

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE MEETING

24 September 2019

Report of the Assistant Director of Finance (Audit)

AUDIT SERVICES UNIT – PROGRESS AGAINST AUDIT PLAN 2019-20

1. Purpose of Report

To inform Members of progress against the approved Audit Plan for 2019-20 as at 31 August 2019.

2. Information & Analysis

At the meeting of this Committee held on 27 March 2019 Members approved the Audit Plan for 2019-20 which had been formulated from our risk assessment drawn from a wide range of sources including the Council Plan, the Council's strategic risk register, Departmental risk registers, service plans and meetings with Executive Directors and Directors. These meetings included the Executive Director of Commissioning, Communities and Policy (Head of Paid Service), Director of Finance & ICT (Section 151 Officer) and Director of Legal and Democratic Services (Monitoring Officer).

In accordance with the Audit Committee's Terms of Reference this report updates Members on progress against the Plan for the five months to 31 August 2019 and represents work undertaken during that period which is detailed in Appendix 1. An analysis of the priority criteria for Audit recommendations and assurance levels is provided in Appendix 2.

Staffing

As previously reported to the Audit Committee, most recently in the last Audit Services Annual Report, the Unit's staffing resources continue to be under considerable pressure. Recruitment exercises are currently underway to fill two Senior Auditor, one Auditor and one Trainee Auditor posts.

For these reasons some assumptions had to be made when forecasting staffing resources available to deliver the current Audit Plan, and I consider that the ongoing lack of resources will impact on the delivery of this Plan. However, the situation is constantly monitored and I will continue to take appropriate action to minimize the effects of this lack of resource.

Operational Matters

Audit Services continues its approved programme of work including the provision of advice to Management at all levels within the Council. In common with previous years some work forming part of last year's approved Audit Plan was completed and reported in the current year which is identified at Appendix 1. Audit staff routinely follow up progress against agreed recommendations as part of subsequent work in that area.

External Review of Internal Audit

Members are aware of the Public Sector Internal Audit Standards (PSIAS) and the requirement that internal audit are subject to external assessment at least once every five years. The last external review of Audit Services' adequacy and effectiveness and our compliance with the PSIAS was undertaken by PricewaterhouseCoopers and reported to the Audit Committee in March 2014.

Following a competitive exercise, carried out in accordance with the Council's Financial Regulations and Standing Orders relating to Contracts, the Chartered Institute of Public Finance and Accountancy has been selected to carry out a review of Audit Services in accordance with the PSIAS. It is anticipated that the review will commence imminently and the results reported to the Audit Committee on completion.

3. Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

4. Background Papers

A file held by the Assistant Director of Finance (Audit).

5. Officer's Recommendation

That the Committee note the information on progress to date against the approved Audit Plan.

Carl Hardman
Assistant Director of Finance (Audit)

DERBYSHIRE AUDIT SERVICES
INTERNAL AUDIT PLAN 2019/20

The information summarized below by Service Department identifies the work approved and actual time spent for the period ending 31 August 2019.

Corporate Activities

It is intended to spend **1,018** days on the Audit of Corporate Activities which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Accepted	Recs Not Implmtd	Comments	
			18-19	19-20			C	H	M	L				
Corporate Projects														
• Workforce Development/ Succession Planning	H	20	-	2	-	-	-	-	-	-	-	-	-	-
• Cyber Security	H	30	-	-	-	-	-	-	-	-	-	-	-	-
• Audit of Corporate Culture	H	30	-	-	-	-	-	-	-	-	-	-	-	-
• Financial Resilience & Achievement of Budget Reductions	H	30	-	-	-	-	-	-	-	-	-	-	-	-
• New Delivery & Commissioning Models/Partnership Working	M/H	30	-	-	-	-	-	-	-	-	-	-	-	-
• SAP Utilisation	M/H	20	-	-	-	-	-	-	-	-	-	-	-	-
• Data Protection Compliance	M/H	25	-	-	-	-	-	-	-	-	-	-	-	-
• Supply Chain Failure	M/H	15	-	-	-	-	-	-	-	-	-	-	-	-
• Injury to Public or Employees	M/H	-	-	-	1	Qualified	-	2	-	1	-	-	-	Memo relates to 2018/19.
• D2N2 LEP	M	50	-	21	4	Other	-	-	-	-	-	-	-	-
• emPSN (SCo & ICo)	M	8	-	-	-	-	-	-	-	-	-	-	-	-
• Grants Administration	M	15	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Governance including:-														
• Embedding Corporate Governance	H	40	-	25	-	-	-	-	-	-	-	-	-	-
• Business Continuity Planning	H	20	9	-	-	-	-	-	-	-	-	-	-	-

Key to Level of Risk: H – High, M – Medium, L – Low

Key to Recommendations: C – Critical, H – High, M – Medium, L - Low 2

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
• Corporate Health Check	H	20	-	-	-	-	-	-	-	-	-	-	-
• Information Governance Group and Support	H	30	1	7	-	-	-	-	-	-	-	-	-
• Services to Members	H	25	-	-	-	-	-	-	-	-	-	-	-
Corporate Fraud Prevention	H	460	110	62	-	-	-	-	-	-	-	-	This includes work on <ul style="list-style-type: none"> • NFI; • publication of NAFN alerts; • surveillance and data communications compliance; • liaison with external audit; 5 investigations 4 of which relate to previous years including liaison with the Police. Special Investigation Report recommendations are not categorized.
Audit Contingency	-	85	-	-	-	-	-	-	-	-	-	-	Original contingency was 150 days less transfers of 65 days.
TOTAL		953	120	117	5		-	2	-	1	-	-	

Commissioning, Communities and Policy

It is intended to spend **655** days on the Audit of the Commissioning, Communities and Policy Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
Departmental Review - Management & Administration	M	60	3	9	1	Qualified	-	3	15	16	4M,1L	8M,2L	Memo relates to 2018/19. Issued as Final without all Management responses being received.
External Grants & Certifications	M/H	5	-	4	-	-	-	-	-	-	-	-	-
Information Security Reviews	M/H	50	1	36	3	1 Qualified 2 Other	-	-	2	-	-	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Themed and Operational													
• Community Safety	M/H	20	-	-	-	-	-	-	-	-	-	-	-
• Trading Standards	M/H	20	-	10	-	-	-	-	-	-	-	-	-
• Public Library Service	M/L	5	-	2	-	-	-	-	-	-	-	-	-
Divisional Activity													
Corporate Finance													
Probity and Compliance	M/H	95	-	12	4	Qualified	-	4	10	6	1L	1M,4L	-
Major Systems	H	280	25	39	3	1 Substantial 2 Qualified	-	4	28	11	4M,1L	5M,4L	Due to the nature of these key reviews they are routinely work in progress at the year end. Work on Human Resources, Accounts Payable and Treasury Management reported in year.
Corporate/Departmental ICT Services	M/H	80	29	12	1	Qualified	-	1	3	3	-	1H	Work includes assessments of new and existing IT systems together with specific reviews of the network infrastructure, BACSTEL-IP application, database and server management.
County Property	M/H	20	-	-	-	-	-	-	-	-	-	-	-

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
Regulatory Registration Service	M/L	20	-	-	-	-	-	-	-	-	-	-	-
TOTAL		655	58	124	12		-	12	58	36	11	25	

Children's Services

It is intended to spend **528** days on the Audit of the Children's Services Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Accepted	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
Departmental Review - Management & Administration	M	45	2	7	1	Qualified	-	8	8	7	1H	1H,6M,1L	Memo relates to 2018/19.
Information Security Reviews	M/H	40	4	15	1	Other	-	-	-	-	-	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Schools													
Primary & Special	M/H	224	11	116	14	Qualified	-	70	139	97	1L	26H,38M,14L	It should be noted that Audit opinions and recommendations made relating to schools and establishments are categorized in relation to the school or establishment and not the Authority. <i>*20 days transferred from contingency.</i>
Secondary	M/H	49	-	19	2	Qualified	-	11	16	14	-	6H,5M,2L	-
Information Security Reviews	M/H	60	3	8	1	Qualified	-	1	-	-	-	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Children's Homes	M/H	20	-	12	1	Qualified	-	6	3	-	-	1H,3M	-
Derbyshire Outdoors	M/L	10	-	-	-	-	-	-	-	-	-	-	-
Themed & Operational													
• Starting Point	H	20	-	14	-	-	-	-	-	-	-	-	-
• Early Years	H	25	-	-	-	-	-	-	-	-	-	-	-
• Catering Service	M/H	40	-	39	-	-	-	-	-	-	-	-	<i>*15 days transferred from contingency.</i>

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Audit Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
• Troubled Families Programme	L	30	4	14	2	Other	-	-	-	-	-	-	-
TOTAL		563	24	244	22		-	96	166	118	2	103	

Adult Care and Public Health

It is intended to spend **333** days on the Audit of the Adult Care Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Accepted	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
Departmental Review - Management & Administration	M	45	1	8	1	Qualified	-	6	8	7	1L	2H,2M,3L	Memo relates to 2018/19.
Public Health	M/H	30	29	-	-	-	-	-	-	-	-	-	-
Information Security Reviews	M/H	70	20	16	1	Qualified	-	2	-	-	-	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
Social Care													
Elderly Residential	M/H	36	21	9	4	Qualified	-	22	17	12	1H	6H,7M,8L	It should be noted that Audit opinions and recommendations made relating to establishments are categorized in relation to the establishment and not the Authority.
Physical/Mental Disability	M/H	24	-	-	-	-	-	-	-	-	-	-	-
Day Care & Hostels	M/H	12	-	8	1	Qualified	-	1	6	2	-	3H,1M,1L	-
Community Care Centres	M/H	16	-	-	-	-	-	-	-	-	-	-	-
Themed & Operational													
• Direct Payments	H	25	-	-	-	-	-	-	-	-	-	-	-
• Reduction in Clinical Commissioning Group Spending	H	25	-	11	-	-	-	-	-	-	-	-	-
• Transforming Care Plan	H	30	25	-	-	-	-	-	-	-	-	-	Relates to 2018/19. *30 days transferred from contingency.
• Deputyship	M/H	25	-	-	-	-	-	-	-	-	-	-	-
• Private Residential Care	M/H	25	-	3	-	-	-	-	-	-	-	-	-
TOTAL		363	96	55	7		-	31	31	21	2	33	

Economy, Transport and Environment

It is intended to spend **150** days on the Audit of the Economy, Transport & Communities Department which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Accepted	Recs Not Implmtd	Comments
			18-19	19-20			C	H	M	L			
Departmental Review - Management & Administration	M	45	44	5	1	Qualified	-	4	15	9	1L	3H,6M,3L	Memo relates to 2018/19.
Information Security Reviews	M/H	15	-	12	2	Qualified	-	2	2	-	-	-	New and enhanced IT systems which require approval by the Director of Finance & ICT. IT solution testing and head office visits to ensure systems incorporate core data protection principles, and do not compromise the Council's ISO27001 accreditation in accordance with the requirements of the protocol developed with the Director of Finance & ICT.
• Public Transport and Procurement of Taxis (including Vetting of Contractors)	M/H	25	-	1	-	-	-	-	-	-	-	-	-
• Planning	M/H	25	-	-	-	-	-	-	-	-	-	-	-
• Concessionary Fares	M/H	25	-	-	-	-	-	-	-	-	-	-	-
• Grants	M/H	15	-	18	-	-	-	-	-	-	-	-	-
TOTAL		150	44	36	3		-	6	17	9	1	12	

Audit Recommendations

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

Level	Category	Definition
1	Critical	Significant strategic, financial or reputational risks where immediate remedial action is considered essential.
2	High	The absence of, significant weaknesses 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.

Audit Opinions

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.