



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

18 July 2023

Report of the Audit Managers

Audit Services Annual Report 2022-23

1. Purpose

- 1.1 To inform Members of the Annual Report for 2022-23 and the Head of Internal Audit opinion on the adequacy of the Council's arrangements for governance, risk management and control.

2. Information and Analysis

- 2.1 The Annual Report provides a summary of the work undertaken by Audit Services during 2022-23 and the results of that work including details of audits undertaken, outcomes from assurance work and senior management actions.
- 2.2 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).

- 2.3 Audit Committee has received progress reports throughout 2022-23 to provide updates on delivery and staffing matters. This included notification of the resignation of the Assistant Director of Finance - Audit who left the Council on 24 February 2023.
- 2.4 Reasonable coverage of the approved 2022-23 Audit Plan has been provided across a number of the key risk areas, although work in Corporate activities and the Children's Services and Place departments were reduced. This was as a result of a number of factors including availability of staff within the respective departments, local acute service pressures and changes in senior staff involved in the initial audit scoping of the reviews.
- 2.5 A number of complex audit investigations were conducted during the year, which have either been reported or in some cases continue to be investigated. In the case of the matters that remain under investigation, these could potentially have an impact on the control framework. Assurance levels across the Council's ICT service continues to be limited due to the availability of staff within the service to support the reviews. It has been agreed with senior management that reviews will commence, once the issues in respect of service priorities are seeing sustained progress.
- 2.6 A small number of school and establishment visits were undertaken in 2022-23. Caveats have been added to the overall opinion, to recognise the impact of audits not delivered. The outcome of the Audit Performance for 2022-23 is shown below, with 95% of planned days delivered (which includes time to complete 2021-22 audit reviews at the start of the year). Audit Services has undertaken work to certify 15 grants received by the Council with a value of almost £44m.

Head of Audit - Audit Opinion

- 2.7 We are 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 whilst undertaking the 2022-23 Audit Plan.
- 2.8 The audit work undertaken during the year has enabled Internal Audit to provide an independent assessment of whether systems and controls are operating effectively. In giving an audit opinion it should be noted that assurance can never be absolute. Completion of the Audit Plan has been affected by several factors this year including audit staff vacancies (departure of the Assistant Director of Finance (Audit) on 24 February

2023), a number of complex audit investigations, changes in senior officers across the Council and the ability to progress certain reviews in a timely manner. The basis of our opinion has been drawn from:

- ongoing support and review of the Council's governance arrangements including the AGS.
- individual opinions in Audit Services reports arising from risk-based assignments within the 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 proportion of the Council's audit plan covered within the period.

2.9 The results of the work undertaken by Internal Audit during the year, together with other sources of assurance, in the majority of instances support a **satisfactory annual opinion** on the Council's framework of governance, risk management and control. However, as some aspects of the Audit Plan could not be undertaken, management failings identified during audit investigations and the reduced audit coverage across elements of ICT systems, some caveats are placed on the overall opinion.

2.10 To avoid similar limitations in 2023-24 and beyond:

- Failings and weaknesses within the control framework will be reported to the Managing Director and other senior officers to ensure that management controls and governance arrangements are strengthened. Additional resources have been allocated within the 2023-24 Audit Plan to monitor progress and, where appropriate, assess whether improvements are embedded across all departments.
- The new Assistant Director of Finance (Audit) will work with senior management during this period of turbulence in the ICT service, to obtain satisfactory assurances from the service in 2023-24, with audit staff involved in the project groups that support the reconfiguration of the wider governance strategy. The Executive Director of Corporate Services and Transformation is the lead officer tasked with driving through the operational changes required to address the challenges faced by the Council's ICT team including the absence of a data management strategy, staff

recruitment and retention and the delivery of business-as-usual services.

- Matters relating to reviews that have not progressed, are scheduled for further discussion with Executive Directors during the 2023-24 audit year, to obtain a clear commitment to enable resources to be allocated.

It is understood that improvements have been made within these areas since the end of 2022-23.

2.11 As of this date, we are 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.

3. Consultation

3.1. No consultation is required.

4. Alternative Options Considered.

4.1 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.

5. Implications

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

6. Background Papers

6.1 Electronic files and Audit working papers held by Audit Services, Finance & ICT Service.

7. Appendices

7.1 Appendix 1 – Implications.

7.2 Appendix 2 – Audit Services Annual Report 2022-23

8. Recommendations

That the Audit Committee:

- a) consider the Annual Audit Report for 2022-23 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 Recommendations

- 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