

**DERBYSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE MEETING**

**10 December 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 October 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 seven months to 31 October 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

The Audit Committee has been regularly informed of the considerable, continuing pressures placed on the Unit's staffing resources. Despite continued efforts to achieve a full establishment, which have extended over the past eighteen months, the Unit currently has four vacancies (1 Senior Auditor, 2 Auditors and 1 Trainee Auditor) which equates to approximately 25% of its resource. This lack of resource has been exacerbated by higher than estimated levels of sickness.

As previously reported to the Audit Committee at its meeting in September 2019 the ongoing lack of resources will impact on the delivery of the current Audit Plan. I continue to constantly monitor this situation but it is clear that a number of planned projects will not be delivered and will need to be reconsidered during the formulation of the Audit Plan for 2020-21.

### 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

At the Audit Committee's last meeting Members were informed that the Chartered Institute of Public Finance and Accountancy's consultancy service, C.Co, had been selected to undertake the external review of Audit Services.

The review is now complete and Audit Services are judged as compliant with the Public Sector Internal Audit Standards (PSIAS) overall and in each of the four areas of focus assessed.

A separate report providing more detail on the review is on the agenda for this meeting and Mr Ian Kirby, C.Co Programme Director, will present the report arising from the review to Members.

## **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 October 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 Acceptd	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	-	1	-	-	-	-	-	-	-	-	-
• 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	-	32	4	Other	-	-	-	-	-	-	-
• emPSN (SCo & ICo)	M	8	-	1	-	-	-	-	-	-	-	-	-
• Grants Administration	M	15	-	-	-	-	-	-	-	-	-	-	-
Corporate Governance including:-													
• Embedding Corporate Governance	H	40	-	29	-	-	-	-	-	-	-	-	-
• Business Continuity Planning	H	20	10	1	1	Limited	-	13	4	3	-	4H,2M	Memo relates to 2018/19.

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	11	-	-	-	-	-	-	-	-	-
• Services to Members	H	25	-	-	-	-	-	-	-	-	-	-	-
Corporate Fraud Prevention	H	460	146	103	2	-	-	-	-	-	-	-	This includes work on <ul style="list-style-type: none"> <li>• NFI;</li> <li>• publication of NAFN alerts;</li> <li>• surveillance and data communications compliance;</li> <li>• liaison with external audit;</li> </ul> 7 investigations 5 of which relate to previous years including liaison with the Police. Special Investigation Report recommendations are not categorized.
Audit Contingency	-	75	-	-	-	-	-	-	-	-	-	-	Original contingency was 150 days less transfers of 75 days.
<b>TOTAL</b>		<b>943</b>	<b>157</b>	<b>180</b>	<b>8</b>		<b>-</b>	<b>15</b>	<b>4</b>	<b>4</b>	<b>-</b>	<b>6</b>	

**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 18-19 19-20		No of Reports	Level of Assurance	Analysis of Recommendations C H M L				Recs Not Acceptd	Recs Not Implmtd	Comments
Departmental Review - Management & Administration	M	60	3	13	1	Qualified	-	3	15	16	4M,1L	8M,2L	Memo relates to 2018/19. Issued as Final without all Management responses.
External Grants & Certifications	M/H	5	-	14	3	Other	-	-	-	-	-	-	-
Information Security Reviews	M/H	50	1	26	4	2 Qualified 2 Other	-	3	3	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.
Themed and Operational													
• Community Safety	M/H	20	-	-	-	-	-	-	-	-	-	-	-
• Trading Standards	M/H	20	-	18	-	-	-	-	-	-	-	-	-
• Public Library Service	M/L	5	-	2	-	-	-	-	-	-	-	-	-
<b>Divisional Activity</b>													
Corporate Finance													
Probity and Compliance	M/H	95	-	17	4	Qualified	-	4	10	6	1L	1M,4L	-
Major Systems	H	280	25	50	5	2 Substantial 3 Qualified	-	5	36	15	4M,1L	2H,10M,7L	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	90	30	34	3	1 Qualified 2 Limited	1	25	20	4	-	1C,7H,1M	Work includes assessments of new and existing IT systems together with specific reviews of the network infrastructure, BACSTEL-IP application, surveillance cameras, database and server management. <i>*10 days transferred from contingency.</i>

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			
County Property	M/H	20	-	-	-	-	-	-	-	-	-	-	-
Regulatory Registration Service	M/L	20	-	-	-	-	-	-	-	-	-	-	-
TOTAL		665	59	174	20		1	40	84	42	11	43	

**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 18-19 19-20		No of Reports	Level of Assurance	Analysis of Recommendations C H M L				Recs Not Accepted	Recs Not Implmtd	Comments
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	-	29	3	2 Qualified 1 Other	-	-	5	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.
Schools													
Primary & Special	M/H	224	11	217	25	23 Qualified 2 Limited	-	154	232	201	6H,7M,6L	61H,85M,30L	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	-	40	2	Qualified	-	11	16	14	1M	6H,5M,2L	-
Information Security Reviews	M/H	60	8	5	2	Qualified	-	4	6	-	1M	-	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	2	Qualified	-	9	5	2	-	1H,3M	-
Derbyshire Outdoors	M/L	10	-	-	-	-	-	-	-	-	-	-	-
Themed & Operational													
• Starting Point	H	20	-	18	-	-	-	-	-	-	-	-	-
• Early Years	H	25	-	6	-	-	-	-	-	-	-	-	-
• Catering Service	M/H	40	-	42	1	Qualified	-	11	9	7	-	4H,2M	<i>*15 days transferred from contingency.</i>

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

Key to Recommendations: C – Critical, H – High, M – Medium, L - Low 6



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			
• Troubled Families Programme	L	30	4	29	4	Other	-	-	-	-	-	-	-
TOTAL		563	25	405	40		-	197	281	232	22	207	

**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 18-19 19-20		No of Reports	Level of Assurance	Analysis of Recommendations C H M L				Recs Not Accepted	Recs Not Implmtd	Comments
Departmental Review - Management & Administration	M	45	1	48	1	Qualified	-	6	8	7	1L	2H,2M,3L	Memo relates to 2018/19.
Public Health	M/H	30	30	-	-	-	-	-	-	-	-	-	-
Information Security Reviews	M/H	70	39	18	5	4 Qualified 1 Other	-	8	11	-	-	-	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	10	20	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	-	20	-	-	-	-	-	-	-	-	-
• Transforming Care Plan	H	30	27	-	-	-	-	-	-	-	-	-	Relates to 2018/19. <a href="#">*30 days transferred from contingency.</a>
• Deputyship	M/H	25	-	-	-	-	-	-	-	-	-	-	-
• Private Residential Care	M/H	25	-	3	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>		<b>363</b>	<b>107</b>	<b>117</b>	<b>11</b>		<b>-</b>	<b>37</b>	<b>42</b>	<b>21</b>	<b>2</b>	<b>33</b>	

**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 Acceptd	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	-	5	-	-	-	-	-	-	-	-	-
• Concessionary Fares	M/H	25	-	-	-	-	-	-	-	-	-	-	-
• Grants	M/H	15	-	25	6	Other	-	-	-	-	-	-	-
<b>TOTAL</b>		<b>150</b>	<b>44</b>	<b>48</b>	<b>9</b>		<b>-</b>	<b>6</b>	<b>17</b>	<b>9</b>	<b>1</b>	<b>12</b>	

### **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	<b>Critical</b>	Significant strategic, financial or reputational risks where immediate remedial action is considered essential.
2	<b>High</b>	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	<b>Medium</b>	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	<b>Low</b>	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.