

Audit Committee

30 September 2022

**Six-Month Internal Audit Plan: 1
October 2022 to 31 March 2023**



Report of Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

Countywide.

Purpose of the Report

- 1 To submit for members approval, the proposed Six-Month Internal Audit Plan for the period from 1 October 2022 to 31 March 2023.

Executive Summary

- 2 The first Six-Month Internal Audit Plan, for the period up to 30 September 2022, was presented to Audit Committee on 24 May 2022. Progress against that the delivery of that plan is being closely monitored.
- 3 This report sets out the proposed second Six-Month Internal Audit Plan, for the period 1 October 2022 to 31 March 2023, with the detail included in Appendix 2.

Recommendation

- 4 It is recommended that Members approve the proposed second Six-Month Internal Audit Plan, for the period 1 October 2022 to 31 March 2023, as detailed in Appendix 2.

Background

- 5 As an independent consultancy service, the Council's Internal Audit Team strives to continue to add value and improve the organisation's operations as well as providing objective assurance to service managers and the Council.
- 6 The Internal Audit Plan for the first six months of 2022/23, from April 2022 to September 2022, was approved by Audit Committee, on 24 May 2022 and has been subject to ongoing monitoring.
- 7 This report sets out the proposed second Six-Month Internal Audit Plan for the period 1 October 2022 to 31 March 2023, with the detail included in Appendix 2.

Six-Month Plan for 1 October 2022 to 31 March 2023

- 8 The proposed Six-Month Internal Audit Plan up to 31 March 2023, attached at Appendix 2, includes provision for:
 - (a) Work that was approved in the 2021/22 audit plan that was deferred and carried forward to the current year;
 - (b) Planned assurance work scheduled from the 5-year strategic audit plan;
 - (c) Annual due diligence on key systems and compliance with key corporate policies;
 - (d) Service requests identified through the consultation process with senior management;
 - (e) Grant certification work;
 - (f) Corporate provision for reactive advice and consultancy work and new emerging risks;
 - (g) Corporate provision for planning, quality assurance and reporting;
 - (h) Follow up of agreed audit recommendations.
- 9 Operational risks are those that arise directly from the core activities of delivering services and include:
 - (a) Financial Management Risks;
 - (b) Project Risks;
 - (c) Performance Management Risks;

- (d) Partnership Risks;
- (e) Human Resources Risks;
- (f) IT and Information Governance Risks;
- (g) Procurement and Contract Risks;
- (h) Legal Risks;
- (i) Service Specific Risks.

10 In evaluating the management of these risks, Internal Audit aims to help the achievement of corporate priorities and objectives by providing assurance on:

- (a) The adequacy of risk identification, assessment and mitigation – including the adequacy and effectiveness of the strategic risk management process;
- (b) The adequacy and application of controls to mitigate identified risk;
- (c) The adequacy and extent of compliance with the Council's corporate governance framework;
- (d) The extent of compliance with relevant legislation;
- (e) The extent to which the Council's assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money;
- (f) The quality and integrity of financial and other management information utilised within the Council.

11 In accordance with the Internal Audit Strategy, in consultation with Heads of Service and nominated service manager or key contacts, the Service will prepare an agreed Terms of Reference prior to the start of each planned audit and where applicable a Control Risk Assessment (CRA) so as to:

- (a) Inform the scope for audit;
- (b) Identify and agree key service/system operational objectives;
- (c) Assess and agree key risks;
- (d) Identify and agree expected/existing key controls;

- (e) Identify other key sources of assurance and what assurance they provide that risks are effectively managed;
 - (f) Identify key stakeholders/contacts and circulation list for report;
 - (g) Provide a mechanism for ongoing self-assessment post audit.
- 12 The Service will make all reasonable endeavours to schedule audit work within the timing preference expressed by services, but inevitably this may not always be possible due to the practicalities of scheduling work across all service groupings to match estimated audit resources available.
- 13 Given the continuous extent of the change agenda with which the Council is faced at this time, it is particularly important that the audit plan is flexible and allows for the service to be pro-active in supporting management in the consideration of control issues relating to new or emerging risks.
- 14 Service requests are actively encouraged and will be considered in relation to the risk and the type of audit work required, e.g. control design and/or compliance assurance, grant certification work, advice and consultancy etc. and whether or not the service has the necessary skills and resources to undertake the work requested.
- 15 It is always the preference for Internal Audit to be involved in any changes to systems to advise on the appropriate controls before they are implemented rather than potentially auditing a system in retrospect that then requires any improvements.
- 16 Any proposals to amend approved plans will be discussed and agreed with Corporate Directors and any significant changes will be reported to the Audit Committee for approval.

Delivery of the Internal Audit Plan up to 31 March 2023

- 17 The forecast of available resources to be allocated to the management and delivery of the second six-month audit plan is 2,031 days. The detail of this allocation is shown in the table below.

Estimated Gross Days Available	2,031.0
Non – Productive Time (Annual Leave, Sickness, Training, Office Duties etc.)	360.5
Productive Time – not allocable to services, e.g. Audit Planning, Supporting Audit Committee, Quality Assurance, Contingency	321.5
Audit days required to complete and close audit reports relating to the first six months of 2022/23	340.0
<u>Audit Plan from October 2022 to March 2023</u>	
Adult and Health Services (AHS)	87.0
Children and Young People Service (CYPS)	87.0
Neighbourhoods and Climate Change (NCC)	49.0
Regeneration, Economy and Growth (REG)	57.0
Resources (RES)	180.0
Schools	261.0
Durham Police and Crime Commissioner / Durham Constabulary	90.0
Durham and Darlington Fire & Rescue Authority	45.0
Durham Crematorium	18.0
Mountsett Crematorium	18.0
Pension Fund	24.0
New College Durham	31.0
Peterlee Town Council	15.0
Spennymoor Town Council	10.0
Great Aycliffe Town Council	27.0
Horden Parish Council	10.0
TOTAL DAYS REQUIRED	2,031.0

- 18 At the Audit Committee meeting, held on 24 May 2022, an indicative plan for the second six-month period was presented for information. The indicative plan included an estimated total resource availability of 2,120 days. The proposed plan attached is based on 2,031 audit days – a reduction of 89 days, which is the consequence of staff turnover within the service, with several posts becoming vacant in the first six-months and the time taken to recruit new people into these roles.
- 19 Monitoring of the plan will continue during the rest of the year, through quarterly progress reporting, to provide feedback on delivery and to discuss any new or emerging risks.

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Appendix 1: Implications

Legal Implications

The Accounts and Audit Regulation 2015 (Part 2, Section 5) states a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance.

Furthermore, Internal Audit assists the Corporate Director of Resources in fulfilling their duties under Section 151 of the Local Government Act 1972 which requires each Local Authority to make arrangements for the proper administration of their financial affairs.

Finance

There are no direct financial implications associated with this report.

Internal Audit work has clear and direct effects, through recommendations made, to assist in improving value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

Consultation

All Corporate Directors and Heads of Service.

Equality and Diversity / Public Sector Equality Duty

There are no equality and diversity / public sector equality duty implications as a result of this report.

Climate Change

There are no climate change implications as a result of this report.

Human Rights

There are no human rights implications as a result of this report.

Crime and Disorder

There are no crime and disorder implications as a result of this report.

Staffing

There are no staffing implications as a result of this report.

Accommodation

There are no accommodation implications as a result of this report.

Risk

The key risk is that actions agreed in audit reports to improve the control environment and assist the Council in achieving its objectives are not implemented. To mitigate this risk, a defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis. Such assurance is reflected in reports to the Audit Committee. Where progress has not been made, further action is agreed and overseen by the Audit Committee to ensure action is taken.

Procurement

There are no procurement implications as a result of this report.

DCC INTERNAL AUDIT PLAN 1 OCTOBER 2022 TO 31 MARCH 2023

SERVICE GROUPING	AUDIT ACTIVITY	AUDIT TYPE	DAYS
Adult and Health Services	Continuing Health Care and Free Nursing Care	Assurance	22.0
Adult and Health Services	Section 117	Assurance	12.0
Adult and Health Services	Public Health Claims processed via Pharmoutcomes	Assurance	17.0
Adult and Health Services	Stop Smoking Service Contract	Assurance	12.0
Adult and Health Services	Transitional Arrangements between Childrens and Adult Services	Assurance	12.0
Adult and Health Services	Approval and Payment of Commissioned Services - Panel arrangements for payments to providers	Assurance	12.0
			87.0
Children and Young People's Services	Disability Commissioning Arrangements (Short Breaks)	Assurance	12.0
Children and Young People's Services	Children In Need	Assurance	15.0
Children and Young People's Services	Supervised Spend - Leaving Care Service	Assurance	15.0
Children and Young People's Services	Supporting Families Programme	Grant Claim	5.0
Children and Young People's Services	High Needs Top Up funding arrangements in Schools	Assurance	15.0
Children and Young People's Services	SFVS	Assurance	5.0
Children and Young People's Services	Developing Financial Management Standards in Schools	Advice and Consultancy	2.0
Children and Young People's Services	Review of Swimming SLA	Assurance	8.0
Children and Young People's Services	Caldicott Compliance	Assurance	10.0
			87.0
Neighbourhoods and Climate Change	Fees and Charges	Assurance	12.0
Neighbourhoods and Climate Change	Anti Social Behaviour	Advice and Consultancy	12.0
Neighbourhoods and Climate Change	Charging Arrangements	Assurance	12.0
Neighbourhoods and Climate Change	Rebus	Grant	5.0
Neighbourhoods and Climate Change	Carbon Connects (2)	Grant	5.0
Neighbourhoods and Climate Change	SMEPower (Claim 7)	Grant	3.0
			49.0
Regeneration, Economy and Growth	Asset Valuation	Assurance	20.0
Regeneration, Economy and Growth	Choice Based Letting Scheme	Assurance	12.0
Regeneration, Economy and Growth	Finance Durham	Assurance	12.0
Regeneration, Economy and Growth	Stanley Bowls	Audit of Accounts	1.0
Regeneration, Economy and Growth	Consett Empire Theatre	Assurance	12.0
			57.0
Resources	Deputies and Appointees - Personal Allowance Payments	Assurance	15.0
Resources	Bank Reconciliation	Key System	5.0
Resources	Direct Debit Payments	Key System	7.0
Resources	Short Term Investments	Key System	10.0
Resources	Leases - IFRS16	Assurance	12.0
Resources	Budgetary Control and Financial Reporting	Key System	12.0
Resources	Section 256 Agreements	Grant	7.0
Resources	Better Care Fund and Improved BCF (Sn 75)	Grant	5.0
Resources	Contract Management	Assurance	10.0
Resources	Creditors - Overarching	Key System	1.0
Resources	Creditors - Receipting of Goods	Key System	12.0
Resources	Payroll - Overarching	Key System	1.0
Resources	Payroll - Preparation: Temporary Input	Key System	12.0
Resources	Business Rates - Overarching	Key System	1.0
Resources	Business Rates - Valuation	Key System	12.0
Resources	Business Rates - Billing and refunds	Key System	12.0
Resources	Housing Benefit and CTR - Overarching	Key System	1.0
Resources	Housing Benefit and CTR - Overpayment Recovery	Key System	6.0

DCC INTERNAL AUDIT PLAN 1 OCTOBER 2022 TO 31 MARCH 2023

SERVICE GROUPING	AUDIT ACTIVITY	AUDIT TYPE	DAYS
Resources	Housing Benefits and Council Tax Reduction - Supported Accommodation	Advice and Consultancy	12.0
Resources	Council Tax - Overarching	Key System	1.0
Resources	Council Tax - Valuation	Key System	12.0
Resources	Active Directory	Assurance	7.0
Resources	IT Asset Management	Assurance	7.0
			180.0