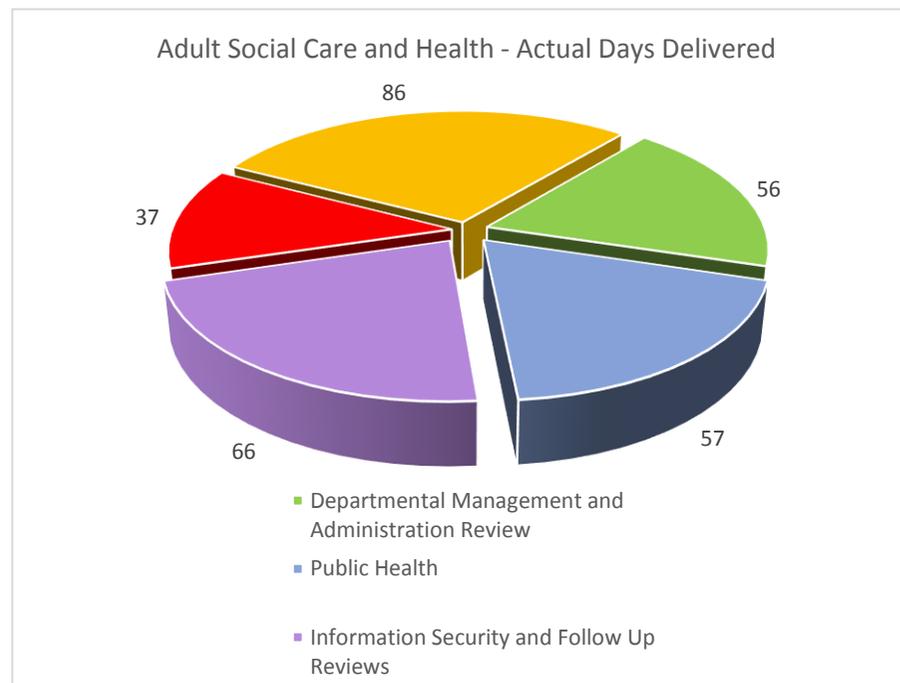
was supported, in the main part, by positive responses within the Supplier Information Security Policy (SISP) questionnaire that confirmed compliance with the Council's requirements. There were areas raised with senior management that required further discussion during the contract implementation phase, including the deployment of strong authentication controls and ability to permit bulk approvals of activities.

Stakeholder Engagement for the Provision of a Derbyshire Family Weight Management Programme

It was established during this review that limited personal data would be collected in respect of the contract. Service users are not required to provide their details unless they wish to do so, and where personal data is provided, then this is in the form of a name and partial post code. This had a significant impact on the risk profile of the contract for the Council and level of work required by Audit Services. As the supplier of the service had been subject of a previous Audit review, the matters raised previously were assessed to ensure that actions had been addressed. At the conclusion of the review, evidence was provided that the supplier had obtained the Cyber Essentials certification.

Health Trainer Programme for Offenders in the Community

At the time of the review, it was the supplier's intention to configure and implement a Management Information System (MIS) / Customer Relationship Management System (CRMS) to store service user data as part of the contract provision. As the system was not operational at the time of the Audit, it was not possible for the supplier to provide an assurance on the control framework in place. However, the Council was able to draw an assurance from the information security accreditations that the supplier had in place (Cyber Essential 'Plus' and looking to obtain ISO27001:2013 Information Security Management) a core control framework. This was supported further by overall positive responses within the SISP and comments received to the Audit recommendations.



Adult Social Care & Health Support and Consultancy Work

Community Testing Grant - The Council received grant funding from the Department for Health and Social Care towards expenditure incurred in relation to Community Testing in response to the Covid-19 outbreak. Audit Services were required to review and sign-off the monthly returns which were made throughout 2021-22.

Detailed Analysis – Place

Departmental Performance	2020-21	2021-22	Departmental Opinions	2020-21	2020-21
Days within the Approved Audit Plan	170	180	Substantial	-	2
Actual days delivered	132	291	Qualified	3	6
Departmental % of Audits days achieved	77%	161.7%	Limited	-	-
Number of Reports / Memoranda Issued	4	9	No	-	1
			Other (including letters)	1	-

The Unit undertook work on Departmental systems and procedures, themed and operational projects, and IT system reviews. Audit Services issued 9 Reports and Memoranda within the Department, which are detailed within **Appendix 1**. An overview of the main Audit opinions is shown below:

Departmental Review (2020-21 Review issued in 2021-22)

The Departmental review evaluated compliance with statutory and regulatory requirements, strategic planning and governance arrangements, budgetary control, risk management, supply chain, human resources and the information security standard ISO27001.

The Department was found to be operating well in the majority of the areas subject of review with Budgetary control and Risk Management well managed with no issues identified for improvement. Registers are maintained to comply with the Constitution and legislation and the review of human resources management confirmed that sickness absences were being managed appropriately.

Management of Waterbodies

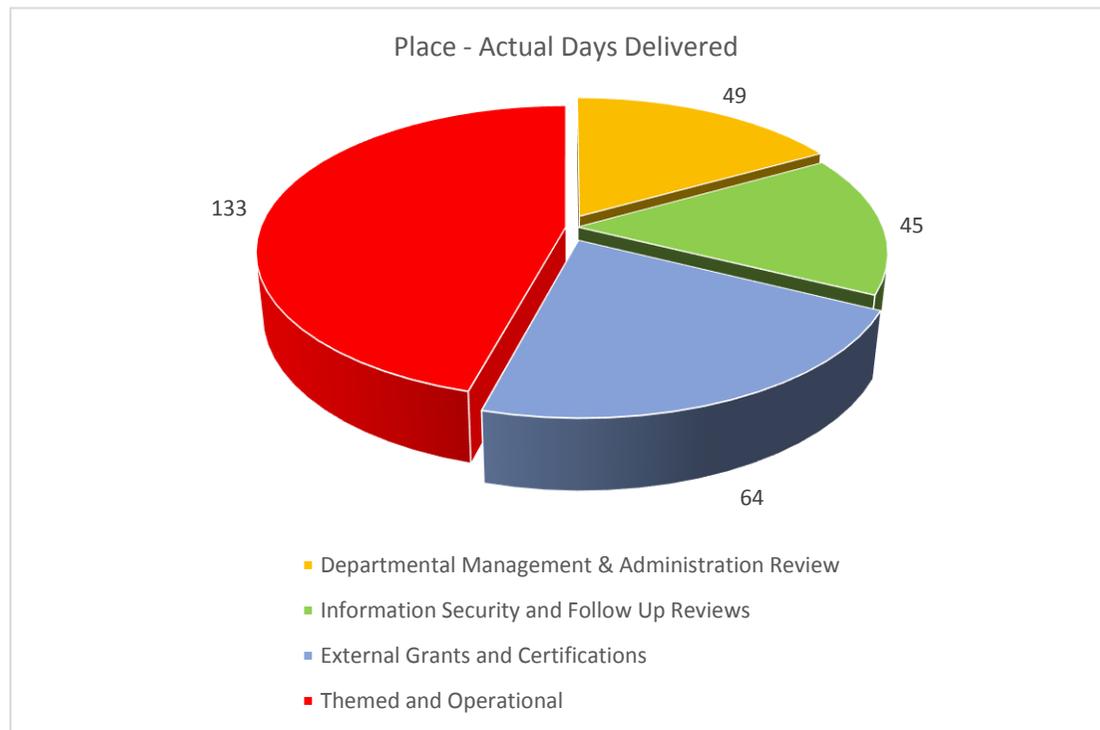
The Council has effectively discharged its statutory duties in relation to the management of waterways with annual checks undertaken on reservoirs and relevant preliminary risk assessments and management strategies completed. The Council has not, however, agreed upon a definition of a 'waterbody' nor has it established a central list of all accumulations of water for which it is responsible. Work is also required to update key strategic documents and risk registers, to ensure that they reflect current agreed practices, significant risks and mitigating controls.

The review identified opportunities for the existing arrangements relating to the inspection and maintenance of smaller waterways to be strengthened, together with potential improvements in the identification of all available grant funding and the timely completion of staff MyPlans.

Waste Management

In the coming years, the Council will complete a number of procurement exercises for its main waste management contract, the operation of its Household Waste Recycling Centres, waste transfer stations and disposal sites and the completion of the new waste treatment facility at Sinfin. These procurement exercises will seek to ensure that the Council and its partners can continue to deliver an effective waste collection and disposal service for Derbyshire, which is aligned to the outcomes of the 'Our Waste, Our Resources: A Strategy for England' consultation exercises. As part of this process, it will be important for a new Waste Management Strategy and associated Action Plan to be developed and maintained to ensure that services are delivered efficiently and effectively.

The review identified good practice in relation to the setting and monitoring of the waste management budget, the administration of waste contracts, the implementation of the new waste management IT system and ISO27001 compliance. Minor improvements were however recommended in relation to the potential creation of a customer services key performance indicator and the reconciliation of output tickets.



Economic Development Regeneration Follow-up Review

Management have taken limited action to address the majority of the recommendations raised during the previous Audit review. During the Audit only two recommendations could be evidenced as implemented, despite nineteen recommendations being part of the original review. Although numerous email requests and calls to Senior Management over the period 13 October 2020 – 10 March 2021, a satisfactory response or supporting evidence relating to implementation of the remaining recommendations, was not provided.

Chipside Parking Enforcement Follow-up Review

During the course of this follow up review, it was identified that although progress had been made against six of the agreed recommendations, only two were considered to have been implemented. The review determined that there had been no progress against one of the recommendations, with two recommendations being partially implemented.

Place Support and Consultancy Work

Additional Dedicated Home to School Transport Grant - The purpose of this grant was to provide support to local transport authorities in England. Audit Services reviewed and signed-off two returns and the final reconciliation in 2021-22.

Community Renewal Fund - In 2021-22, the Council secured total funding of approximately £2m for 2 projects under the Community Renewal Fund. Throughout the year, Audit Services have attended meetings of the Steering Group and contributed to the development of a suitable governance framework to support the award and monitoring of grant projects including visits to each of them.

In addition to the above, Audit Services routinely review and sign off grants which are received including the Travel Demand Management and Local Transport Capital Funding Grants.

Quality Assurance and Improvement Programme (QAIP) & KPIs

Quality Assurance and Improvement Programme

One of the fundamental principles of the PSIAS is the requirement for the Head of Audit to develop and maintain an ongoing Quality Assurance and Improvement Programme (QAIP), to drive continuous improvement and maintain professional standards. This includes provision for both internal and external assessment of conformity with the PSIAS.

The results of the current QAIP are reported to senior management and the Audit Committee along with areas of non-conformance. The QAIP consists of various elements, to help monitor continuous improvement within the service including the use of the Audit Services' Manual, ongoing performance monitoring and staff file review and feedback process.

External Assessment

As required by the PSIAS, an external assessment of internal audit is required to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The most recent review of the Unit's external review were reported to the Audit Committee on 10 December 2019, which reported that the Unit 'conformed' to all current standards.

Internal Assessment

In May 2020, the Audit Committee approved a number of revisions to the QAIP following the external review of Audit Services, to enhance conformity with the PSIAS. The revised QAIP made provision for internal assessments to include both ongoing monitoring of internal audit activity and periodic assessments.

INTERNAL AUDIT STRATEGY			
		OBJECTIVES	MEASURES
	TALENT	Independent and Objective Proficiency and Professionalism Talent Source for Organization	Certifications and CPE Training Competency Assessments Staff Rotation Program
	PROCESS	Independence and Objectivity Consulting Activities Quality Assurance and Improvement Program	Performance Metrics Risk-based Audit Plan Completion Internal and External Assessments
	INNOVATION	Add Value Through Efficiency Advance Use of Technology Proactive	Cost Savings Automation in Audit Data Analytics
	TRUSTED ADVISOR	Strategic Partner Reliable Consultant Facilitate Positive Change	Communications Plan Stakeholder Surveys Industry Benchmarking

Ongoing monitoring arrangements include a range of measures including: supervision of individual assignments and report reviews, KPI monitoring, annual staff checks of conformity with Code of Ethics and the Council's Code of Conduct for Employees, staff development activity and annual appraisals and client feedback.

Key Performance Indicators (KPIs)

Details of the current KPIs and outcomes for 2021-22 for the Unit are summarised at **Appendix 2**, together with details of the previous years' activities to enable a comparison. I intend to review the effectiveness of the Unit's KPIs to ensure these are aligned with best practice and the PSIAS.

Periodic Review

Periodic assessments are conducted to evaluate conformance with the Audit Charter, the PSIAS, Definition of Internal Auditing and the Code of Ethics. An annual self-assessment of conformance with PSIAS has been conducted and summary details are provided in **Appendix 4**. Outcomes of this assessment have been shared with Director of Finance & ICT to support his annual review of the effectiveness of the system of internal control.

Conformity with PSIAS

The periodic review has highlighted that there is **significant, but not full conformity with the PSIAS**. The review identified near full compliance with the tests of conformance, with no areas of non-compliance that would affect the overall scope or operation of the internal audit activity. A small number of areas were identified where there is scope for improvement to ensure the service is meeting best practice.

Although there are some areas of partial non-conformance, the impact on strength of assurance delivered is minimal. Details are set out in **Appendix 5**, and a QAIP Action Plan of corrective steps will be developed, to ensure areas for improvement are addressed.

Satisfaction Questionnaires



Questionnaires allow Audit Services to gather valuable information to enable us to monitor and improve our service. The questionnaire seeks auditees' views on a number of areas including the preparation for an Audit, professionalism of the Audit staff, and overall value added from the Audit outcome. A summary of the responses is detailed below:

	2020-21	2021-22
Questionnaires Issued	34	41
Questionnaires Returned	8	4
Percentage Return	24%	10%

Detailed responses received from these questionnaires for the last three years are set out at **Appendix 3** and provide an independent assurance on the service delivered and the Audit product. I, like the Chair of the Audit Committee, remain disappointed with the extremely low rate of return. During 2022-23, I will be discussing this further with all Executive Directors and reviewing the content of the Audit questionnaires to assess whether it remains relevant.

An annual questionnaire was also issued to Executive Directors and Directors as key stakeholders to obtain their feedback on the Audit service. On the whole the responses from most Departments were positive, although the Children's Services responses flagged a number of areas that will require further engagement with the Executive Director of Children's Services in the coming months. A sample of the responses and trends are shown in the in the graph with more detailed responses included in **Appendix 3**.

Appendix 1 - Progress Against the 2021-22 Audit Plan

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
Corporate Activities – The 2021-22 Audit Plan included an allocation of 980 days over the following areas												
Corporate Projects												
➤ VP018 East Midlands Broadband (emPSN)	-	-	2	-	-	-	-	-	-	-	-	
VP037 Workforce Development / Succession Planning	30	-	2	-	-	-	-	-	-	-	-	2021-22 attendance at Agency Group Mtgs. Audit is included within 2022-23 Plan.
VP044 D2N2 LEP	45	-	37	Qualified	Substantial	↑	0	0	3	0	(1H)	
➤ VP050 Review of Grants Admin	-	-	10	-	-	-	-	-	-	-	-	
VP053 Cyber Security Review	20	-	8	-	-	-	-	-	-	-	-	
VP055 Corporate Culture	30	-	1	-	-	-	-	-	-	-	-	
VP058 Serious & Organised Crime	10	-	1	-	-	-	-	-	-	-	-	
➤ VP060 Protection of Staff	-	-	12	N/A	N/A	-	0	1	3	0	(1H, 3M)	Follow-up Audit Review.
➤ VP061 Injury to Public or Employees re. Use of Land, Buildings & Assets	-	-	6	N/A	N/A	-	0	1	0	0	(1H)	Follow-up Audit Review.
VP062 Data Protection Compliance	20	-	-	-	-	-	-	-	-	-	-	Audit time charged to CR009 Data Protection Compliance.
VP064 New Delivery & Commissioning Models/Partnership Working	30	-	4	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan.
VP067 Climate Change	30	20	4	N/A	Qualified	↔	0	1	3	2	-	Memo relates to 2020-21
VP068 Major Incident Response	30	-	3	-	-	-	-	-	-	-	-	Business Continuity Planning included within the 2022-23 Audit Plan.
VP070 Revised Working Arrangements	30	-	57	N/A	2 x Qualified	↔	0	7	8	1	-	
➤ VP071 Asset Optimisation (Corporate Landlord)	-	-	2	-	-	-	-	-	-	-	-	
➤ VP075 Ukraine Family Scheme	-	-	1	-	-	-	-	-	-	-	-	
Total	275	20	150	-	1 x Substantial 3 x Qualified	-	0	10	17	3	6	
Corporate Governance												
CO002 Business Continuity Planning	20	-	9	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan.
CR001 Embedding Corporate Governance	70	-	78	-	-	-	-	-	-	-	-	

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
CR005 Services to Members	-	-	3									Pre-Audit work for 2022-23 review.
CR006 Corporate Health Check	20	-	-	-	-	-	-	-	-	-	-	Work has been undertaken as part of other Audits throughout 2021-22.
CR007 Information Governance Group & Support	20	-	36	-	-	-	-	-	-	-	-	
CR009 Data Protection Compliance	-	-	36	-	-	-	-	-	-	-	-	
Total	130	-	162	-	-	-	-	-	-	-	-	
Corporate Fraud Prevention												
CZ100 External Audit Liaison	5	-	1	-	-	-	-	-	-	-	-	
CZ200 National Fraud Initiative	20	-	77	-	-	-	-	-	-	-	-	
CZ300 National Anti-Fraud Network	10	1	11	-	-	-	-	-	-	-	-	
CZ400 RIPA Management & Admin	10	2	-	-	-	-	-	-	-	-	-	
ZZ000 Internal Audit-Special Investigations General	280	28	102	N/A	2 x Reports 2 x Letters	N/A	0	8	7	2	(5 H) (2 M)	
Total	325	31	191	-	2 x Reports 2 x Letters	-	0	8	7	2	7	
Strategic Management												
VW001 Strategic Management	50	-	83	-	-	-	-	-	-	-	-	
VW002 Strategic Management (Risk)	-	-	21	-	-	-	-	-	-	-	-	
VW003 Audit Assurance Mapping	-	-	2	-	-	-	-	-	-	-	-	Pre-Audit work for 2022-23 review.
Total	50	-	106	-	-	-	-	-	-	-	-	
Audit Planning Contingency												
XX000 Audit Planning Contingency	200	-	-	-	-	-	-	-	-	-	-	
Total	200	-	-	-	-	-	-	-	-	-	-	
Corporate Activities Total	980	51	609	-	2 x Reports 1 x Substantial 3 x Qualified 2 x Letters	-	0	18	24	5	13	

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
*Corporate Services & Transformation Department - The 2021-22 Audit Plan included an allocation of 785 days over the following areas												
Departmental Review - Management & Administration (CCP)												
CA100 Commissioning, Communities and Policy Departmental Review	60	7	35	Qualified	Qualified	↔	0	4	12	2	(6H, 4M, 2L)	Memo relates to 2020-21 Audit.
CA102 External Grants and Certifications	10	-	26	-	-	-	-	-	-	-	-	
Total	70	7	61	-	1 x Qualified	-	0	4	12	2	12	
CCP Operational Reviews												
CO003 Derbyshire Business Centre	20	-	27	-	-	-	-	-	-	-	-	
CO006 Public Library Service (Transferred to Place wef 1 July 2021)	20	-	24	N/A	Qualified	↔	0	1	0	5	-	
➤ CO007 Democratic Services	-	30	-	N/A	Qualified	↔	0	1	6	2	-	
CO008 Communications and Call Derbyshire	25	-	-	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan.
CO010 Policy and Research	25	-	34	-	-	-	-	-	-	-	-	
CO011 Legal Services	25	-	21	-	-	-	-	-	-	-	-	
➤ CO012 Derbyshire Records Office & Records Management	-	-	22	N/A	Qualified	↔	0	3	5	5	-	
CO013 Apprenticeship Levy	10	-	14	N/A	Qualified	↔	0	1	6	2	-	
Total	125	30	142	-	4 x Qualified	-	0	6	17	14	-	
Divisional Activity – Major Systems												
MA100 Core Financial Systems – General Queries	5	-	16	-	-	-	-	-	-	-	-	
MB100 Human Resources Management	40	19	49	Substantial	1 x Qualified 1 x Letter	↓	0	1	6	6	(1M,3L)	Memo relates to 2020-21 Audit.
MC100 Accounts Payable	40	-	48	Substantial	Substantial	↔	0	0	2	5	(3M)	
MD100 Corporate Purchasing	40	22	-	Qualified	Qualified	↔	0	2	6	5	(3M)	
ME100 Accounts Receivable	35	-	39	Substantial	Substantial	↔	0	0	0	1	(1L)	
MG100 Accountancy, Budgetary Control and Financial Resilience	45	-	-	Qualified	Substantial	↑	0	0	9	6	(5M,1L)	Memo relates to 2020-21 Audit.
MK100 Asset Management System	30	-	42	Limited	Qualified	↑	0	2	12	2	(6H, 12M)	
ML100 Funds Management	50	2	46	Substantial	Substantial	↔	0	0	2	3	(1M,1L)	Memo relates to 2020-21 Audit.
➤ MM100 Treasury Management	-	-	30	Qualified	Substantial	↑	0	0	1	4	(1M, 2L)	
Total	285	43	270	-	5 x Substantial	-	0	5	38	32	40	

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
					3 x Qualified 1 x Letter							
Divisional Activity – Probity and Compliance												
DC200 HM Revenue & Customs Compliance	20	-	25	Qualified	Substantial	↑	0	0	2	1	-	
DC300 Health, Safety & Wellbeing	20	-	40	Qualified	Qualified	↔	0	0	7	6	(2H, 1M)	
DC400 Financial Regulations & Standing Orders	5	-	-	-	-	-	-	-	-	-	-	
DE101 Cash Audit & ISO 27001 Visits	20	-	16	N/A	Qualified	↔	0	0	0	0	-	Central review of Imprest accounts across the Council. Unable to provide a full assurance due to not undertaking site visits.
DE400 Pensions Administration	25	-	-	-	-	-	-	-	-	-	-	
DE500 Insurance & Risk Management	30	-	30	Qualified	Limited	↓	1	1	3	2	(1H,5M,1L)	
Total	120	-	111	-	1 x Substantial 2 x Qualified 1 x Limited	-	1	1	12	9	10	
Divisional Activity – Corporate / Departmental IT Systems												
CK002 Corporate Database Review	15	-	-	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan.
CK003 Network Infrastructure Review	20	-	-	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan.
CK004 Server Infrastructure Review	20	-	-	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan.
CK005 Microsoft 365 Implementation	-	-	21	-	-	-	-	-	-	-	-	
CK006 Bacs Payment System Review	20	-	36	-	-	-	-	-	-	-	-	
Information Security and Follow Up Reviews	60	1	147	N/A	3 x Qualified 2 x Limited 2 x Letters	↔	0	21	23	5	-	Including existing corporate IT solutions and new IT systems or information security reviews, which require approval by the Director of Finance & ICT. Audit worked on a number of different projects throughout in this period including: <ul style="list-style-type: none"> Replacement SAP system AVC Wise IT solution

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
												<ul style="list-style-type: none"> Member Self Service IT solution Occupational Health IT system
Total	135	1	204	-	3 x Qualified 2 x Limited 2 x Letters	-	0	21	23	5	0	
Divisional Activity – County Property Division												
DV100 Property Services Review	30	-	59	Limited	Limited	↔	0	5	16	5	(1H, 3M, 2L)	
➤ DV101 Concertus Derbyshire	-	-	3	-	-	-	-	-	-	-	-	
Total	30	-	62	-	1 x Limited	-	0	5	16	5	6	
Regulatory												
QE100 Registration Service Audit Review	20	-	-	-	-	-	-	-	-	-	-	Need wording why not included in 2022-23 plan
Total	20	-	-	-	-	-	-	-	-	-	-	
Departmental Total	785	81	850	-	6 x Substantial 13 x Qualified 4 x Limited 3 x Letters	-	0	42	118	67	68	

(*The Commissioning, Communities and Policy Department was renamed Corporate Services and Transformation in December 2021)

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
Children's Services Department – The 2021-22 Audit Plan included an allocation of 475 days over the following areas												
Departmental Review – Management & Administration (CS)												
AA001 Children's Services – Departmental Review	45	1	42	Qualified	Qualified	↔	0	3	9	3	(2H,4M,3L)	Memo relates to 2020-21 Audit.
AA002 Children's Services Department - General Support	-	-	5	-	-	-	-	-	-	-	-	
AA004 Information Security and Follow Up Reviews	35	-	8	N/A	Qualified	↔	0	1	5	0	-	Including new and enhanced IT systems or information security reviews, which require approval by the Director of Finance & ICT. Audit worked on a number of different projects throughout in this period: <ul style="list-style-type: none"> S4S Traded Services IT solution.
External Grants and Certifications	15	-	20	-	-	-	-	-	-	-	-	
Total	95	1	75	-	2 x Qualified	-	0	4	14	3	9	
Primary, Nursery & Special Schools												
Primary, Nursery & Special Budget	160	-	8	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan.
Total	160	-	8	-	-	-	-	-	-	-	-	
Secondary Schools												
Secondary Schools	14	-	-	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan.
Total	14	-	-	-	-	-	-	-	-	-	-	
Schools General Support												
Schools General Support	30	-	31	-	-	-	-	-	-	-	-	
Total	30	-	31	-	-	-	-	-	-	-	-	
School - Information Security Reviews												
Information Security Reviews	35	-	2	-	-	-	-	-	-	-	-	Work related to the implementation of a new Bacs system. Audit is included within 2022-23 Plan.
Total	35	-	2	-	-	-	-	-	-	-	-	
Children's Homes												

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
Children's Homes	16	-	-	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan.
Total	16	-	-	-	-	-	-	-	-	-	-	
Themed and Operational												
AO005 Fostering	25	-	2	-	-	-	-	-	-	-	-	
AO009 Care Leavers	25	-	32	Qualified	Substantial	↑	0	0	3	3	(2M,1L)	
AO013 Supporting Families	30	-	38	-	-	-	-	-	-	-	-	7 grant claim sign offs
AO019 Children at Risk of Missing Education	-	-	1									Pre-Audit work for 2022-23 review.
AO020 Derbyshire Music Partnership	20	-	36	Qualified	Qualified	↔	0	1	9	2	(1H, 1M)	
AO022 Impact of Children in Care	25	-	-	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan.
AO026 Use of Personal Budgets for Children with SEND	-	-	6									Pre-Audit work for 2022-23 review.
➤ AO030 Education Data Hub	-	-	6	-	-	-	-	-	-	-	-	
Total	125	-	121	-	1 x Substantial 1 x Qualified	-	0	1	12	5	5	
Departmental Total	475	1	237	-	1 x Substantial 3 x Qualified	-	0	5	26	8	14	

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
Adult Social Care and Health Department – The 2021-22 Audit Plan included an allocation of 303 days over the following areas												
Departmental Management and Administration Review												
BA001 Departmental Review Management and Administration	45	1	46	Qualified	Qualified	↔	0	4	12	10	(5H,3M,5L)	Memo relates to 2020-21 Audit.
BA002 Adult Social Care and Health Department – General Support	-	-	9	-	-	-	-	-	-	-	-	
Total	45	1	55	-	1 x Qualified	-	0	4	12	10	13	
Public Health												
BD001 Public Health	25	-	57	-	-	-	-	-	-	-	-	
Total	25	-	57	-	-	-	-	-	-	-	-	
Information Security and Follow Up Reviews												
Information Security and Follow Up Reviews	70	9	57		5 x Qualified	↔	0	3	17	2	0	Including new and enhanced IT systems or information security reviews, which require approval by the Director of Finance & ICT. Audit worked on a number of different projects throughout in this period: <ul style="list-style-type: none"> • Welfare Rights • Mosaic Client Management IT solution • S12 Solutions App • Stakeholder Engagement Family Weight Management Project • Derbyshire Health Trainers Project • Relationship & Sexual Education Project.
Total	70	9	57	-	5 x Qualified	-	0	3	17	2	0	
External Grants and Certifications												
External Grants and Certifications	15	-	37	-	-	-	-	-	-	-	-	
Total	15	-	37	-	-	-	-	-	-	-	-	
Social Care – Elderly Residential												
Elderly Residential	16	-	-	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan.
Total	16	-	-	-	-	-	-	-	-	-	-	

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
Social Care - Day Care - Physical/Mental Disability												
Day Care - Physical/Mental Disability	12	-	-	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan.
Total	12	-	-	-	-	-	-	-	-	-	-	
Social Care - Day Care & Hostels												
Day Care & Hostels	12	-	-	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan.
Total	12	-	-	-	-	-	-	-	-	-	-	
Social Care - Community Care Centres												
Community Care Centres	8	-	-	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan.
Total	8	-	-	-	-	-	-	-	-	-	-	
Themed and Operational												
➤ BO017 Disabled Facilities Grants Administration	-	4	-	-	-	-	-	-	-	-	-	Preliminary enquiries undertaken. Audit is included within 2022-23 Plan.
BO026 Review of Quality Assurance Framework	25	-	38	-	-	-	-	-	-	-	-	Fieldwork for the Audit is due to start shortly.
BO010 Commissioning and Performance	25	-	-	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan
BO028 Safeguarding of Adults	25	-	17	-	-	-	-	-	-	-	-	The outcome of the Quality Assurance Framework review (BO026) will inform the scope of the Safeguarding of Adults Audit.
BO029 Direct Care	25	-	3	-	-	-	-	-	-	-	-	Need wording why not included in 2022-23 plan.
➤ BO030 Social Worker Arrangements	-	-	24	-	-	-	-	-	-	-	-	
Total	100	4	82	-	-	-	-	-	-	-	-	
Departmental Total	303	14	288	-	6 x Qualified	-	0	7	29	12	13	

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
Place Department – The 2021-22 Audit Plan included an allocation of 180 days over the following areas												
Departmental Management & Administration Review												
HA100 Place – Departmental Review	45	14	30	Qualified	Qualified	↔	0	1	10	4	(2M,4L)	Memo relates to 2020-21 Audit.
HA101 Place – General Support Review	-	-	5	-	-	-	-	-	-	-	-	
Total	45	14	35	-	1 x Qualified	-	0	1	10	4	6	
Information Security and Follow Up Reviews												
HA103 Information Security and Follow Up Reviews	15	-	45	N/A	3 x Qualified	↔	0	3	8	2	-	Including new and enhanced IT systems or information security reviews, which require approval by the Director of Finance & ICT. Audit worked on a number of different projects throughout in this period: <ul style="list-style-type: none"> • Fuel Card Procurement • Chipside Parking Enforcement • Highways Materials Laboratory • DHART Project • Asset Management Solution.
Total	15	-	45	-	3 x Qualified	-	0	3	8	2	0	
External Grants and Certifications												
External Grants and Certifications	20	-	64	-	-	-	-	-	-	-	-	<ul style="list-style-type: none"> • Transport Challenge Grant • Pothole Grant Fund • Local Transport Capital Grant • Home to School Transport Grant • Bus Recovery Grant
Total	20	-	64	-	-	-	-	-	-	-	-	
Themed and Operational												
HO001 Waste Management	10	24	-	Substantial	Substantial	↔	0	0	1	3	(1L)	Memo relates to 2020-21 Audit.
➤ HO013 Third Party Claims Review	-	-	24	Qualified	Substantial	↑	0	0	3	2	(1M)	
HO020 Procurement of Public Transport and Taxis (including Home to School Transport and Vetting Contractors)	25	-	-	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan.
➤ HO024 Economic Development Regeneration	-	4	-	Qualified	No Assurance	↓	0	4	10	3	(4H,10M,3L)	Memo relates to 2020-21 Audit.
HO025 Fleet Services	25	-	34	-	-	-	-	-	-	-	-	
HO030 Inspection and Control of Highway Assets	20	-	-	-	-	-	-	-	-	-	-	Audit is included within 2022-23 Plan.

Name	Planned Days	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
		20-21	21-22				Critical	High	Medium	Low		
HO032 Management of Water Bodies	20	-	29	N/A	Qualified	↔	0	3	5	2	-	
➤ HO034 Rechargeable Works	-	-	17	N/A	Qualified	↔	0	0	7	4	-	
HO036 Capital Programme (Highways)	-	-	1									Pre-Audit work for 2022-23 review.
Total	100	28	105	-	2 x Substantial 2 x Qualified 1 x No Assurance	-	0	7	26	14	19	
Departmental Total	180	42	249	-	2 x Substantial 6 x Qualified 1 x No Assurance	-	0	11	44	20	25	

Audit Opinions	Substantial	Qualified	Limited	No
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Audit Opinions are categorized based upon the assurance that Management may draw on the adequacy and effectiveness of the overall control framework in operation as follows:

Level of Assurance	Explanation and significance
Substantial Assurance	Whilst there is a sound system of control minor weaknesses have been identified which include non-compliance with some control processes. No significant risks to the system/audit area objectives have been detected.
Qualified Assurance	Whilst there is basically a sound system of control some high priority recommendations have been made to address potentially significant or serious weaknesses and/or evidence of a level of non-compliance with some controls identified which may put system/audit area objectives at risk. Should these weaknesses remain unaddressed they may expose the Council to reputational risk or significant control failure.
Limited Assurance	Significant weaknesses and/or non-compliance have been identified in key areas of the control system which expose the system/audit area to a high risk of failure and the Council to significant reputational risk.
No Assurance	Control has been judged to be inadequate as systems weaknesses have been identified in numerous key areas rendering the overall system of internal control ineffective and leaving the system/audit area open to a significant risk of error, loss, misappropriation or abuse.

Audit Recommendations are prioritized depending upon the level of associated risk and impact upon the management control framework as follows:

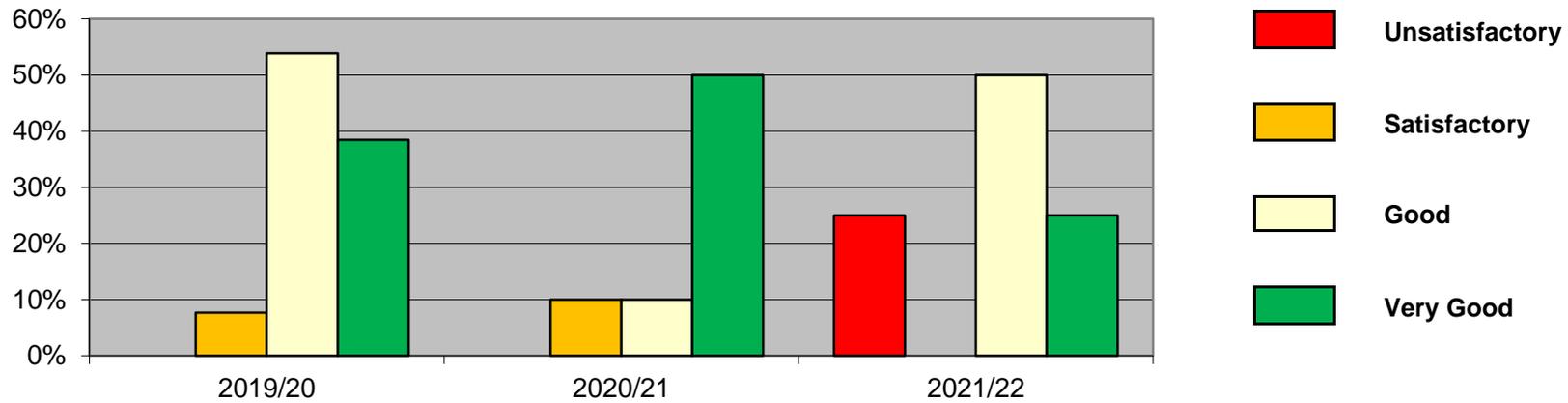
Level	Category	Explanation and significance
1	Critical	Significant strategic, financial or reputational risks where immediate remedial action is considered essential.
2	High	The absence of, significant weakness in, or inadequate internal controls over the operation of key systems or processes which compromise the integrity/probity of the client's operations. These would result in a potential significant increase in the level of risk exposure which may be financial, reputational or take the form of an increased risk of litigation.
3	Medium	Findings which identify poor working practices or non-compliance with established systems or procedures which result in increased risk of loss/inefficient operation and which expose the client to an increased level of risk.
4	Low	General housekeeping issues which require consideration and a planned implementation date within the medium term.

Appendix 2 - Key Performance Indicators 2020-21

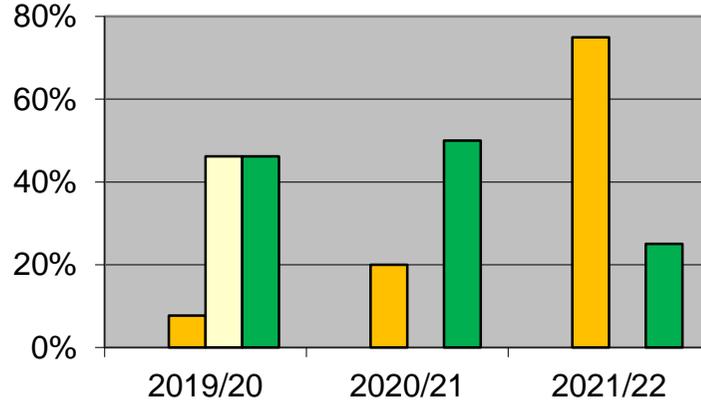
Indicator	Target	2019-20	2020-21	2021-22	Comments
Audit Plan – Achievement of planned Audit days	95%	84%	87%	89%	Outcome affected by staff resources within the Unit and availability of staff across the Council to facilitate reviews due to Covid-19 pressures.
Staff Productivity – Achievement of target Audit days	95%	95%	104%	91%	Due to staff availability across the Council, additional time was provided to Audit staff to help fast-track apprenticeship training.
Completion of Audit staff MyPlan reviews and training identified	100%	100%	100%	100%	
Undertake a risk based Annual Audit Plan formulation exercise	N/A	✓	✓	✓	
Undertake quality assurance reviews of Audits (1 for each Principal Auditor per year)	100%		100%	0%	Due to the additional pressures placed on the Audit Managers as a result of the post of Assistant Director of (Audit) being vacant for over five months, this target was missed.
Limited Audit Opinions reviewed by Assistant Director of Finance (Audit) within 10 days of completion of Draft Memorandum	100%		57%	100%	
Percentage of Draft Audit Memoranda issued within 15 working days of fieldwork completion	95%		49%	25%	Outcome affected by staff resources within the Unit and availability of staff to finalise Audit reviews.
Percentage of Final Audit Memoranda issued within 28 working days of issue of Draft Audit Memorandum	95%		47%	67%	This target is outside of the control of Audit Services as it relies on Senior Management providing prompt responses to the Action Plans.
Percentage of Recommendations made which are implemented at the time of follow up Audit	90%		71%	66%	This target is also outside of the control of Audit Services as it relies on Senior Management ensuring resources are allocated to actioning agreed recommendations and monitoring ongoing compliance.
Audit Assurance – To provide an assurance to the Authority on the adequacy and effectiveness of risk management, control and governance processes	N/A	✓	✓	✓	
Client Satisfaction – Percentage of questionnaire responses rating the Audit Product as good or very good	90%	92.31%	87.50%	10%	The number of questionnaires has been raised with Audit Committee previously and will be further reviewed in 2022-23, as the small number of responses received is adversely affecting the KPI outcome.
Annual Survey of Key Stakeholders	N/A	✓	✓	✓	
Delivery of Audit Opinion to Management and Audit Committee in time to inform AGS	N/A	✓	✓	✓	

Appendix 3 - Satisfaction Questionnaires 2021-22

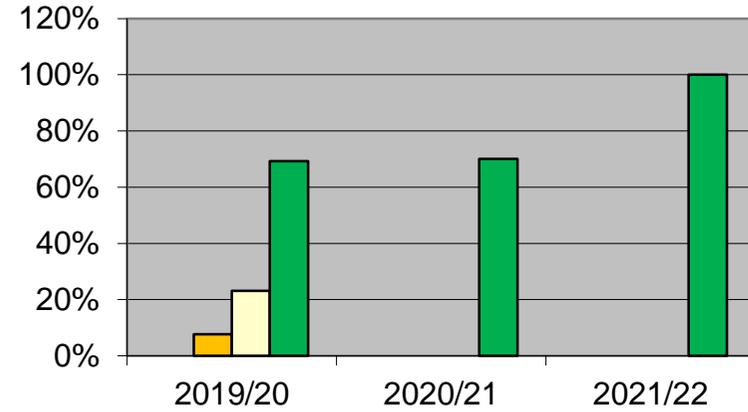
Comparison of repondents' ratings of the value of the pre-audit meeting in respect of providing a brief overview of the Audit and its expected outcomes.



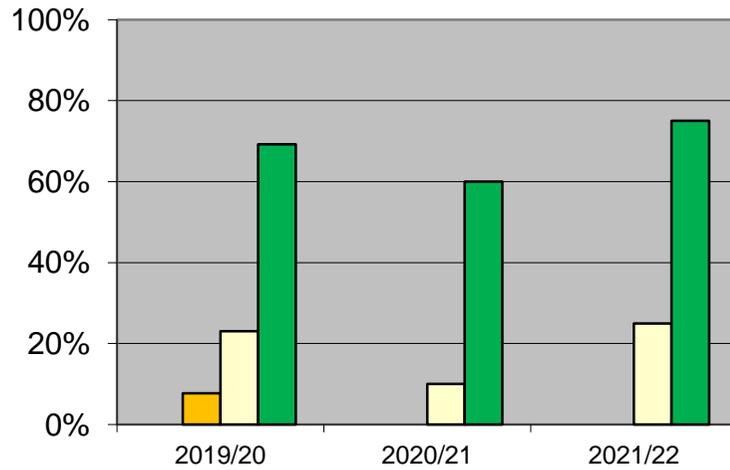
Comparison of respondents' ratings of auditors' understanding and knowledge of the systems, procedures and key risks of the Audit areas



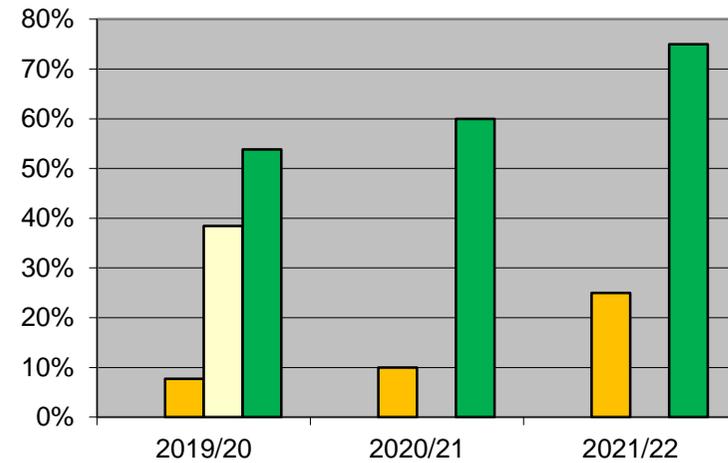
Comparison of respondents' ratings of auditor professional conduct and manner.



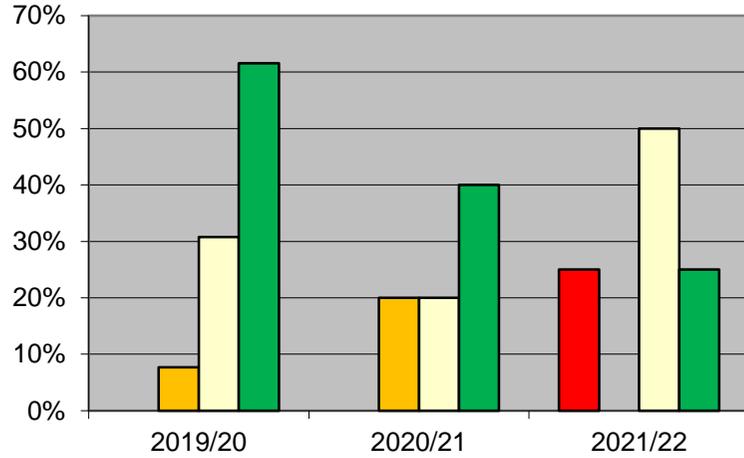
Comparison of respondents' ratings of auditor conduct in terms of minimisation of disruption



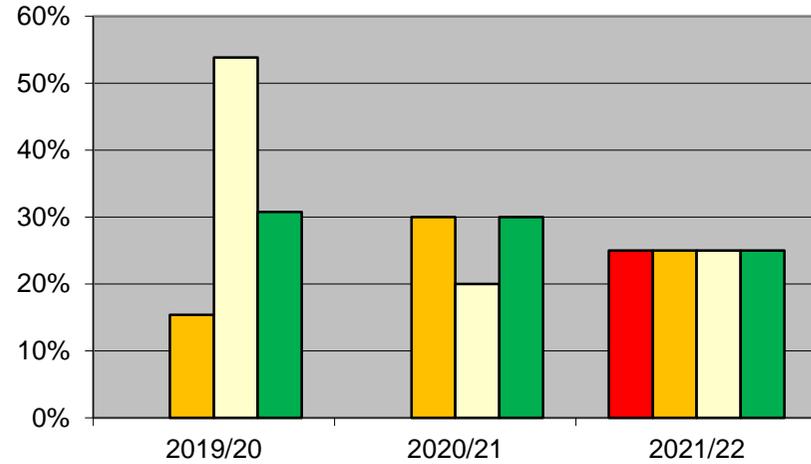
Comparison of respondents' rating of auditors' communication skills.



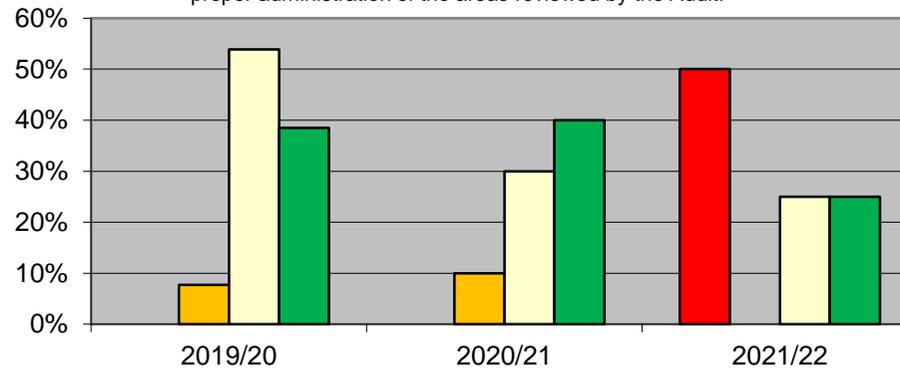
Comparison of respondents' ratings of the Memorandum in terms of its clarity and factual accuracy.



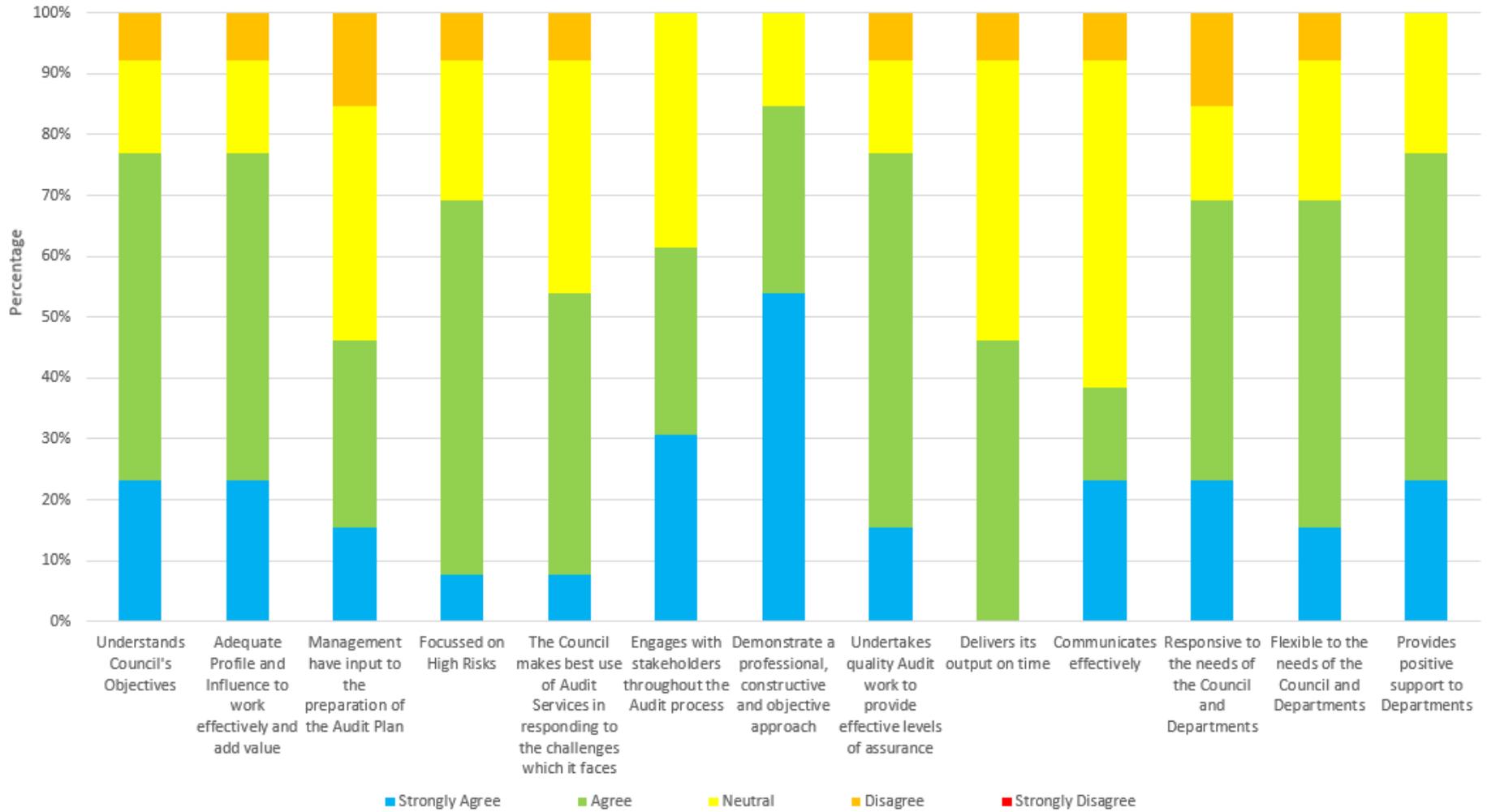
Comparison of respondents' ratings of the value, significance and practicality of findings in the Audit Memorandum.



Comparison of respondents' ratings of the audit Memorandum in providing assurance of the overall level / adequacy fo controls in operation and the proper administration of the areas reviewed by the Audit.



Executive Director & Director Questionnaire Feedback



Appendix 4 - Annual Self-Assessment of Conformance with the PSIAS

An annual self-assessment of conformance with the PSIAS was conducted in June 2022. The outcomes of this assessment have been shared with Director of Finance & ICT to support his annual review of the effectiveness of the system of internal control. Summary details of assessment against standards are set out below:

Reference	PSIAS Standards	Comment
1	Definition of Internal Audit	SIGNIFICANT COMPLIANCE <ul style="list-style-type: none"> Opportunity for a more risk-based approach, assurance mapping and better use of third-party assurance work.
2	Code of Ethics	FULL COMPLIANCE
2.1	Integrity	FULL COMPLIANCE
2.2	Objectivity	FULL COMPLIANCE
2.3	Confidentiality	FULL COMPLIANCE
2.4	Competency	FULL COMPLIANCE
3	Attribute Standards	
3.1	Purpose, Authority and Responsibility	SIGNIFICANT COMPLIANCE <ul style="list-style-type: none"> Minor update required to Audit Charter to reflect appointment of new Assistant Director of Finance (Audit).
3.2	Independence and Objectivity	PARTIAL COMPLIANCE <ul style="list-style-type: none"> Minor update required to Audit Charter, as above Provision to be made for separate independent audit reviews of Risk Management and Insurance functions. Some gaps in audit coverage due to resource pressures and the pandemic.
3.3	Proficiency and Due Professional Care	SIGNIFICANT COMPLIANCE

Reference	PSIAS Standards	Comment
		<ul style="list-style-type: none"> • See comment below about periodic quality review.
3.4	Quality Assurance and Improvement Programme	PARTIAL COMPLIANCE <ul style="list-style-type: none"> • Routine quality checking was completed, but Assistant Director of Finance (Audit) post vacant five months, leaving gaps in additional checking. • Additional periodic reviews to be reinstated by Audit management.
4	Performance Standards	
4.1	Managing the Internal Audit Activity	SIGNIFICANT COMPLIANCE <ul style="list-style-type: none"> • Scope for improvement to better link Annual Plans to risk following assurance mapping.
4.2	Nature of Work	SIGNIFICANT COMPLIANCE <ul style="list-style-type: none"> • Opportunity to strengthen counter fraud arrangements following Audit Committee Report March 2022 outlining the findings of the Unit's counter fraud review.
4.3	Engagement Planning	FULL COMPLIANCE
4.4	Performing the Engagement	FULL COMPLIANCE
4.5	Communicating Results	SIGNIFICANT COMPLIANCE <ul style="list-style-type: none"> • Scope for outcomes of assurance mapping exercises to be fed into future Audit Committee reporting.
4.6	Monitoring Progress	FULL COMPLIANCE
4.7	Communicating the Acceptance of Risks	FULL COMPLIANCE

Appendix 5 – Actions Required to Improve Conformity with the PSIAS

The periodic review has highlighted that there is **significant, but not full conformity with PSIAS**. The review identified near full compliance with the tests of conformance, with no areas of non-compliance within the standards that would affect the overall scope or operation of the internal audit activity. A small number of areas were identified where there is scope for improvement to ensure the service is meeting best practice. These are detailed below:

Self-assessment – internal document page reference	Area of partial conformance	Comments and actions required
4	Using evidence gained from assessing conformance with other Standards, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	The previous two External Quality Assessments (EQAs) flagged need for more risk based approach, assurance mapping & better use of third party assurance work. Recent changes: <ul style="list-style-type: none"> • Work for better risk alignment commenced in 2022-23 – with Risk Presentation to Audit Services May 2022, for greater risk awareness by Auditors. • Audit Report template revised – to include section of implications & enhanced risk assessment. • Assurance Mapping (Started in 22-23, but still work in progress).
11	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	The current Audit Charter was approved on 24 September 2019 by the Council’s Audit Committee, having been previously approved on 26 September 2018. The Audit Charter requires an update due to the transfer of the Risk Management and Insurance functions under the line

Self-assessment – internal document page reference	Area of partial conformance	Comments and actions required
		management of the CAE in July 2021, and new Assistant Director of Finance (Audit) (Dianne Downs) from September 2021.
16	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE? / Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	<p>PDRs currently undertaken by the Director of Finance & ICT - aligned to delivery of Internal Audit performance targets are built into Divisional Plans for CST.</p> <p>Formal feedback from Managing Director and the Chair of the Audit Committee are not currently part of the performance appraisal of the CAE.</p> <p>This is an area for future discussion with the Chairman of Audit Committee, Managing Director and Director of Finance & ICT.</p>
17 & 18	<p>Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, are safeguards in place to limit impairments to independence or objectivity?</p> <p>If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by</p>	<p>Audit Services is independent of the Council's operations, with the exception of Risk Management and Insurance. These functions were brought under the leadership of the Assistant Director of Finance (Audit) from July 2021 following the Finance Services restructure. The CAE does not have other roles or responsibilities that fall outside of internal auditing and risk management.</p> <p>The Audit Charter will require revision in 2022 and revised operational provisions implemented, due to the transfer of the Risk Management and Insurance under the line management of the CAE.</p>

Self-assessment – internal document page reference	Area of partial conformance	Comments and actions required
	someone outside of the internal audit activity?	Management are aware that separate independent review will be required to assess effectiveness of Risk Management and Insurance arrangements at the Council.
21	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	<p>EQA 2019: Concluded “... <i>although Internal Audit is well-regarded and valued, it undersells its ability to proactively support, provide advice and guidance to further enhance its reputation, improve controls and reduce risk on major projects and other initiatives.</i>”</p> <p>CIPFA untapped potential report which was published June 2022 – indicates this as a common theme and area for improvement throughout public sector internal audit. This CIPFA report is due to be considered at the next Corporate Governance Group.</p>
21	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	<p>During 2020-21 and 2021-22, Audit Services were unable to deliver full Audit Plans due to the pandemic. The Audit Committee were provided with regular updates through progress and annual reports, so they could understand where there may be gaps in assurance.</p> <p>The Annual Plan for 2022-23 was delivered as a statement of intent to the Audit Committee, with recognition that risks evolve and unforeseen work may be required. The plan was designed to provide coverage to fill assurance gaps identified during the pandemic.</p>

Self-assessment – internal document page reference	Area of partial conformance	Comments and actions required
		Regular liaison meetings with the Chairman of the Audit Committee and with CMT, allows the CAE to provide regular updates from Audit Services. Progress reports are delivered to Audit Committee: these set out any significant changes to the proposed plan.
27, 29 & 30	<p>Does the CAE periodically assess individual auditors against the predetermined skills and competencies?</p> <p>Does the QAIP include both internal and external assessments?</p> <p>Do internal assessments include ongoing monitoring of the internal audit activity, such as:</p> <ul style="list-style-type: none"> a) Routine quality monitoring processes? b) Periodic assessments for evaluating conformance with the PSIAS? 	<p>Training is identified as part of the MyPlan process and courses are circulated periodically through Learning & Development.</p> <p>The Audit Manual makes provision for routine supervision and review of all audits as part of internal quality arrangements. Quality and Improvement Programme (QAIP) arrangements include further provision for periodic reviews of KPIs by Assistant Director of Finance (Audit).</p> <p>No issues identified in EQA 2019, but KPIs include a requirement for Audit Management to undertake quality assurance reviews of Audits; with a minimum of one quality review for each Principal Auditor, per year.</p> <p>During 2021-22 there were notable gaps at Principal Audit or level – through sickness, vacancies and maternity leave and the Assistant Director of Finance (Audit) post was also vacant for the first five months of the year.</p> <p>These staffing pressures meant that whilst all audit reports were reviewed by Audit Managers prior to issue, there was</p>

Self-assessment – internal document page reference	Area of partial conformance	Comments and actions required
		<p>not always a final sign off at CAE level. Resource pressures also meant that separate quality reviews lapsed during 2022-23.</p> <p>Resource pressures were reported to Audit Committee through progress reports. Following the appointment of the new Assistant Director of Finance (Audit) in September 2021, a successful recruitment exercise has taken place at Principal level, with two staff starting late 2021-22. A further Principal Auditor is due to return from maternity leave during 2022-23.</p> <p>To add to QAIP Action Plan: to ensure regular QA reviews are scheduled by Audit management to ensure consistency and conformance with standards.</p>
42, 51 & 52	<p>In developing the risk-based plan, has the CAE taken into account the organisation’s risk management framework and relative risk maturity of the organisation?</p> <p>Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?</p>	<p>The planning process for the Annual Audit Plan has historically included review of risks, but further work was needed to identify wider assurances and confirm risks had been captured in risk registers.</p> <p>The 2019 EQA identified a need for better assurance mapping.</p> <p>An Assurance Mapping exercise started in 2022-23. This will feed into the future Audit Planning Process. As part of the Assurance Mapping exercise, internal audit have reviewed</p>

Self-assessment – internal document page reference	Area of partial conformance	Comments and actions required
	<p>Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?</p> <p>Where key organizational risks relate to work undertaken through partnerships, does the auditor consider or take assurance from work undertaken by others, or by obtaining assurance directly.</p>	<p>risk registers and liaised with the Risk Management team so that they can assess risk responses across the organisation.</p>
59	<p>Has the internal audit activity evaluated the potential for fraud and also how the organization itself manages fraud risk?</p> <p>CIPFA’s Code of Practice on Managing the Risk of Fraud and Corruption should be used as the basis for assessment of how an authority manages its fraud risk.</p>	<p>Audit Committee Members received a fraud awareness presentation ahead of the 01 February 2022 Audit Committee meeting.</p> <p>A further report setting out findings from a self-evaluation of Counter Fraud arrangements at the Council, was presented to Audit Committee at the 22 March 2022 Audit Committee meeting. I. The exercise had been completed to map arrangements against best practice in CIPFA Code and the Fighting Fraud and Corruption Locally (FFCL) National Strategy.</p>

Self-assessment – internal document page reference	Area of partial conformance	Comments and actions required
		This exercise flagged a number of areas where fraud risk management could be further strengthened. These will be built into the QAIP Action Plan.
80 & 81	<p>Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information?</p> <p>Does the communication identify the following: ... the consideration of all related projects including the reliance on other assurance providers?</p>	<p>Assurance Mapping exercise in progress - will enable Audit Opinion to take into account wider assurance pieces across the Council.</p> <p>To reflect in Annual Reporting 2022-23 onwards with implementation from July 2023.</p>

Whilst this may look like a lot of areas of partial or non-conformance, it should be taken in the context of the volume of the PSIAS standards that must be adhered to. The internal review covered almost 400 tests spread across 84 pages. Details where standards were conforming fully have not been reported individually and reporting here has been made by exception.