

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE MEETING

27 February 2019

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 January 2019.

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 ten months to 31 January 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 is aware of the considerable, prolonged and continuing 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.

A recruitment process is underway to fill a Principal Auditor post which results from action taken in accordance with the Council's Attendance Management and Ill Health Capability Procedure. Another Principal Auditor will return to work from maternity leave at the end of February, but on a part time basis working three days per week.

At the last meeting of the Audit Committee Members were informed that a new Senior Auditor had commenced employment and that two vacancies remained at this level which would be re-advertised. Since that meeting these Senior Auditor posts have been advertised on two separate occasions. No appointment was made following the first re-advertisement and, following the

second, a shortlist of candidates has been compiled and interviews will take place over the next two days. The Unit also has a further vacancy at Trainee Auditor level.

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.

Operational Matters

The Unit 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.

Although Audit work undertaken in the year to date covers a broad range of the Council's services it has been limited by the reduction in available resources. Consequently this reduced resource has impacted on the timing and delivery of some reviews. On a pro rata basis actual days delivered at the end of January 2019 was over 300 less than planned.

Members are aware of the Unit's involvement in additional work relating to property valuations over the last two years following this area being identified as a concern by the External Auditor. Our work was fundamental to the External Auditor issuing an unqualified audit opinion on the Council's Statement of Accounts for the past two years. Work to improve the robustness of systems and processes is ongoing and Audit Services will continue to focus on ensuring that identified control weaknesses are addressed as part of our ongoing testing in this key area.

Work in respect of fraud and irregularity includes undertaking specific investigations which may involve liaison with the Police and the deployment of our computer forensic resource. Audit staff are also involved in the dissemination of information received from sources including the National Anti-Fraud Network and the production of newsletters for Members, Strategic Directors and Directors to raise awareness and ensure that the Council is protected against known fraud risks.

Revised Financial Regulations and Standing Orders relating to Contracts were approved by Council on 6 February 2019 and will be effective from 1 April 2019. Audit Services were involved in formulating the revisions and our work will continue to assess compliance against this framework to ensure that robust controls are maintained.

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 & ICT for the approval of new, or enhancements to

existing systems continues. This work includes an assessment of external data centres and supplier's head office information security procedures.

Achievement of the Approved Audit Plan

All Audit projects are routinely monitored on a weekly basis to assess their progress and overall completion of the approved Audit Plan. Due to the matters identified above and other factors, I have reviewed current projects and those included in the forward plan which have yet to commence. This has confirmed that the Unit has insufficient resources to complete the approved Audit Plan. However, I have and will continue to take action to minimize the effect of this and ensure that depending on the resources available the key areas of risk are subject to Audit review, and that there is a broad range of coverage.

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 Audit 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 January 2019.

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	-	4	-	-	-	-	-	-	-	-	-
• 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	-	19	-	-	-	-	-	-	-	-	-
• 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	-	24	1	Qualified	-	2	8	3	1M,1L	-	-
• Financial Regulations/Standing Orders	M/H	5	-	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	*45	-	41	1	Qualified	-	2	5	1	-	1H,1M	*15 days transferred from contingency.
• Development of Audit Collaborative Working	M	10	-	-	-	-	-	-	-	-	-	-	-
• emPSN (SCo & ICo)	M	5	-	3	-	-	-	-	-	-	-	-	-
• Public Library Service Strategy	M	-	-	1									

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
			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	-	38	-	-	-	-	-	-	-	-	-
	H	*20	6	13	1	Qualified	-	2	11	4	2M	1H,1M,1L	Memo relates to 2017/18. *5 days transferred from contingency.
	H	20	-	-	-	-	-	-	-	-	-	-	-
	H	30	-	34	1	Qualified	-	1	14	1	3M	-	Memo relates to 2017/18.
Corporate Fraud Prevention	H	465	3	353	9	-	-	-	-	-	-	-	This includes work on • NFI; • publication of NAFN alerts; • surveillance and data communications compliance; • liaison with external audit; 14 investigations 3 of which relate to previous years including liaison with the Police. Special Investigation Report recommendations are not categorized.
Audit Contingency	-	38	-	-	-	-	-	-	-	-	-	-	Original contingency was 150 days less transfers of 112 days.
TOTAL		851	12	547	14		-	9	48	9	7	5	

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	-	58	-	-	-	-	-	-	-	-	-
External Grants & Certifications	M/H	15	-	3	-	-	-	-	-	-	-	-	-
Information Security Reviews	M/H	*80	10	82	7	1 Substantial 4 Qualified 2 Other	-	-	17	3	-	-	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. *40 days transferred from contingency.
Divisional Activity													
Corporate Finance													
Probity and Compliance	M/H	70	-	26	4	Qualified	-	11	14	9	3H,2M,1L	3H,4M,5L	1 Memo relates to 2017/18.
Major Systems	H	255	103	135	9	2 Substantial 6 Qualified 1 No Assurance	1	22	48	43	2H,6M,6L	1C,13H,16M,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, Procurement, Accounts Receivable, Accountancy and Budgetary Control, Asset Valuations, Asset Management, Funds Management and Treasury Management 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	36	54	2	1 Qualified 1 Limited	1	6	4	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. 1 Memo relates to 2017/18.
County Property	M/H	40	49	-	1	Limited	-	10	13	6	1M	10H,2M	Work relates to 2017/18.

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			
Regulatory Registration Service	M/L	20	-	-	-	-	-	-	-	-	-	-	-
Cheque Production & Printing	M/L	*12	-	11	1	Limited	-	4	4	3	2M,2L	4H	*12 days transferred from contingency.
TOTAL		662	198	369	24		2	53	100	67	27	67	

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	40	1	Qualified	-	2	21	3	-	1H,4M	Memo relates to 2017/18.
Information Security Reviews	M/H	40	-	48	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	231	30	2 Substantial 24 Qualified 3 Limited 1 No Assurance	3	175	247	223	2H,2M, 4L	108H, 114M, 28L	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	27	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	-	16	1	Qualified	-	2	9	7	-	1H,3M,1L	-
Themed & Operational													
• High Need Funding – Special Education Needs & Disabilities (SEND)	H	20	-	7	-	-	-	-	-	-	-	-	-

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	-	31	-	-	-	-	-	-	-	-	-
• 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	403	44		3	183	293	234	8	283	

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	Actual Days 18-19	No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
Departmental Review - Management & Administration	M	45	2	58	-	-	-	-	-	-	-	-	-
Information Security Reviews	M/H	80	11	49	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	-	38	6	Qualified	-	29	38	22	4M,2L	11H,19M, 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	28	-	-	-	-	-	-	-	-	-	-	
Day Care & Hostels	M/H	28	1	7	2	1 Substantial 1 Qualified	-	1	7	7	1M	1M,1L	1 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	157	20		-	34	73	35	9	46	

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 17-18 18-19		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
Departmental Review - Management & Administration	M	45	-	4	1	Qualified	-	6	13	8	1H,3M	2H,5M	Memo relates to 2017/18.
Information Security Reviews	M/H	10	-	16	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	39	11		-	26	38	14	15	12	