

**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE**

**5 August 2022**

**Report of the Assistant Director of Finance - Audit**

**Audit Services Annual Report 2021-22**

**1. Purpose**

- 1.1 To inform Members of the Annual Report for 2021-22 and the Head of Internal Audit opinion on the adequacy of the County Council's arrangements for governance, risk management and control.

**2. Information and Analysis**

- 2.1. The Annual Report is a requirement of the Public Sector Internal Audit Standards (PSIAS) in which the Chief Audit Executive (Head of Internal Audit) must 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 for the Audit Opinion;
  - An opinion that can be used by the Council to inform its governance statement;
  - A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.
- 2.2. This Annual Report covers the year to 31 March 2022 and highlights achievement against the 2021-22 Audit Plan, which was approved by the Audit Committee on 23 March 2021.

- 2.3. The Report is designed to offer Audit Committee a timely, independent and objective assessment of the Council's arrangements. It provides outcomes of Audit activity relating to the County Council's operations during the year and records key issues identified within the year and actions arising from our work.
- 2.4. Staffing resource issues and the response to, and recovery from, the pandemic continued to impact on the work of Audit Services during 2021-22. National restrictions remained in place for part of the year, and the ongoing pressure on the Council's staff reduced opportunities to undertake some Audit activities agreed within the 2021-22 Audit Plan. Audit Services focused on areas of greatest priority and reviews that could be delivered without impacting significantly on departmental staff resources. Work has been targeted to support our overall assessment of governance and control systems and delivery of the Audit Opinion.
- 2.5. Audit Committee has received progress reports throughout 2021/22 to provide updates on delivery and staffing matters. This included notification of my appointment as Assistant Director of Finance - Audit from September 2021.
- 2.6. Audit Services achieved 89% delivery of planned audit days.

### **3. Head of Audit - Audit Opinion**

- 3.1. My overall opinion and the Audit Services assessment of adequacy and effectiveness of the Council's arrangements during 2021-22 is of a "Qualified Assurance" level. This opinion reflects 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.
- 3.2. The opinion for 2021-22 is however, delivered with some caveats. This reflects:
  - My appointment mid-way through the financial year covered by this report.
  - On-going impacts of the pandemic across the organisation and audit staffing resource pressures; resulting in delays to some planned audit work
  - An absence of assurance mapping and fraud risk assessments prior to my appointment

- My annual self-assessment of conformance with PSIAS identified that whilst there was significant conformity with PSIAS, there were a small number of areas that required attention.

- 3.3. Despite these recorded caveats, I have no reason to doubt the professionalism or quality of work delivered by Audit Services before my start date.
- 3.4. PSIAS and International Standards for the Professional Practice of Internal Auditing were largely applied to work undertaken by Audit Services. Whilst I have noted a small number of areas where there was partial-conformance with these standards, these were not sufficient to impact on the overall scope or operation of internal audit activity. Previous external assessment in 2019 confirmed conformance with PSIAS and appropriate plans have now been put in place to address any remaining issues that have been identified.
- 3.5. 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.
- 3.6. As of this date, I am satisfied that there were no matters identified in the work by Audit Services which would cause the External Auditor to consider any qualification of the Council's Statement of Accounts.

#### **4. Consultation**

- 4.1. No consultation is required.

#### **5. Alternative Options Considered.**

- 5.1 The Council has a duty under the PSIAS to provide an annual Internal Audit Report and Opinion on its governance arrangements. Therefore, no alternative options have been considered.

#### **6. Implications**

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

#### **7. Background Papers**

- 7.1 Electronic files and Audit working papers held by Audit Services, Finance & ICT Services, County Hall Complex.

## **7. Appendices**

7.1 Appendix 1 – Implications.

7.2 Appendix 2 – Audit Services Annual Report 2020-21

## **8. Recommendation(s)**

That Committee:

- a) consider the detailed Annual Audit Report for 2021-22 and overall assurance opinion,
- b) consider the outcomes of the Audit work completed, and
- c) note the performance of the Audit Services Unit during this period.

## **9. Reasons for Recommendation(s)**

9.1 The report is provided so that Audit Committee can obtain necessary assurances on the overall arrangements of governance, risk management and control systems.

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## **Appendix 1**

### **Implications**

#### **Financial**

1.1 None

#### **Legal**

2.1 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.

2.2 Audit Services discharges the Council's statutory responsibilities under Regulation 5 of the Accounts & Audit Regulations 2015 and fulfils significant aspects of the Director of Finance & ICT's statutory duties under Section 151 of the Local Government Act 1972.

2.3 The Annual Report is also a requirement of the Public Sector Internal Audit Standards (PSIAS).

#### **Human Resources**

3.1 None

#### **Information Technology**

4.1 None

#### **Equalities Impact**

5.1 None

#### **Corporate objectives and priorities for change**

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

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

7.1 None