

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

21 March 2023

Report of the Audit Managers

Annual Internal Audit Plan 2023-24

1. Purpose

- 1.1 To present to Members for consideration and approval the proposed Internal Audit Plan for 2023-24.

2. Information and Analysis

- 2.1 The Audit Services Plan is designed to provide assurance that the significant risks identified as part of the risk assessment process are being managed effectively and, where appropriate, to make recommendations for improvements in overall control, efficiency and effectiveness.
- 2.2 The Audit Services Plan has been formulated in accordance with the Internal Audit Strategy and informed by our risk assessment drawn from a wide range of sources including:-
- Council Plan
 - Council's Strategic Risk Register
 - Departmental Risk Registers
 - Meetings with Corporate Management Team, Executive Directors and Directors including the Head of Paid Service, Section 151 Officer and Monitoring Officer
 - Audit Assurance Mapping Exercise

- Previous cyclical Audit work, knowledge of systems, controls and follow up of previous Audit recommendations
 - Proactive fraud work
 - External Audit
 - Sector knowledge and emerging risks.
- 2.3 As the Council continues to face significant budget challenges and restrictions upon service delivery, Audit Services resources are not immune from these pressures. As part of the Corporate Services and Transformation departmental savings targets for 2023-24, two Auditor positions have been removed from the establishment, which has impacted the overall available days available this year by 435 days. This will be a challenge for the Unit to ensure that key assurance and compliance work is delivered, as it will have a direct impact on the level of assurance work that will inform the Head of Internal Audit (HIA) opinion in the 2023-24 Annual Audit Report. Although steps have already been taken to mitigate against the reduction in staff resources, including the transition to an agile approach to Audit planning, the impact on the 2023-24 Plan will be closely monitored.
- 2.4 As part of the Unit's continual improvement process, it is essential that all Audit staff are not only provided with the right skills and tools to deliver the service, but also build resilience into the team. As part of this year's MyPlan process, all Auditors will complete a skills evaluation to identify operational gaps and training requirements, to deliver on the Unit's objectives including the introduction of data analytics.
- 2.5 The revised Audit staffing structure enables the deployment of **2,337** Audit days in 2023-24, which has been calculated using current and estimated resources. Several assumptions have been made in this calculation and updates will be provided to Members on available resources as part of regular reporting on the achievement of the Audit Services Plan throughout the year.
- 2.6 Throughout 2023-24 the Audit Services Plan will be continually reviewed to ensure that it remains aligned with significant risks whilst flexible to respond to changes in risk, operations, systems and controls. Any amendments will be identified through Assurance Mapping, Audit Services' ongoing liaison and discussions with the Audit Committee, Corporate Management Team, Executive Directors, Directors and Senior Managers. Progress against the approved Audit Plan will continue to be monitored and regularly reported to the Audit Committee.

- 2.7 Mazars LLP are the Council's appointed External Auditors and Audit Services will work with them in accordance with the agreed External and Internal Audit Protocol.
- 2.8 The Audit Services Plan is attached at Appendix 2 to this Report and details Audit Services' coverage across corporate activities and in departments. The Plan identifies the perceived level of risk and the expected outcomes of Audit work. Timetabling of the individual projects will continue to be agreed with Senior Management on an ongoing basis throughout the year.
- 2.9 Annual Internal Audit Opinion – We have aligned the Plan based on the reduced resources available to maximise the Audit coverage over the Council's key service areas and assurance obligations including grant certifications. However, any potential impact on the ability of the Head of Internal Audit to prepare the Annual Audit Opinion, as a result of sufficient audit work being undertaken, will be continually monitored and reported as part of the regular progress reports to Audit Committee.

3. Consultation

- 3.1 No consultation is required.

4. Alternative Options Considered

- 4.1 The Council has a duty under the PSIAS to prepare an annual Internal Audit Plan. Therefore, no alternative options have been considered.

5. Implications

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

6. Background Papers

- 6.1 File held electronically by Audit Services.

7. Appendices

- 7.1 Appendix 1 – Implications
- 7.2 Appendix 2 – Audit Plan

8. Recommendation(s)

That Committee:

- a) consider and endorse the approach taken to create the proposed Draft Internal Audit Plan for 2023-24
- b) note that the Plan may be subject to amendment in response to emerging risks
- c) subject to these comments, approve the draft Audit Services Plan which is attached at Appendix 2.

9. Reasons for Recommendation(s)

- 9.1 Audit Committee is required to approve the Annual Audit Plan for the Council.

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Appendix 1

Implications

Financial

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

Legal

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

Human Resources

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

Information Technology

- 4.1 None

Equalities Impact

- 5.1 None

Corporate objectives and priorities for change

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

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

7.1 None