

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE MEETING

13 December 2018

Report of the Assistant Director of Finance (Audit)

AUDIT SERVICES UNIT – PROGRESS AGAINST AUDIT PLAN 2018-19

1. Purpose of Report

To inform Members of progress against the approved Audit Plan for 2018-19 as at 31 October 2018.

2. Information & Analysis

At the meeting of this Committee held on 28 March 2018 Members approved the Audit Plan for 2018-19 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 Strategic Directors and the Director of Finance & ICT.

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 2018 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 is aware of the considerable, prolonged pressures placed on the Unit's staffing resources which have been detailed in recent reports concerning progress against the Audit Plan and the latest Audit Services Annual Report. Although some progress has been made in this area, which is detailed below, the lack of resources remains a concern and will affect the achievement of the Audit Plan for the current year.

A Principal Auditor remains on long term sick leave which has now extended beyond a year and action is being taken in accordance with the Council's Attendance Management and Ill Health Capability Procedure. Another Principal Auditor is on maternity leave and not due to return until March 2019. Whilst a new Senior Auditor has now commenced employment, two vacancies remain at this level which have been re-advertised for a second time. An appointment has now been made to cover the Auditor vacancy created by an officer accepting a two year secondment within the Council. A further Auditor post has been filled by internal promotion resulting in a vacancy at Trainee Auditor level.

Although efforts have been made to secure agency staff through the Council's contract with Comensura, to support the Unit's resources in the short term, this is now not considered to be a viable option following the evaluation of responses to an advertizement for such support.

Whilst it remains a key priority to recruit suitably qualified and experienced staff to the Unit the continuing lack of resources will affect the delivery of the approved Audit Plan. I am monitoring this situation and taking appropriate action to minimize the associated impact.

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.

Work undertaken in the year to date covers a broad range of the Council's services but has been limited by the reduction in available resources which has affected the timing and delivery of some planned Audit reviews.

Members are aware of the Unit's involvement in additional work relating to property valuations which was identified as an area of concern by the External Auditor and referred to in the last two Audit Services Annual Reports. This work was fundamental to the External Auditor issuing an unqualified audit opinion on the Council's Statement of Accounts for the last two years, although a number of detailed actions have been agreed. Work in respect of property valuations will continue in order to ensure that identified control weaknesses are addressed by assessing the adequacy and effectiveness of controls in this key area.

The Unit continues its work involving IT systems' reviews and assessment of service contracts in compliance with the Authority's ISO27001 standards, the requirements of the General Data Protection Regulation and those of the protocol developed with the Director of Finance and ICT for the approval of new, or enhancements to existing systems. This work includes an assessment of external data centres and supplier's head office information security procedures as appropriate.

Audit Services also continues its work in respect of fraud and irregularity undertaking specific investigations and liaising with the Police where necessary. Work continues in respect of the national Serious and Organised Crime initiative and it is anticipated that further details will be provided to the Audit Committee at its next meeting. Audit staff continue to disseminate information provided by the National Anti-Fraud Network and produce newsletters for Members, Strategic Directors and Directors to raise awareness and ensure that the Council is protected against known fraud risks.

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 2018/19

The information summarized below by Service Department identifies the work approved and actual time spent for the period ending 31 October 2018.

Corporate Activities

It is intended to spend **940** days on the Audit of Corporate Activities which will be allocated over the following areas:-

Audit Area	Level of Risk	Plan Days	Actual Days 17-18 18-19		No of Reports	Level of Assurance	Analysis of Recommendations C H M L				Recs Not Acceptd	Recs Not Implmtd	Comments
Corporate Projects													
• Workforce Development/ Succession Planning	H	20	-	1	-	-	-	-	-	-	-	-	Audit deferred and included in 2018/19 Audit Plan.
• Cyber Security	H	30	-	3	-	-	-	-	-	-	-	-	-
• Audit of Corporate Culture	H	30	-	6	-	-	-	-	-	-	-	-	Audit deferred and included in 2018/19 Audit Plan.
• Serious and Organised Crime	M/H	10	-	5	-	-	-	-	-	-	-	-	-
• Injury to Public or Employees	M/H	25	-	7	-	-	-	-	-	-	-	-	-
• SAP Utilisation	M/H	20	-	-	-	-	-	-	-	-	-	-	Audit deferred and included in 2018/19 Audit Plan.
• Data Protection Compliance	M/H	15	-	-	-	-	-	-	-	-	-	-	-
• Protection of Members and Staff	M/H	20	-	23	-	-	-	-	-	-	-	-	-
• Financial Regulations/Standing Orders	M/H	5	-	-	-	-	-	-	-	-	-	-	-
• Derbyshire CC Development Company	M/H	*3	3	-	1	Qualified	-	2	10	-	-	-	Memo relates to 2017/18. *3 days transferred from contingency.
• D2N2 LEP	M	30	-	40	-	-	-	-	-	-	-	-	-
• Development of Audit Collaborative Working	M	10	-	-	-	-	-	-	-	-	-	-	-
• emPSN (SCo & ICo)	M	5	-	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
			17-18	18-19			C	H	M	L			
Corporate Governance including:- • Embedding Corporate Governance • Business Continuity Planning • Corporate Health Check • Information Governance Group and Support	H	40	-	29	-	-	-	-	-	-	-	-	-
	H	*20	6	6	1	Qualified	-	2	11	4	2M	1H,1M,1L	Memo relates to 2017/18. *5 days transferred from contingency.
	H	20	-	-	-	-	-	-	-	-	-	-	-
	H	30	-	28	1	Qualified	-	1	14	1	3M	-	Memo relates to 2017/18.
Corporate Fraud Prevention	H	465	3	271	3	-	-	-	-	-	-	-	This includes work on • NFI; • publication of NAFN alerts; • surveillance and data communications compliance; • liaison with external audit; 8 investigations 3 of which relate to previous years including liaison with the Police. Special Investigation Report recommendations are not categorized.
Audit Contingency	-	93	-	-	-	-	-	-	-	-	-	-	Original contingency was 150 days less transfers of 57 days.
TOTAL		891	12	421	6		-	5	35	5	5	3	

Commissioning, Communities and Policy

It is intended to spend **610** 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 17-18 18-19		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	-	52	-	-	-	-	-	-	-	-	-
External Grants & Certifications	M/H	15	-	3	-	-	-	-	-	-	-	-	-
Information Security Reviews	M/H	40	10	33	6	1 Substantial 3 Qualified 2 Other	-	-	15	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.
Divisional Activity													
Corporate Finance													
Probity and Compliance	M/H	70	-	26	3	Qualified	-	10	7	8	3H,1M,1L	2H,3M,3L	1 Memo relates to 2017/18.
Major Systems	H	255	102	94	5	2 Substantial 3 Qualified	-	6	22	24	2L	3H,10M,4L	Due to the nature of these key reviews they are routinely work in progress at the year end. Work on Accounts Payable, Accountancy and Budgetary Control, Funds Management, Treasury Management and Procurement reported in the current year. Additional work was required to provide assurance to External Audit in respect of the process for valuing and recording land and buildings in the Accounts.
Corporate/Departmental ICT Services	M/H	110	33	32	1	Qualified	-	3	3	3	2M	2M	Work includes assessments of new and existing IT systems together with specific reviews of the network infrastructure, BACSTEL-IP application, database and server management. Memo relates to 2017/18.
County Property	M/H	40	48	-	-	-	-	-	-	-	-	-	Work relates to 2017/18.
Regulatory Registration Service	M/L	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
			17-18	18-19			C	H	M	L			
Cheque Production & Printing	M/L	*12	-	10	-	-	-	-	-	-	-	-	*12 days transferred from contingency.
TOTAL		622	193	250	15		-	19	47	37	9	27	

Children's Services

It is intended to spend **539** 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 17-18 18-19		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	5	1	Qualified	-	2	21	3	-	1H,4M	Memo relates to 2017/18.
Information Security Reviews	M/H	40	-	47	2	Qualified	-	-	12	-	-	-	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	234	1	127	19	17 Qualified 2 Limited	1	96	161	145	2H,1M, 2L	59H,78M, 16L	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.
Secondary	M/H	42	-	-	-	-	-	-	-	-	-	-	-
Information Security Reviews	M/H	60	16	26	6	Qualified	-	-	-	-	-	-	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	36	-	-	-	-	-	-	-	-	-	-	-
Derbyshire Outdoors	M/L	7	-	-	-	-	-	-	-	-	-	-	-
Themed & Operational													
• High Need Funding – Special Education Needs & Disabilities (SEND)	H	20	-	6	-	-	-	-	-	-	-	-	-

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 Accepted	Recs Not Implmtd	Comments
			17-18	18-19			C	H	M	L			
• Use of Personal Budgets for Children with SEND	H	15	-	3	-	-	-	-	-	-	-	-	-
• Commissioning and Partnership Working	H	*2	2	-	1	Qualified	-	2	4	-	-	-	Memo relates to 2017/18.*2 days transferred from contingency.
• Youth Activity Grants	M	15	-	-	-	-	-	-	-	-	-	-	-
• Troubled Families Programme	L	25	-	23	-	-	-	-	-	-	-	-	-
• Looked After Children	H	-	-	-	1	Qualified	-	1	-	-	-	8H,4M,3L	Follow Up Audit.
• Fostering	H	-	-	-	1	Qualified	-	1	-	-	-	1H,5M,2L	Follow Up Audit.
• Children at Risk of Missing Education	H	-	-	-	1	Substantial	-	-	-	1	-	-	Follow Up Audit.
TOTAL		541	20	237	32		1	102	198	149	5	181	

Adult Care

It is intended to spend **339** 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 17-18 18-19	No of Reports	Level of Assurance	Audit	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
Departmental Review - Management & Administration	M	45	2 11	-	-		-	-	-	-	-	-	-
Information Security Reviews	M/H	80	11 37	9	Qualified		-	-	16	-	-	-	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	32	- 27	4	Qualified		-	18	23	17	4M,2L	7H,13M, 6L	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	28	- -	-	-		-	-	-	-	-	-	-
Day Care & Hostels	M/H	28	1 -	1	Substantial		-	-	4	3	1M	-	Memo relates to 2017/18.
Community Care Centres	M/H	16	- -	-	-		-	-	-	-	-	-	-
Themed & Operational													
• Better Care Funding	H	30	1 5	1	Substantial		-	-	4	-	-	1H,2M	Memo relates to 2017/18.
• Reduction in Clinical Commissioning Group Spending	H	25	- -	-	-		-	-	-	-	-	-	-
• Transforming Care Plan	H	25	- -	-	-		-	-	-	-	-	-	-
• Impact of Welfare Reform	H	-	- -	1	Qualified		-	3	6	3	1H,1M	-	Memo relates to 2017/18.
• Public Health	M/H	*45	22 -	1	Qualified		-	1	2	3	-	1H,1M, 1L	Memo relates to 2017/18.*15 days transferred from contingency.
TOTAL		354	37 80	17			-	22	55	26	9	32	

Economy, Transport and Environment

It is intended to spend **95** 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
			17-18	18-19			C	H	M	L			
Departmental Review - Management & Administration	M	45	-	1	1	Qualified	-	6	13	8	1H,3M	2H,5M	Memo relates to 2017/18.
Information Security Reviews	M/H	10	-	15	2	Qualified	-	2	4	-	-	-	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 & Operational													
• Fleet Services	M/H	20	-	-	-	-	-	-	-	-	-	-	-
• Highways Management	M/H	20	-	2	-	-	-	-	-	-	-	-	-
• Public Transport and Procurement of Taxis	M/H	*3	3	-	1	Limited	-	7	5	-	1H,2M	3M	Memo relates to 2017/18.*3 days transferred from contingency.
• Regeneration	M/H	-	2	-	1	Qualified	-	5	11	3	3H,2M, 1L	-	Memo relates to 2017/18.
• Trading Standards	M/H	-	-	-	1	Qualified	-	6	5	3	1M,1L	2H	Memo relates to 2017/18.
• External Grants & Certifications	M/H	*17	-	17	5	Other	-	-	-	-	-	-	*17 days transferred from contingency.
TOTAL		115	5	35	11		-	26	38	14	15	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.