

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE MEETING

4 October 2016

Report of the Assistant Director of Finance (Audit)

AUDIT SERVICES UNIT – PROGRESS AGAINST AUDIT PLAN 2015-16

1. Purpose of Report

To inform Members of progress against the approved Audit Plan for 2016-17 as at 31 August 2016.

2. Information & Analysis

At the meeting of this Committee held on 29 March 2016 Members approved the Audit Plan for 2016-17 which incorporated the outcome of discussions with individual Strategic Directors and the Chief Executive. 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 2016 and represents work undertaken during that period which is detailed in Appendix 1. Appendix 2 provides an analysis of the priority criteria for Audit recommendations and assurance levels.

Staffing

The Unit has been able to retain a particularly stable staffing base for the past year and continues to hold one vacancy at Auditor level which is subject to ongoing review.

Operational Matters

Audit Services continues its approved programme of work including the provision of advice to Management at all levels within the Authority. 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.

As previously reported a growing area of work involves IT systems' reviews and assessment of service contracts in compliance with the Authority's ISO27001 standards and the requirements of the protocol developed with the Director of Finance 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. In certain cases a contract review may require Audit staff to undertake several, separate visits to fully evaluate the effectiveness of information security systems and procedures.

Fraud and irregularity reported to, and investigated by Audit Services continues to place demands on the Unit with work being undertaken on thirteen separate investigations including liaison with the Police where necessary. 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.

In order to promote collaborative working the Nottinghamshire Audit Group has invited Heads of Internal Audit within Derbyshire to attend its meetings. One joint meeting has already been held and further meetings are planned. At this point no further progress has been made regarding future collaborative opportunities for audit services within Derbyshire.

As part of the continuing development of the Audit service and on-going review of operational procedures, significant changes have been introduced to further standardise working practices and management of information to reduce the use and storage of paper records. For example, over the past two years the volume of paper records requested and copied during a school review has reduced by over 60%. The Unit is on track to ensure that all standard Audit files will be held electronically by the end of 2016.

3. Legal Considerations

The Audit Services Unit discharges the Authority's statutory responsibilities under Regulation 5 of the Accounts and Audit Regulations 2015 and significant aspects of the Director of Finance's statutory duties under Section 151, Local Government Act 1972.

4. Other Considerations

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

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 2016/17

The information summarized below by Service Department identifies the work approved and actual time spent for the period ending 31st August 2016.

Chief Executive's and Corporate Resources

It is intended to spend 975 days on the Audit of the Chief Executive's and Corporate Resources Departments which will be allocated over the following areas:-

Audit Area	Plan Days	Actual Days 15-16 16-17		No of Reports	Level of Assurance	Analysis of Recommendations C H M L				Recs Not Acceptd	Recs Not Implmtd	Comments
Departmental Review - Management & Administration <i>Medium Risk</i>	55	5	3	1	Qualified	-	1	16	9	3M,2L	1H,5M,1L	Memo relates to 2015/16.
Governance <i>High Risk</i> including:- • Corporate Governance • Corporate Health Check • Business Continuity Planning • ISO27001 Review	100	-	23	-	-	-	-	-	-	-	-	Work to support Governance Group, production of Annual Governance Statement and preparatory work on revised Governance Matrices.
Services to Members <i>High Risk</i>	25	-	-	-	-	-	-	-	-	-	-	Work to support the Information Governance Group and review of IT security policies.
External Grants & Certifications <i>Medium/High Risk</i>	20	-	10	-	-	-	-	-	-	-	-	
Policy, Performance & Innovations Leadership <i>Medium/High Risk</i>	15	-	-	-	-	-	-	-	-	-	-	
Divisional Activity												
Corporate Finance												
Probity and Compliance <i>Medium/High Risk</i>	85	6	12	3	Qualified	-	8	16	6	1H,2M	5H,4M	
Major Systems <i>High Risk</i>	290	61	55	4	2 Substantial 2 Qualified	1	8	36	16	1M,5L	10H,13M 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, Procurement and Funds Management were reported in current year.
Corporate/Departmental IT Services <i>Medium/High Risk</i>	320	24	128	5	3 Qualified 2 Other	-	4	15	6	1H,1M	1H,2M	Work includes planned IT reviews, reviews of new systems and system enhancements, site visits to assess suppliers' head office and data centre

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

Audit Area	Plan Days	Actual Days 15-16 16-17		No of Reports	Level of Audit Assurance	Analysis of Recommendations C H M L				Recs Not Acceptd	Recs Not Implmtd	Comments
												procedures and involvement in project teams.
County Property <i>Medium/High Risk</i>	45	-	-	-	-	-	-	-	-	-	-	
Regulatory Registrars Service Coroner's Service <i>Medium/Low Risk</i>	20 *4	- 4	32 -	- 1	- Limited	- 1	- 12	- 9	- 1	- 2H	- 1C,9H, 2M	Completion of 2015/16 work. *4 days transferred from contingency.
TOTAL	979	119	278	14		2	33	92	38	18	58	

Corporate Activities

It is intended to spend 800 days on the Audit of Corporate Activities which will be allocated over the following areas:-

Audit Area	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
		15-16	16-17			C	H	M	L			
Corporate Projects												
• Corporate Fraud Assessment/ Mitigation Review <i>High Risk</i>	-	-	7	-	-	-	-	-	-	-	-	Completion of 2015/16 work.
• Workforce Development/ Succession Planning <i>High Risk</i>	30	-	4	-	-	-	-	-	-	-	-	
• Combined Authority <i>High Risk</i>	20	-	-	-	-	-	-	-	-	-	-	
• Maintaining & Providing Property in Safe/Suitable Condition <i>High Risk</i>	20	-	-	-	-	-	-	-	-	-	-	
• SAP Utilisation <i>Medium/High Risk</i>	20	-	-	-	-	-	-	-	-	-	-	
• Review of Grants <i>Medium/High Risk</i>	25	-	-	-	-	-	-	-	-	-	-	
• Information Sharing Agreements <i>Medium/High Risk</i>	20	-	-	-	-	-	-	-	-	-	-	
• D2N2 LEP <i>Medium Risk</i>	*50	-	49	1	Not applicable	-	-	-	-	-	-	Audit grant certification required on this work. *30 days transferred from contingency.
• Development of Audit Collaborative Working <i>Medium Risk</i>	10	-	2	-	-	-	-	-	-	-	-	
• emPSN (SCo & ICo) <i>Medium Risk</i>	5	-	1	-	-	-	-	-	-	-	-	

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

Audit Area	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
		15-16	16-17			C	H	M	L			
<ul style="list-style-type: none"> Supply Chain Failure <i>High Risk</i> Shared Service Centre Delivery <i>Medium/High Risk</i> 	-	8	-	2	Qualified	-	9	10	4	4H,1M	-	Completion of 2015/16 work.
Corporate Fraud Prevention <i>High Risk</i>	480	75	134	6	-	-	-	-	-	-	-	This includes work on NFI, publication of NAFN alerts, surveillance and data communications compliance, liaison with external audit, work on 13 investigations 5 of which relate to previous years including liaison with the Police. Special Investigation Report recommendations are not categorized.
Audit Contingency	89	-	-	-	-	-	-	-	-	-	-	*Original contingency was 150 days less transfers of 61 days.
TOTAL	769	83	197	9		-	9	10	4	5	-	

Children's Services

It is intended to spend 676 days on the Audit of the Children's Services Department which will be allocated over the following areas:-

Audit Area	Plan Days	Actual Days 15-16 16-17		No of Reports	Level of Audit Assurance	Analysis of Recommendations C H M L				Recs Not Acceptd	Recs Not Implmtd	Comments
Departmental Review - Management & Administration <i>Medium Risk</i>	40	2	1	1	Qualified	-	7	14	1	1M,1L	3H,9M	Memo relates to 2015/16.
Schools Nursery/Primary/Special <i>Medium/High Risk</i>	393	1	186	30	28 Qualified 2 Limited	1	216	272	175	4H,4M,2L	153H, 145M,10L	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 <i>Medium/High Risk</i>	89	7	40	6	5 Qualified 1 Limited	-	49	50	34	-	1C,22H, 20M,2L	
School Learning & Support Centres <i>Medium/High Risk</i>	16	-	-	-	-	-	-	-	-	-	-	
Children's Homes <i>Medium/High Risk</i>	56	-	20	5	3 Qualified 1 Limited 1 Other	-	30	30	6	11H,4M, 1L	8H,13M, 1L	
Derbyshire Outdoors <i>Medium/Low Risk</i>	7	-	9	1	Qualified	-	4	8	4	-	3H,1M,	
Themed & Operational • Looked After Children <i>High Risk</i>	25	-	29	-	-	-	-	-	-	-	-	Audit grant certification required on this work. *13 days transferred from contingency. Completion of 2015/16 work.
• Children at Risk of Missing Education <i>High Risk</i>	25	-	12	-	-	-	-	-	-	-	-	
• Fostering <i>High Risk</i>	25	-	37	-	-	-	-	-	-	-	-	
• Troubled Families <i>Medium Risk</i>	-	-	10	1	Not applicable	-	-	-	-	-	-	
• Derbyshire Music Partnership <i>Medium Risk</i>	*13	-	13	-	-	-	-	-	-	-	-	
• Home Education <i>Medium Risk</i>	-	1	-	1	Qualified	-	3	11	3	-	-	
TOTAL	689	11	357	45		1	309	385	223	28	391	

Adult Care

It is intended to spend 281 days on the Audit of the Adult Care Department which will be allocated over the following areas:-

Audit Area	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
		15-16	16-17			C	H	M	L			
Departmental Review - Management & Administration <i>Medium Risk</i>	40	5	2	1	Qualified	-	5	20	2	1H,1M,1L	2H,8M,1L	Memo relates to 2015/16.
Social Care Elderly Residential <i>Medium/High Risk</i>	36	-	40	9	1 Substantial 7 Qualified 1 Limited	-	51	66	32	1H,1M,2L	13H,29M,7L	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 <i>Medium/High Risk</i>	28	-	36	7	6 Qualified 1 Limited	-	34	61	21	1M,1L	4H,36M,5L	
Day Care & Hostels <i>Medium/High Risk</i>	36	-	15	4	1 Substantial 3 Qualified	-	17	20	19	1M,1L	2H,8M,5L	
Community Care Centres <i>Medium/High Risk</i>	16	-	4	1	Qualified	-	4	6	5	1M	3H,6M,1L	
Themed & Operational • Public Health <i>High Risk</i>	30	2	-	1	Limited	1	9	5	1	-	-	Memo relates to 2015/16.
• Better Care Funding <i>High Risk</i>	30	-	3	1	Qualified	-	1	6	-	-	-	Memo relates to 2015/16.
• Emergency Response & Service Continuity <i>Medium/High Risk</i>	20	-	13	-	-	-	-	-	-	-	-	
• Management of Housing Adaptations, Disabled Facilities Grant <i>Medium/High Risk</i>	20	-	23	-	-	-	-	-	-	-	-	
• Review of Domiciliary Care <i>Medium/High Risk</i>	25	-	36	-	-	-	-	-	-	-	-	

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

Audit Area	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
		15-16	16-17			C	H	M	L			
<ul style="list-style-type: none"> Regulatory & Legislative Failures <i>High Risk</i> Impact of Deprivation of Liberty Standards <i>Medium/High Risk</i> 	*14	14	-	1	Qualified	-	2	3	3	1L	-	Completion of 2015/16 work. *14 days transferred from contingency.
TOTAL	295	21	172	25		1	123	187	83	13	130	

Economy, Transport and Communities

It is intended to spend 125 days on the Audit of the Economy, Transport and Communities Department which will be allocated over the following areas:-

Audit Area	Plan Days	Actual Days 15-16 16-17		No of Reports	Level of Assurance	Analysis of Recommendations C H M L				Recs Not Acceptd	Recs Not Implmtd	Comments
Departmental Review - Management & Administration <i>Medium Risk</i>	40	-	-	-	-	-	-	-	-	-	-	
Themed & Operational												
• Procurement of Taxi & Small Hire Services <i>Medium/High Risk</i>	20	-	-	-	-	-	-	-	-	-	-	
• Community Safety <i>Medium/High Risk</i>	30	-	-	-	-	-	-	-	-	-	-	
• Public Transport Contracts <i>Medium/High Risk</i>	25	-	-	-	-	-	-	-	-	-	-	
• Digital Derbyshire <i>Medium/High Risk</i>	10	-	-	-	-	-	-	-	-	-	-	
TOTAL	125	-	-	-		-	-	-	-	-	-	

Audit Recommendations

Audit recommendations are categorized 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
Full Assurance	There is a sound system of control designed to achieve the system/audit area objectives and to identify and manage the risks to achieving those objectives.
Substantial Assurance	Whilst there is a sound system of control some minor weaknesses have been identified which may put some of the system/audit area objectives at risk.
Qualified Assurance	Whilst there is basically a sound system of control some critical/high priority recommendations have been made to address potentially significant or serious weaknesses identified. Should these weaknesses remain unaddressed they may expose the Council to reputational risk or significant control failure.
Limited Assurance	Significant weaknesses 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 weak 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 high risk of error or abuse.