

29 February 2024

Emergent Internal Audit Plan for the period from 1 April 2024 to 31 March 2025

Report of Tracy Henderson, Chief Internal Auditor and Corporate Fraud Manager

Electoral division(s) affected:

Countywide.

Purpose of the Report

- 1 This report provides the Committee with details of the emergent Internal Audit Plan for the period from 1 April 2024 to 31 March 2025.
- 2 The purpose of the report is to update and engage Members of the Audit Committee in the development of the Annual Internal Audit Plan 2024/25.

Executive Summary

- 3 This report sets out the first formal iteration of the annual Internal Audit Plan and describes:
 - (i) The basis of the plan;
 - (ii) The approach taken to develop the plan; and
 - (iii) The key characteristics which include:
 - The scale and pace of change
 - The structure of the plan
 - The content of the plan
 - The scale of the plan
- 4 The initial draft plan is set out for consultation and comment by the members of the Audit Committee.
- 5 The final version will need to be considered and approved by the Audit Committee at its meeting in May 2024 and will then be monitored throughout the year.

Recommendation

- 6 Members are requested to comment on the proposed direction and process for the development of the emergent Internal Audit Plan for 1 April 2024 to 31 March 2025 which is attached at Appendix 2 and which will be brought back to Committee for formal approval in May 2024.

Background

- 7 From April 2013, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors launched a common set of Public Sector Internal Audit Standards (PSIAS) to be adopted across the public sector. These PSIAS were further revised in 2017 and set out the standards for Internal Audit and have been adopted by the service in Durham.
- 8 The principles in the PSIAS are consistent with the previous CIPFA Code for Internal Audit that applied across Local Government prior to April 2013. They include the need for 'risk-based plans' to be developed for Internal Audit and for plans to receive input from management. This process also includes the development of an emergent Internal Audit Plan designed to invite comment from management and the Audit Committee.
- 9 In line with the MTFP 13 savings requirements, a restructuring exercise has recently been carried out and the revised Internal Audit establishment structure will come into effect on 1st April 2024. This is the basis used to determine the resources available during the Internal Audit Year 24/25.

Basis for the Plan

- 10 The PSIAS (section 2010) states that the 'Chief Audit Executive' must

'establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals'. They refer to the need for the plan to reflect the assurance framework, risk management arrangements and input from management.
- 11 These principles have been applied in the development of the emergent Internal Audit plan as follows:

- i. **Annual Internal Audit Opinion (PSIAS 2010)**

The Chief Internal Auditor and Corporate Fraud Manager forms an annual assurance opinion based on the annual programme of audit work as well as assurance obtained by other means. The current audit approach contains four main types of audit. It is not considered cost effective or necessary to obtain coverage of all strategies, business units and risks so these are reviewed on a risk basis each year.

In addition to audit, the Chief Internal Auditor and Corporate Fraud Manager considers any issues identified through fraud and

corruption or developing systems work insofar as they impact on the effective operation of governance, risk management or internal control within the Council.

The service provides advice and consultancy to all council services and external clients where appropriate. This is an increasing area of focus given the amount of change ongoing across the council and our clients. Time is also allocated to support developing systems and a range of emerging projects, ensuring early engagement and audit support across the Council.

The Chief Internal Auditor and Corporate Fraud Manager also seeks to place reliance on assurance mechanisms within the Council as well as the findings of other auditors and inspectors in reaching an annual opinion.

The plan is flexible and is reviewed and adjusted throughout the year, as necessary, in response to changes in policies, systems, processes, risks and controls across the Council.

ii. Based on a Risk Assessment (PSIAS 2010.A1)

The Internal Audit service works closely with the Council's Risk Management and Governance Team. The Audit Managers liaise formally and informally with the Risk, Insurance and Governance Manager and Auditors work with the Risk and Governance section to share intelligence, information, and issues of concern. Internal Audit also regularly engages with Corporate Directors and Heads of Service, as well as colleagues across Human Resources, Legal, Performance, Finance, and ICT, to ensure that known and emerging unregistered risks are considered in annual audit planning.

Audit planning considers key risks, and the focus of audit work is tailored accordingly to ensure that local and national issues and risks are addressed.

The Chief Internal Auditor and Corporate Fraud Manager ensures a culture of risk awareness is maintained within the service so that all members of the team are aware of local, regional, and national risks in the performance of their duties.

Through regular liaison and the sharing of Internal Audit Plans with colleagues across the North East and Chief Auditors Network, Internal Audit ensures that it is aware of emerging risks in other Council's and considers these as part of the audit planning.

iii. Informed by Expectations (PSIAS 2010.A2)

The Internal Audit Service is aligned to service and service grouping structures, ensuring teams engage positively with Corporate Directors and their teams.

The annual plan is based on consultation and discussion with management teams and key officers to ensure it is focused on key risks, core systems and areas where Internal Audit can effectively contribute to the effectiveness and efficiency of governance, risk management and control processes.

An emergent plan is produced to help ensure early engagement with Members represented on the Council's Audit Committee.

Audit Planning

- 12 The approach to audit planning in the Council has been based largely, but not exclusively, on the following:
- i. Review of the Strategic Risk Register
 - ii. Review of the assurance map compiled during the year taking into account the work of other assurance providers.
 - iii. Cumulative audit knowledge and experience.
 - iv. Findings and outcomes from audit and investigation work in 2023/24 and earlier years.
 - v. Engagement with Heads of Service and their management teams.
 - vi. Engagement with audit colleagues across the North East and the Chief Auditor Network.
 - vii. Engagement with the Risk, Insurance and Governance teams.
- 13 On this basis, an emergent plan of areas for audit coverage has been developed. Areas have been considered on a risk basis and a plan for consultation has been produced. This has initially been presented to Corporate Directorate management teams for comment, to ensure that the risks identified are consistent with their understanding and assessment.

Key Characteristics of the Annual Plan

Scale and Pace of Change

- 14 The national context is important to consider whilst assessing the local issues as Durham County Council continues to go through a period of continuous change.
- 15 Since the beginning of austerity in 2010, the organisation has met ongoing changing and increasing demand pressures and in most recent times the impact of the unavoidable base budget pressures resulting from pay and price inflation. This means that local government needs to keep pace with demographic and technological changes and therefore Durham County Council continues to undergo fundamental changes which are envisaged will continue for the foreseeable future.
- 16 Changes are taking place in the design, commissioning, and delivery of services, with ongoing activity to deliver savings across all areas of the Council. The implementation of changes and public service reform, with a reduced workforce whilst delivering business as usual and achieving key priorities remains a key challenge for the Council and must be reflected in the Internal Audit Plan.
- 17 Internal audit planning therefore must take into account the above changes, while also considering that:
 - i. Financial pressures is a driver for change – where there is change, there is risk.
 - ii. With workforce cuts and re-organisations, there is a risk of dissatisfied staff and a loss of experience.
 - iii. Cutting costs can also lead to cutting of control; and
 - iv. The organisation needs to be more inventive, which needs to be taken into account when conducting audits.
- 18 The Internal Audit Plan must continue to be sufficiently flexible to enable assurance to be obtained over current as well as emerging risks, as well as those risks yet to be identified. As such there are areas where Internal Audit work cannot be fully defined at this stage but where allocation of resource is required to help support good governance, risk management and control.
- 19 Whilst Internal Audit adds value and provides assurance in these areas, the detailed areas for focus are the subject of ongoing discussions with the business. Rather than define specific audits and then change them, the plan includes allocations of work which will be applied to specific

aspects of audit activity throughout the year. There will be similar allocations in other areas with details of specific audit activities reported to Corporate Directors, Heads of Service and the Audit Committee throughout the year.

- 20 Periods of change inevitably increase the potential for risks, both positive (opportunities) and negative (hazards). The reduction in workforce for example provides opportunity for breakdown in control as well as an opportunity to consider new, more efficient ways of organising people, systems, and processes without impacting adversely on internal control.
- 21 The PSIAS were amended to reflect more the need for a modern, professional Internal Audit Service to actively engage with the organisation and be seen to add value. To reflect this risk the audit plan will continue to allocate time for advice and consultancy and developing systems support to officers to support and challenge them in the establishment and development of their systems of governance, risk management and internal control. We will also deliver work on the core financial systems and a number of pro-active counter fraud, irregularity, and probity audits to provide assurance that the basic governance and control arrangements are continuing to operate effectively, minimising the risks of misappropriation, loss and error.
- 22 The continued pace of change across the Council requires assurance that is prioritised and timely. The Internal Audit Plan must provide for this assurance, to enable remedial actions or controls to be implemented on a timely basis. Based on experience and feedback from Service Grouping Management Teams there is a continued need for shorter, more focused and practical audits in areas of emerging risk.
- 23 The characteristics of the plan: flexible, supportive, challenging, prioritised and timely are not new however, it remains critical that these principals are maintained if Internal Audit is to help the Council to continue to respond effectively to the scale of change.
- 24 Based on the above, the Chief Internal Auditor and Corporate Fraud Manager considers that assurance is best obtained through a combination of different audits and other sources of assurance. This is not an uncommon approach, but it has been tailored to reflect the specific needs of the Council. It is consistent with the approach taken in the development and delivery of the 2023/2024 Internal Audit Plan. With the greater need to add value it is the intention for the service to increase its advice and consultancy work whilst still balancing the need for assurance.

Plan Structure

- 25 There are four different types of audit activity in the plan.
- i. Key System
 - ii. Assurance Review
 - iii. Advice and Consultancy
 - iv. Grant Certification
- 26 This approach of using different types of audits and other work is considered the most effective way to deliver the strategy for Internal Audit.

Plan Content

- 27 In summary, there is focus on risk-based audits and providing assurance over key systems. This reflects the need to focus on the management of emerging risks and ensure the continued operations of controls within the Council's overall governance arrangements, its systems, and its processes.
- 28 There is time allocated to developing systems and supporting service groupings with new initiatives and any changes in service delivery.
- 29 The emergent plan has been compiled to reflect the Corporate Management Team and Service Grouping structure in the Council as follows:
- Adult and Health Services (AHS)
 - Children and Young People Service (CYPS)
 - Regeneration, Economy and Growth (REG)
 - Neighbourhoods and Climate Change (NCC)
 - Resources (RES)
- 30 To help ensure that the plan is flexible, and the service is able to respond to any key risks in the year, the emergent plan includes a block of contingency time from which specific audits can be delivered in the year. Further details will be provided to the Audit Committee in the finalised plan in May and throughout the year.

Scale of the Plan

- 31 The annual internal audit plan needs to be deliverable within available resources. The Internal Audit Team has an approved establishment of 17 posts, equivalent to 16.10 FTEs.
- 32 As a result of this planning, the latest forecast of available resources to be allocated to the management and delivery of the annual audit plan for 2024/25 is 4,140 days. The detail of this allocation is shown in the table below.

Estimated Gross Days Available	4,140
Non – Productive Time (Annual Leave, Sickness, Training, Office Duties etc.)	1,279
Productive Time – not allocable to services, e.g. Audit Planning, Supporting Audit Committee, Quality Assurance and Contingency.	980
Productive Days	
Audit days required to complete and close audit reports relating to 2023/24	201
Chief Executive	23
Adult and Health Services (AHS)	168
Children and Young People Service (CYPS)	231
Neighbourhoods and Climate Change (NCC)	109
Regeneration, Economy and Growth (REG)	146
Resources (RES)	454
Schools	175
Durham Police and Crime Commissioner / Durham Constabulary	168
Durham and Darlington Fire & Rescue Authority	86
Pension Fund	40
New College Durham	22
Durham Joint Crematorium	18
Mountsett Joint Crematorium	18
Aim High Academy Trust	16
Durham City Charter	6
TOTAL GROSS DAYS REQUIRED	4.140

Emergent Plan Content

- 33 Within this framework an emergent work programme of potential work has been developed. This is based on an assessment of risk.
- 34 Consultation is ongoing with Corporate Directorate Management Teams and Corporate Directors. It is likely that elements of the plan will be changed as part of this overall process of engagement and reconciling proposed audit work with available resources.

Background papers

Public Sector Internal Audit Standards – Published in June 2013 and updated in March 2017

Strategic Internal Audit Plan – Reviewed and updated January 2024

Review of the Strategic Risk Register

Other useful documents

None

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Appendix 1: Implications

Legal Implications

There are no specific legal implications associated with this report. Internal Audit contribute to the effective governance of the Council and provide relevant and appropriate challenge and oversight where necessary.

Finance

There are no specific 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 all Heads of Service.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

There are no direct implications on climate change as a result of this report, however the Internal Audit Service ensures that it considers climate change and sustainability in the recommendations that are made.

Human Rights

None.

Crime and Disorder

None.

Staffing

There are no specific staffing implications associated with this report. However, the delivery the plan is based on the assumption that the service operates with a full staffing establishment of 17 posts, equivalent to 16.10 FTE throughout the year.

Accommodation

None.

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

None.

EMERGENT INTERNAL AUDIT PLAN - SERVICE GROUPING BREAKDOWN

APPENDIX 2

Service Grouping	Service	Audit Title	Audit Type	Estimated Days
Chief Executive	Corporate Affairs	Corporate Performance Management Framework	Assurance	10.0
Chief Executive	Corporate Affairs	Corporate Business Intelligence	Assurance	10.0
Chief Executive	Corporate Affairs	Changing Places Toilets	Grant	3.0
TOTAL ESTIMATED DAYS FOR CHIEF EXECUTIVE				23.0
Adult and Health Services	Adult Care	Transition Arrangements between Childrens and Adult Services	Assurance	15.0
Adult and Health Services	Adult Care	New CQC Inspection Regime	Assurance	20.0
Adult and Health Services	Adult Care	Shared Lives	Assurance	15.0
Adult and Health Services	Adult Care	Adaptations	Assurance	15.0
Adult and Health Services	Adult Care	SALT - Short and Long Term Care	Assurance	12.0
Adult and Health Services	Commissioning	Workforce Development Fund	Grant Certification	4.0
Adult and Health Services	Commissioning	Commissioning of Learning Disability Services	Assurance	15.0
Adult and Health Services	Public Health	Pharmoutcomes	Assurance	10.0
Adult and Health Services	Public Health	Audit detail to be confirmed	Assurance	10.0
Adult and Health Services	Adult Care	CITO	Assurance	10.0
Adult and Health Services	Adult Care	Azeus Data Quality	Assurance	15.0
Adult and Health Services	Adult Care	Azeus - Provision Costing	Assurance	15.0
Adult and Health Services	Adult Care	Rolling Respite Care	Assurance	12.0
TOTAL ESTIMATED DAYS FOR ADULTS AND HEALTH SERVICES				168.0
Children and Young People's Services	Children and Young People's Services	Liquidlogic	Assurance	10.0
Children and Young People's Services	Children's Social Care	Foster Carer Payments	Assurance	20.0
Children and Young People's Services	Children's Social Care	Placement Resource Panel (PRP) Arrangements	Assurance	15.0
Children and Young People's Services	Children's Social Care	Children's Homes	Assurance	20.0
Children and Young People's Services	Children's Social Care	Children's Homes - Procurement Cards	Advice & Consultancy	10.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Speech and Language Therapy (SALT) - Shortage of Teachers	Assurance	12.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Family Hubs and Start for Life	Grant Certification	4.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	One Point Intensive Family Support Team and Family Hubs	Assurance	20.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families	Grant Certification	10.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Disability Commissioning Arrangements (Short Breaks)	Assurance	15.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Youth Justice Service	Assurance	15.0
Children and Young People's Services	Education and Skills	Multiply (UKSPF) Funding	Grant Certification	5.0
Children and Young People's Services	Education and Skills	Arrangements for the allocation of SEN funding and its application in schools	Assurance	25.0
Children and Young People's Services	Education and Skills	School Transport Budget	Assurance	15.0
Children and Young People's Services	Education and Skills	Review of Swimming SLA	Assurance	10.0
Children and Young People's Services	Locality and Operational Support	Caldicott Compliance	Assurance	10.0
Children and Young People's Services	Locality and Operational Support	Caldicott Group	Advice & Consultancy	2.0
Children and Young People's Services	Education and Skills	Schools - Safe Recruitment and Selection	Advice & Consultancy	8.0
Children and Young People's Services	Education and Skills	Schools Financial Value Standard (SFVS)	Advice & Consultancy	5.0
TOTAL ESTIMATED DAYS FOR CHILDREN AND YOUNG PEOPLE'S SERVICE				231.0
Neighbourhoods and Climate Change	Consumer Protection	Pollution Control	Assurance	10.0
Neighbourhoods and Climate Change	Consumer Protection	Works in Default	Advice	10.0

EMERGENT INTERNAL AUDIT PLAN - SERVICE GROUPING BREAKDOWN

Service Grouping	Service	Audit Title	Audit Type	Estimated Days
Neighbourhoods and Climate Change	Consumer Protection	Fees and Charges	Assurance	10.0
Neighbourhoods and Climate Change	Consumer Protection	Civil Penalties (Civil Sanctions)	Assurance	12.0
Neighbourhoods and Climate Change	Highway Services	Space on Highway	Assurance	10.0
Neighbourhoods and Climate Change	Highway Services	Local Transport Capital Block	Grant	6.0
Neighbourhoods and Climate Change	Partnerships and Community Engagement	Community Grants	Advice	7.0
Neighbourhoods and Climate Change	Environment	Utility Bills	Assurance	12.0
Neighbourhoods and Climate Change	Environment	Clean and Green	Assurance	20.0
Neighbourhoods and Climate Change	Environment	Neighbourhood Wardens	Assurance	12.0
TOTAL ESTIMATED DAYS FOR NEIGHBOURHOODS AND CLIMATE CHANGE				109.0
Regeneration, Economy and Growth	Planning and Housing	Financial Assistance Policy and Property Re-Purpose Loans	Assurance	10.0
Regeneration, Economy and Growth	Corporate Property and Land	Asset Valuation	Assurance	20.0
Regeneration, Economy and Growth	Corporate Property and Land	Surplus Property Policies and Procedures	Advice & Guidance - Report	12.0
Regeneration, Economy and Growth	Planning and Housing	Disabled Facilities Grant	Grant	7.0
Regeneration, Economy and Growth	Planning and Housing	Home Upgrade Grant (HUG) 2	Grant	5.0
Regeneration, Economy and Growth	Transport and Contract Services	Local Transport Capital Block Funding	Grant	6.0
Regeneration, Economy and Growth	Transport and Contract Services	Bus Subsidy Ring Fenced Grant	Grant	6.0
Regeneration, Economy and Growth	Transport and Contract Services	Transport Contract Management	Assurance	12.0
Regeneration, Economy and Growth	Transport and Contract Services	Housing Infrastructure Fund - Seaton Lane	Grant	7.0
Regeneration, Economy and Growth	Transport and Contract Services	Housing Infrastructure Fund - Newton Aycliffe	Grant	7.0
Regeneration, Economy and Growth	Transport and Contract Services	Future high street / stronger town / LUF	Grant	7.0
Regeneration, Economy and Growth	Transport and Contract Services	Integrated Passenger Transport Unit – Adult Care Transport	Assurance	20.0
Regeneration, Economy and Growth	Culture, Sport and Tourism	Consett Empire Theatre	Assurance	15.0
Regeneration, Economy and Growth	Culture, Sport and Tourism	Gala - Box Office	Assurance	12.0
TOTAL ESTIMATED DAYS FOR REGENERATION, ECONOMY AND GROWTH				146.0
Resources	Procurement, Sales and Business Services	Procurement Cards	Assurance	25.0
Resources	Legal & Democratic Services	Electoral Services	Assurance	10.0
Resources	Legal & Democratic Services	Members Expenses	Assurance	10.0
Resources	Legal & Democratic Services	Registrars	Assurance	10.0
Resources	Legal & Democratic Services	Police and Crime Panel	Grant	3.0
Resources	Legal & Democratic Services	RIPA Officers Group	Advice and Consultancy	3.0
Resources	Legal & Democratic Services	Company Governance Group	Advice and Consultancy	8.0
Resources	Legal & Democratic Services	Health & Safety Group	Advice and Consultancy	5.0
Resources	Corporate Finance and Commercial Services	VAT	Key System	10.0
Resources	Corporate Finance and Commercial Services	Direct Debit Payments	Key System	10.0
Resources	Corporate Finance and Commercial Services	Collection Fund	Key System	10.0
Resources	Corporate Finance and Commercial Services	Section 256 Agreements	Grant	10.0
Resources	Corporate Finance and Commercial Services	Better Care Fund	Grant	5.0
Resources	Procurement, Sales and Business Services	Contract Variations	Assurance	12.0
Resources	Procurement, Sales and Business Services	Contract Management	Assurance	12.0
Resources	Procurement, Sales and Business Services	Creditors	Key System	20.0
Resources	Procurement, Sales and Business Services	Payment Cards Workstream	Advice and Consultancy	10.0
Resources	HR and Employee Services	Attendance Management Framework	Assurance	10.0
Resources	HR and Employee Services	Payroll - Overarching	Key System	1.0
Resources	HR and Employee Services	ResourceLink Programme Board	Advice and Consultancy	1.0
Resources	HR and Employee Services	Payroll - Access to Data and Records	Key System	10.0
Resources	HR and Employee Services	Payroll - Recruitment and Selection: Identity Verification	Key System	10.0
Resources	Transactional and Customer Services	Business Rates	Key System	20.0
Resources	Transactional and Customer Services	Housing Benefits and Council Tax Reduction (HB and CTR) - New Claims and Change in Circumstances	Key System	20.0
Resources	Transactional and Customer Services	Council Tax	Key System	20.0
Resources	Transactional and Customer Services	Cash Management	Key System	20.0

EMERGENT INTERNAL AUDIT PLAN - SERVICE GROUPING BREAKDOWN

Service Grouping	Service	Audit Title	Audit Type	Estimated Days
Resources	Transactional and Customer Services	Debtors	Key System	20.0
Resources	Transactional and Customer Services	Financial Deputies	Assurance	15.0
Resources	Transactional and Customer Services	Welfare Rights	Advice and Consultancy	10.0
Resources	Transactional and Customer Services	County Durham Outreach and Support (CDOS)	Assurance	15.0
Resources	Transactional and Customer Services	Welfare Assistance	Assurance	10.0
Resources	Transactional and Customer Services	Insolvency / Bankruptcy	Assurance	10.0
Resources	Digital Services	Mobile Phones	Assurance	10.0
Resources	Digital Services	Information Governance Group	Advice and Consultancy	2.0
Resources	Digital Services	Environmental Information Requests	Assurance	10.0
Resources	Digital Services	Backup Arrangements	Assurance	10.0
Resources	Digital Services	SharePoint	Assurance	10.0
Resources	Digital Services	Digital Programme	Assurance	30.0
Resources	Digital Services	Digital Durham Grant Claim	Grant	2.0
Resources	Digital Services	IT Asset Management	Assurance	15.0
TOTAL ESTIMATED DAYS FOR RESOURCES				454.0