



central midlands audit partnership

Appendix 1

# Derby City Council – Internal Audit Annual Report 2022-23

Audit & Governance Committee: 14<sup>th</sup> June 2023



Derby City Council



## Contents Page

Introduction	3
Quality Assurance and Improvement Programme	5
Audit Opinion 2022-23	7
Audit Coverage	9
Performance Measures	20
QAIP – Improvement Plan	22

## Our Vision

To bring about improvements in the control, governance and risk management arrangements of our Partners by providing cost effective, high quality internal audit services.

## Contacts

Richard Boneham CPFA  
Head of Internal Audit (DCC) &  
Head of Audit Partnership  
c/o Derby City Council  
Council House  
Corporation Street  
Derby, DE1 2FS  
Tel. 01332 643280  
[richard.boneham@derby.gov.uk](mailto:richard.boneham@derby.gov.uk)

Adrian Manifold CMIIA  
Audit Manager  
c/o Derby City Council  
Council House  
Corporation Street  
Derby  
DE1 2FS  
Tel. 01332 643281  
[adrian.manifold@centralmidlandsaudit.co.uk](mailto:adrian.manifold@centralmidlandsaudit.co.uk)

Mandy Marples CPFA, CCIP  
Audit Manager  
c/o Derby City Council  
Council House  
Corporation Street  
Derby  
DE1 2FS  
Tel. 01332 643282  
[mandy.marples@centralmidlandsaudit.co.uk](mailto:mandy.marples@centralmidlandsaudit.co.uk)



central midlands audit partnership

*Providing Excellent Audit Services in the Public Sector*

## Introduction

### Why an Audit Opinion is required

The Public Sector Internal Audit Standards (PSIAS) states:

#### Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Extracted from Public Sector Internal Audit Standards Updated March 2017 - 2450 Overall Opinions

In this instance, the Chief Audit Executive is Richard Boneham, Head of Internal Audit and Head of the Audit Partnership.

With regard to overall opinions, CIPFA's Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards 2019 Edition (issued February 2019) also states:

*"The Public Sector Requirement in PSIAS 2450 requires that the Chief Audit Executive must provide an annual report to the board timed to support the annual governance statement. This must include:*

- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework – i.e. the control environment*
- a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance providers)*
- a statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme.*

*In local government, the annual opinion should be guided by the CIPFA Framework Delivering Good Governance in Local Government.*

*The annual report should also include:*

- disclosure of any qualifications to that opinion, together with the reasons for the qualification*
- disclosure of any impairments ('in fact or appearance') or restriction in scope*
- a comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets*
- any issues the Chief Audit Executive judges particularly relevant to the preparation of the annual governance statement*
- progress against any improvement plans resulting from QAIP external assessment.*

*In the context of the PSIAS, 'opinion' means that internal audit will have done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined. Internal audit will word its opinion appropriately if it cannot give reasonable assurance (e.g. because of limitations to the scope of, or adverse findings arising from, its work)."*

## Derby City Council – Internal Audit Annual Report 2022-23

### How an Audit Opinion is Formed

Internal Audit's risk-based plan must take into account the requirement to produce an annual internal audit opinion. Accordingly, the Audit Plan must incorporate sufficient work to enable the Head of Internal Audit to give an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Internal Audit must therefore have sufficient resources to deliver the Audit Plan.



### Possible Overall Opinions

The Head of Internal Audit's opinion relative to the organisation as a whole could fall into one of the following 3 categories:

- **Inadequate System of Governance, Risk and Internal Control** – Findings indicate significant weaknesses and the need for urgent remedial action. Where corrective action has not yet started, the current remedial action is not, at the time of the audit, sufficient or sufficiently progressing to address the severity of the control weaknesses identified.
- **Adequate System of Governance, Risk and Internal Control Subject to Reservations** – A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions will be at too early a stage to allow a satisfactory audit opinion to be given.
- **Satisfactory System of Governance, Risk and Internal Control** - Findings indicate that on the whole, arrangements are satisfactory, although some enhancements may have been recommended.

## Quality Assurance and Improvement Programme

A quality assurance and improvement programme is designed to enable an evaluation of the Internal Audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the Internal Audit activity and identifies opportunities for improvement.

Public Sector Internal Audit Standards state:

### Public sector requirement

The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

Extracted from Public Sector Internal Audit Standards Updated March 2017 - 1320 Reporting on the Quality Assurance and Improvement Programme

Public Sector Internal Audit Standard 1312 also requires that:

*"External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation."*

Assessments are based on the following 3 ratings:

- **Generally Conforms** - means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards.
- **Partially Conforms** - means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
- **Does Not Conform** - means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

Our last external quality assessment on our overall conformance with the Standards was undertaken in September 2022 and it was determined that we generally conformed with each standard.

'Generally Conforms' means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

## Derby City Council – Internal Audit Annual Report 2022-23

---

The CMAP Leadership team revise the QAIP on an annual basis, with regular reviews of the progress on actions throughout the year. The QAIP is a standing item on all CMAP team meeting agendas and on the CMAP Operational Group meeting agendas.

The QAIP for 2022/23 and the progress made during the year on securing the improvements is shown on pages 22 to 24.

## Audit Opinion 2022-23

Based on the work undertaken during the year, I have reached the overall opinion that there is a **Satisfactory System of Governance, Risk, Internal Control** - Findings indicate that on the whole, arrangements are satisfactory, although some enhancements may have been recommended.

In forming this opinion, I am satisfied that no conflicts of interest have occurred which would have any bearing on my independence or objectivity. Also, my organisational independence and objectivity has not been subject to any impairment in fact or appearance; nor has the scope of our work been restricted in any way.

I have arrived at this opinion having regard to the following:

- The level of coverage provided by Internal Audit was considered adequate to support the opinion.
- The 2022-23 Quarterly Internal Audit Plans, approved by the Audit & Governance Committee, were informed by internal audit's own assessment of risk and materiality in addition to consultation with Senior Management to ensure it aligned to the organisation's key risks and objectives.
- The changing risk environment within the Council has been taken into account during the 2022-23 financial year.
- There was no change in the Statutory Officer roles during the year. (Note : The Council's s151 Officer post changed on 3<sup>rd</sup> April 2023)
- Work has been planned and performed so as to obtain sufficient information and explanation considered necessary, in order to provide evidence to give reasonable assurance that the Council's control environment is operating effectively.
- Our organisational independence and objectivity has not been subject to any impairment in fact or appearance; nor has the scope of our work been restricted in any way.
- A risk management framework exists that informs the quarterly internal audit plans. I attend the Corporate Risk Management Group and have access to all necessary Risk Management information.
- Our insight gained from our interactions with Senior Management and the Audit & Governance Committee.
- The number of audits that have resulted in assurance ratings of either "limited" or "no" assurance. There were three audits categorised as limited assurance, four Schools Financial Value Standard reviews that were given limited assurance and there was one audit that gave a "no assurance" rating.
- To reach my overall opinion, I have also considered the findings of those audits at draft report stage.

*Note: Those audits at draft report stage, do not take into account management responses on recommendations made. However, they will have been agreed with the auditee at a closing meeting.*



## Derby City Council – Internal Audit Annual Report 2022-23

---

- The degree to which recommended actions have been implemented to address our concerns over risk and control weaknesses within the Council.
- Although some audits were not deemed as “assurance audits” (i.e. investigation work, consultancy and advice work) they have highlighted issues around governance, risk and control that generally require either remedial or mitigation actions. This work is included in my assessment of the governance, risk and control framework.

The audit plan at Derby City Council is a quarterly rolling plan. My annual opinion is based on audit work completed in the 12 months from 1 April 2022 to 31 March 2023. The outcomes of this work are contained in my Annual Internal Audit Report for 2022/23, which starts on page 9 of this document.

My opinion is provided with the following caveats:

- The opinion does not imply that Internal Audit has reviewed all risks, controls and governance arrangements relating to the Council. The opinion is substantially derived from the conduct of risk-based audit work and as such, it is only one component that is taken into account when producing the Council’s Annual Governance Statement.
- No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.
- Full implementation of all agreed actions is essential if the benefits of the control improvements detailed in each individual audit report are to be realised.

Overall, management is making sufficient progress with the implementation of required actions to address the risks and weaknesses that Internal Audit has identified during 2022/23. However, there are still areas where implementation of agreed actions is not being progressed satisfactorily, or insufficient evidence is available to demonstrate the recommendation has been implemented. Such instances are raised with Senior Management as part of our quarterly review of the progress being made on the implementation of recommendations. The progress reports to Audit and Governance Committee have identified areas of concern around lack of progress and where appropriate, the Committee has invited the responsible manager to attend Committee to provide an update and explanation for the lack of progress.

There are also still isolated instances of non-response to draft internal audit reports. Again, these are raised with the Committee and the responsible manager is invited to attend Committee to explain their non-compliance with process. The escalation process is now being more tightly enforced.



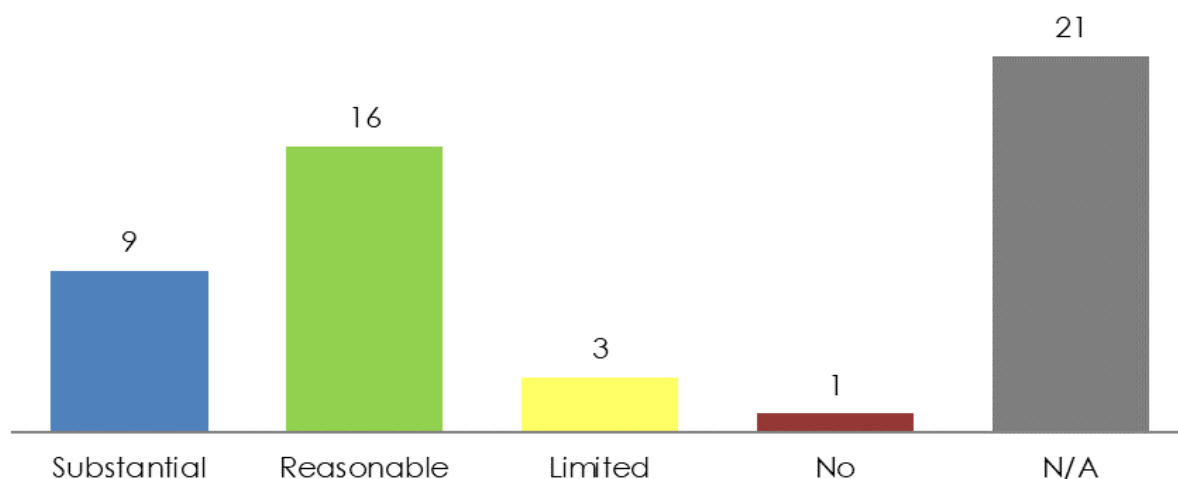
## Derby City Council – Internal Audit Annual Report 2022-23

## Audit Coverage

### Assurances Provided

Chart 1 and Table 1 below seek to summarise the assurances provided from the audit coverage provided to Derby City Council during 2022-23. These assurance ratings inform my Internal Audit Annual Opinion.

Chart 1 - Assurances Provided 2022-23



Note: Chart 1 does not include Schools Financial Value Standard reviews.

Table 1 – Assurances Provided by Type of Audit Review

Type of Review	Assurances Provided						Totals
	Substantial	Reasonable	Limited	No	N/A	Not Complete	
Key Financial System	1				3	3	7
System/Risk	6	11	2	1	2	12	34
Governance/Ethics	1	3				1	5
IT Audit			1		1		2
Anti-Fraud					3	2	5
Client Support Work					9	2	11
Procurement/Contract	1	2			3	2	8
<b>Totals</b>	<b>9</b>	<b>16</b>	<b>3</b>	<b>1</b>	<b>21</b>	<b>22</b>	<b>72</b>
Schools	1	11	4			1	17
<b>Totals</b>	<b>10</b>	<b>27</b>	<b>7</b>	<b>1</b>	<b>21</b>	<b>23</b>	<b>89</b>

Note: The Schools line consists of 15 individual school visits to carry out a review of compliance with the Schools Financial Value Standard and the 2021/22 Assessment Report (Reasonable Assurance). The not complete review is the 2022/23 Assessment Report.

### Assurance Ratings Explained

**Substantial** - A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

## Derby City Council – Internal Audit Annual Report 2022-23

---

**Reasonable** - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

**Limited** - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

**No** - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

**N/A** – The type of work undertaken did not allow us to reach a conclusion on the adequacy of the overall level of internal control.

These assurance ratings are determined using our bespoke modelling technique which takes into account the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks.

### Key Areas of Audit Work in 2022/23

#### Key Financial System audits

An important area of Internal Audit's assurance work is the review of the risks and controls associated with the Council's main financial systems. Our audit concentrated on key financial controls and compliance with the CIPFA Financial Management Code. Although the Key Financial Controls audit for 2022/23 has not been fully completed it is clear from the work undertaken to date, that other than capacity issues in relation to the frequency of the completion of a couple reconciliations and the recording of reconciliation completions, there are no major weaknesses to report. Our other work has concentrated on grant certification and the project for the implementation of a new financial management system.

#### Grant Certification:

The Audit Team carries out grant certification work each year to enable the Chief Executive to certify that funding received for grants has been used in line with the conditions attached to the grants. In 2022/23 we looked at nine grants. This work has resulted in the identification of one weakness - It was a condition of the Disabled Facilities Grant that the funding would be spent in accordance with the Better Care Funding Plan. However, this Plan had not been shared with the officers responsible for spending the grant.

Although 2022/23 saw some improvement regarding the timeliness of the involvement of Audit in the grant certification process there were still occasions when notification was received a matter of days before the deadline for the return of the certificate signed by the Chief Executive and the Chief Internal Auditor. This

## Derby City Council – Internal Audit Annual Report 2022-23

---

continues to create difficulties with completing the review and providing the necessary signatures.

### New Financial Management System:

During 2022/23, we completed a review of the arrangements put in place to deliver a consistent, strategic and robust approach to decision making and management relating to the replacement of the Oracle Financial Management System.

The review concluded that the project to choose a new financial management system was properly managed with robust governance and detailed record keeping. The Council's gateway process was followed throughout the project, and we identified one low risk weakness relating to the recording of declarations of weakness.

### System/Risk audits

One of our main roles is to review the internal control systems developed by management to mitigate operational risks and report upon the adequacy of those controls. These audit reviews are mainly focused on departmental systems but can include corporate systems. Overall, we were able to provide substantial/reasonable assurance in all but three areas:

- Special Educational Needs and/or Disabilities – The audit has provided an overall assurance rating of “Limited”. The key findings were:
  - Low risk weaknesses in governance arrangements around SEND decision-making processes (framework in place)
  - No overall alignment of EHCP and school transport arrangements
  - Weaknesses in monitoring and management of SEND contract arrangements – Commissioning and SEND team liaison

However, it is our view that the direction of travel is improving. There is a lot of work being done around linkages between Education Health Care Plans (EHCP) and Home to School Transport, particularly around the sharing of a centralised record.

- Pre-employment Checks - The audit has provided an overall assurance rating of “Limited”. There were weaknesses identified around the monitoring of adherence to the Council's pre-employment screening procedures particularly around “right to work in the UK” and the checking of documents. The list of acceptable identification for right to work in the UK used by the Recruitment Team was not in accordance with Home Office guidelines. There were inadequate arrangements in place to identify managers and staff involved in the recruitment process who required training. A comparison with the Centre for the Protection of National Infrastructure (CPNI) best practice guidance on pre-employment screening highlighted areas for improvement in the Council's processes.

## Derby City Council – Internal Audit Annual Report 2022-23

---

- Catering - Stocks and Stores – The review was given a “no” assurance rating. Stock control had lapsed. Stock records were not fully completed and could not be relied upon to show an accurate reflection of sales margin performance in the financial year to date. Sales and purchases made in the periods between stock takes were not recorded in stock control records, resulting in there being no indication available of margin performance or stock discrepancies. Only a periodic calculation of stock valuation was available.

### Governance/Ethics audits

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled. Internal Audit reviews specific areas of the governance framework each year. The main focus continues to be around the governance of key projects. In 2022/23, we were able to provide substantial/reasonable assurance in all governance areas reviewed.

### IT Audits

One key area of work each year is our IT audit coverage. This work is important as it provides assurance around the Council's mitigating actions to reduce the threat of cyber-attacks and keep data secure. It also provides assurance on the mitigation of risk within IT developments /projects. We have continued our practice of notifying IT Management of any data security issues as they arise rather than delaying until the formal reporting stage. This has added value to the audit process in that potential data security issues can be mitigated in a timely manner. We then follow the mitigations through to the implementation stage. We have noted improvements in data security, but we are still identifying oversights that could lead to a data breach or privacy violations.

We had concerns around the Digital By Default Project - Household Support Fund. The audit attracted a “limited” assurance rating. The scope of the audit was extended due to some concerns identified with a suspicious batch of applications at strange times in the first couple of days of the application form going live. Further testing identified some control weaknesses with the integrity and security of the MyAccount system in general. It should be noted that the overall assurance rating for this audit did not just reflect the household support fund process, but the process and risks associated with the MyAccount system.

### Procurement/Contract

Internal Audit continued to be actively involved in the Council's Contract Management Project, working to strengthen contract management and to ensure contract/procurement savings throughout the authority, until the end of the project in March 2023. The project had overseen a comprehensive Head of Service Survey to inform the Project Team of ongoing circumstances /issues, identified and secured actual budget savings, using the skills of Internal Audit it had performed a Data Analytics exercise to identify off-contract spend, developed and implement the SharePoint-based Procurement & Contract Management Platform (PCMP) and implement a schedule of Contract Management Training for officers, along with online support through the Council's Intranet pages.

## Derby City Council – Internal Audit Annual Report 2022-23

---

In respect of the Data Analytics exercise performed over General Ledger data for Council spend, which was specifically undertaken by Internal Audit, we identified 112 instances of off-contract spend with a value of £31.2m. By working with Contract Managers and the Programme Team we have ensured that:

- 40 items now have contracts or other agreements in place (36%)
- 14 items spend has ceased (13%)
- 32 items work is taking place to put a contract/agreement in place (29%)
- 10 items are contracts for Derby Homes to follow up (9%)

It is anticipated that in future the new PCMP and Financial Management System will make the monitoring and reporting of off contract spend much easier and facilitate better reporting of non-compliant spend to management.

### Anti-Fraud or investigation type work

Internal Audit has an important role to play in ensuring that management has effective systems in place to manage the risk of fraud within the Council. Internal audit's role includes promoting counter-fraud best practice, testing and monitoring systems through probity work and advising on change where it is needed. Internal Audit also may be involved in the investigation of suspected internal fraud, theft or major irregularity (where there is some form of alleged financial irregularity, which may have resulted in financial loss to the Council). Internal Audit works closely with the Council's Counter Fraud team.

In 2022/23, this has included providing advice and assistance on system improvements following a fraud where the bank account details of an employee were changed and their monthly salary paid to the perpetrator and following a data breach, highlighting the risks of using shadow IT devices for business purposes, i.e., using mobile devices that are not deployed, configured and supported by the Council's central IT department.

### Client Support type work

On an ad-hoc basis, Internal Audit is called upon to provide risk and control advice on issues throughout the Council where risk and control systems and processes are embryonic or not yet mature. This work varies in type but does still feed into the overall assurance opinion.

### Schools Financial Value Standard – SFVS

Each year Internal Audit carries out work to provide the Chief Financial Officer with assurance around the Schools Financial Value Standard (SFVS) to enable him to certify the annual return to the Department for Education. We visit a proportion of LEA schools each year to perform an independent assessment of their performance against the Standard. In 2022-23 we undertook detailed reviews at 15 of the 36 schools. The remaining schools provide Internal Audit with a self-assessment return, the results of which are incorporated into an SFVS Annual Report. For the 15 schools

## Derby City Council – Internal Audit Annual Report 2022-23

that Internal Audit reviewed, one was given a Substantial rating, ten attracted a Reasonable rating and four attracted a Limited rating.

We made a total of 153 recommendations across the 15 school audits; 138 of these were considered to present a low risk; two were considered to present a moderate risk; with the remaining 13 presenting a significant risk; there were no critical risk recommendations made. Two of the significant risk recommendations have been implemented. Table 2 shows the breakdown of recommendations and the status of implementation. Table 3 shows the breakdown of those recommendations not implemented at the year-end by the agreed target date by school type.

Table 2 – Recommendations made at Schools

	Implemented	Being Implemented	Risk Accepted	Superseded	Action Due	Future Action	Total
Low Risk	27	5	0	0	50	56	<b>138</b>
Moderate Risk	0	0	0	0	1	1	<b>2</b>
Significant Risk	2	0	0	0	0	11	<b>13</b>
Critical Risk	0	0	0	0	0	0	<b>0</b>
	<b>29</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>51</b>	<b>68</b>	<b>153</b>

Table 3 - Recommendations due that have not yet implemented by School type

Recommendations Not Yet Implemented	Nursery	Primary	Secondary	Chequebook	Special	TOTALS
Being Implemented	4	1	0	0	0	<b>5</b>
Action Due	14	20	4	0	13	<b>51</b>
Future Action	7	51	7	3	0	<b>68</b>
	<b>25</b>	<b>72</b>	<b>11</b>	<b>3</b>	<b>13</b>	<b>124</b>

Although the audits were completed by the end of Quarter 4, the SFVS Assurance Statement was not finalised until late April 2023. It is then sent to the Chief Financial Officer to enable them to sign off the Mandatory SFVS Return by 31<sup>st</sup> May each year. The SFVS Annual Report for 2022/23 will therefore be treated as a brought forward audit in 2023/24.



## Derby City Council – Internal Audit Annual Report 2022-23

## Audit Plan Assignments 2022-23

Table 4 below summarises the 2022-23 Audit Plan assignments and their outcomes (where completed) and includes those assignments from the 2021-22 Audit Plan which were still ongoing in 2022-23.

Table 4: Individual Audit Assignments Completed in 2022/23

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Grant Certifications 2022-23	N/A					n/a
Financial Management System Project	Substantial				1	
CIPFA Financial Management Code	N/A					n/a
Key Financial Controls 2021-22	N/A					n/a
Strategic Communications	Reasonable			1	2	33%
Shared Lives 2022-23	Reasonable			2	2	
Home Care 2022-23	Reasonable			3	3	17%
Fostering Services	Reasonable			1	6	29%
Individuals & Families in Need	N/A			1		
Care Act 2014	Reasonable			1	12	15%
Safeguarding & Domestic Abuse	Substantial				1	100%
Special Educational Needs and/or Disabilities	Limited			6	7	46%
Pre-Employment Checks	Limited			6	8	71%
Declarations of Interest - Staff and Members	Reasonable			1	7	
Property Design & Maintenance	Substantial				3	100%
SIRO/Information Governance	Substantial				1	
Catering - Stocks & Stores	No			8	5	77%
Streetpride HGV Driver Resources	Reasonable			1	3	50%
Leisure Centres	Reasonable				13	62%
Darley Fields - Building Security	N/A					n/a
Food Safety	Substantial					n/a
Community Safety	Reasonable				5	
Land Drainage & Flood Control	Reasonable				3	
Climate Change - Roadside Air Quality	Substantial				3	
Parking Permits 2021-22	Reasonable			3	3	100%
Economic Recovery 21-22	Substantial				1	
Organisational Performance Management 2022-23	Substantial				4	25%
Ascend Programme	Reasonable				6	50%
Transforming Cities /Mobility Programme	Reasonable				2	50%
Business Continuity - In Light of Covid 19	Reasonable			1	4	40%
IT Key Controls 2022-23	N/A			5	4	67%
Digital By Default Project - Household Support Fund	Limited			4	8	83%
iPad Investigation	N/A					n/a
Payroll Fraud - Advice on Processes	N/A					n/a
Management of Fraud and Corruption Risks	N/A					n/a
D2N2 Children's Homes Contract	Reasonable			3	3	17%
Revenue Collection Contract Management (inc Lot 1)	Reasonable			2	5	86%
Contract Management Project	N/A					n/a
Contract Management - Data Analytics Follow-Up	N/A					n/a



## Derby City Council – Internal Audit Annual Report 2022-23

Procurement - Off-Contract Spend						n/a
Project Management Office - Development Group						n/a
Revenue Collection Contract (Lot 2 - Parking)	Substantial				3	67%
Long Term Waste Management Project	N/A					n/a
Hospital to Home - Protection of Property	N/A			1		n/a
National Drugs Strategy	N/A					n/a
Adult Social Care Reforms	N/A					n/a
Housing Framework for 16 & 17 Year Olds	N/A					n/a
Governance Weaknesses - Fact Finding	N/A					n/a
Unitary & Single Tier Authorities Risk - Fact Finding	N/A					n/a
Derby's Cultural Offer	N/A					n/a
Cash Seizure - POCA	N/A					n/a
Planning Complaint - Pastures Hill	N/A					n/a
Schools SFVS Annual Report 2021/22	Reasonable					n/a
<b>TOTALS</b>				<b>50</b>	<b>128</b>	<b>47%</b>

**Note: Excludes individual school SFVS audits**

The following 2022/23 audits were still on-going at 31<sup>st</sup> March 2023.

2022-23 Jobs not completed at 31/3/23	Status at 31/3/23	% Complete
<b>People Services</b>		
Whistleblowing - Learning, Inclusion and Skills	Fieldwork Complete	75%
Element 3 Funding	Draft Report	95%
Youth Offending Services	In Progress	40%
<b>Corporate Resources</b>		
Transparency Code	Draft Report	95%
FMS Data Migration 2022-23	In Progress	20%
Revenue Collection Contract (Lot 3 - Sundry Debts)	Not Started	
Procurement Cards 2022-23	In Progress	60%
Cash Handling 2022-23	In Progress	40%
Key Financial Controls 2022-23	In Progress	55%
Management of Information in a Remote Environment	In Progress	70%
Payment Card Industry (PCI) Compliance 2022-23	Draft Report	95%
Counter Fraud and Corruption Framework	Fieldwork Complete	75%
<b>Communities &amp; Place</b>		
Building Consultancy	Draft Report	95%
Trading Standards Complaint	In Progress	50%
Trading Standards Complaint - Review of Statements	In Progress	80%
Climate Change 2022-23	In Progress	60%
Grounds Maintenance 2022-23	Draft Report	95%
General Licensing 2022-23	In Progress	50%
Street Cleansing 2022-23	In Progress	30%
Right to Buy 2022-23	Draft Report	95%
Street Lighting PFI 2022-23	In Progress	70%
<b>Schools</b>		
Schools SFVS Annual Report 2022/23	Draft Report	95%

For those audits at draft report stage, I have reviewed the findings and taken these into account in my overall opinion. There are three audits that are likely to be "Limited Assurance". However, in the case of both the Transparency Code and Payment Card

## Derby City Council – Internal Audit Annual Report 2022-23

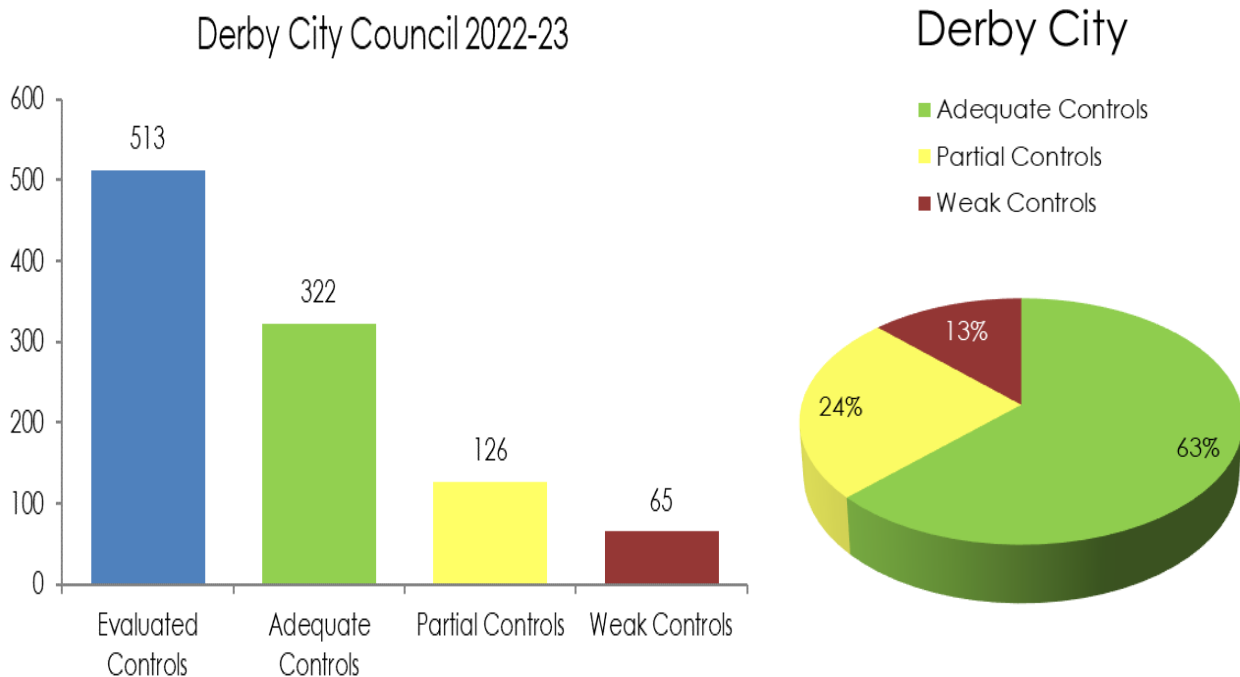
Industry (PCI) Compliance audits our concern is around the fact that there is no one person overall responsibility for these areas. With regard to the Building Consultancy review, the concerns are with the Partnership rather than the City Council. However, in all three areas, we believe that there are “easy fixes” to these concerns.

There was one audit brought forward from 2021/22 that was not completed by 31 March 2023 due to work pressures on key staff within the Health & Safety team.

B/Fwd Jobs from 2021/22	Status	% Complete
<b>Communities &amp; Place</b>		
Health & Safety 2021-22	In Progress	50%

### Internal Controls Examined

For those audits finalised during 2022-23, we established the following information about the controls examined:



### Recommendations Made

The control weaknesses identified above resulted in 178 recommendations which suggested actions for control improvements. The following table and charts show where the recommendations came from, how the recommendations were risk rated and the current status of all recommendations made in 2022-23:

Audit Assignments Completed in Period	Type of Review	Recommendations Status			
		Total Closed	Action Due	Being Implemented	Future Action
Grant Certifications 2022-23	Key Financial System				

## Derby City Council – Internal Audit Annual Report 2022-23

Financial Management System Project	Key Financial System				1
CIPFA Financial Management Code	Key Financial System				
Key Financial Controls 2021-22	Key Financial System				
Strategic Communications	System/Risk	1	2		
Shared Lives 2022-23	System/Risk		3		1
Home Care 2022-23	System/Risk	1	5		
Fostering Services	System/Risk	2	4		1
Individuals & Families in Need	System/Risk		1		
Care Act 2014	System/Risk	2	5	3	3
Safeguarding & Domestic Abuse	System/Risk	1			
Special Educational Needs and/or Disabilities	System/Risk	6	6	1	
Pre-Employment Checks	System/Risk	10		4	
Declarations of Interest - Staff and Members	System/Risk			4	4
Property Design & Maintenance	System/Risk	3			
SIRO/Information Governance	System/Risk		1		
Catering - Stocks & Stores	System/Risk	10	1	1	1
Streetpride HGV Driver Resources	System/Risk	2			2
Leisure Centres	System/Risk	8	3		2
Darley Fields - Building Security	System/Risk				
Food Safety	System/Risk				
Community Safety	System/Risk		2		3
Land Drainage & Flood Control	System/Risk		3		
Climate Change - Roadside Air Quality	System/Risk		1	1	1
Parking Permits 2021-22	System/Risk	6			
Economic Recovery 21-22	System/Risk			1	
Organisational Performance Management 2022-23	Governance/Ethics	1	3		
Ascend Programme	Governance/Ethics	3		3	
Transforming Cities /Mobility Programme	Governance/Ethics	1	1		
Business Continuity - In Light of Covid 19	Governance/Ethics	2	2		1
IT Key Controls 2022-23	IT Audit	6		1	2
Digital By Default Project - Household Support Fund	IT Audit	10		2	
iPad Investigation	Anti-Fraud				
Payroll Fraud - Advice on Processes	Anti-Fraud				
Management of Fraud and Corruption Risks	Anti-Fraud				
D2N2 Children's Homes Contract	Procurement/Contract	1	5		
Revenue Collection Contract Management (inc Lot 1)	Procurement/Contract	6		1	
Contract Management Project	Procurement/Contract				
Contract Management - Data Analytics Follow-Up	Procurement/Contract				
Procurement - Off-Contract Spend	Procurement/Contract				
Project Management Office - Development Group	Procurement/Contract				
Revenue Collection Contract (Lot 2 - Parking)	Procurement/Contract	2	1		
Long Term Waste Management Project	Procurement/Contract				
Hospital to Home - Protection of Property	Client Support Work		1		
National Drugs Strategy	Client Support Work				
Adult Social Care Reforms	Client Support Work				
Housing Framework for 16 & 17 Year Olds	Client Support Work				
Governance Weaknesses - Fact Finding	Client Support Work				
Unitary & Single Tier Authorities Risk - Fact Finding	Client Support Work				
Derby's Cultural Offer	Client Support Work				

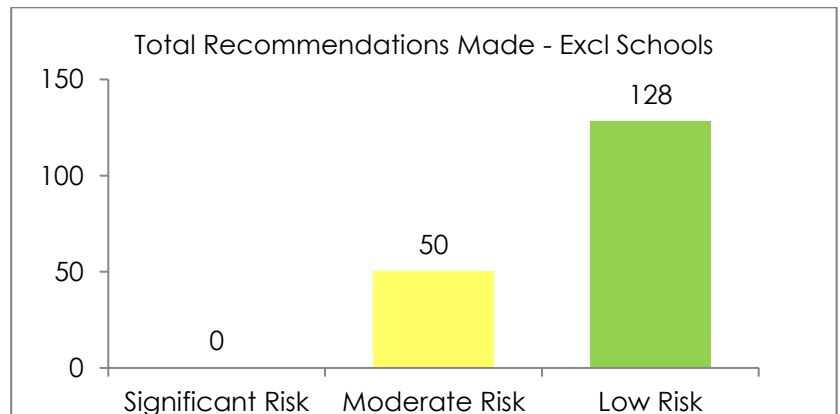
## Derby City Council – Internal Audit Annual Report 2022-23

Cash Seizure - POCA	Client Support Work				
Planning Complaint - Pastures Hill	Client Support Work				
Schools SFVS Annual Report 2021/22	Schools				
<b>TOTALS</b>		<b>84</b>	<b>50</b>	<b>22</b>	<b>22</b>

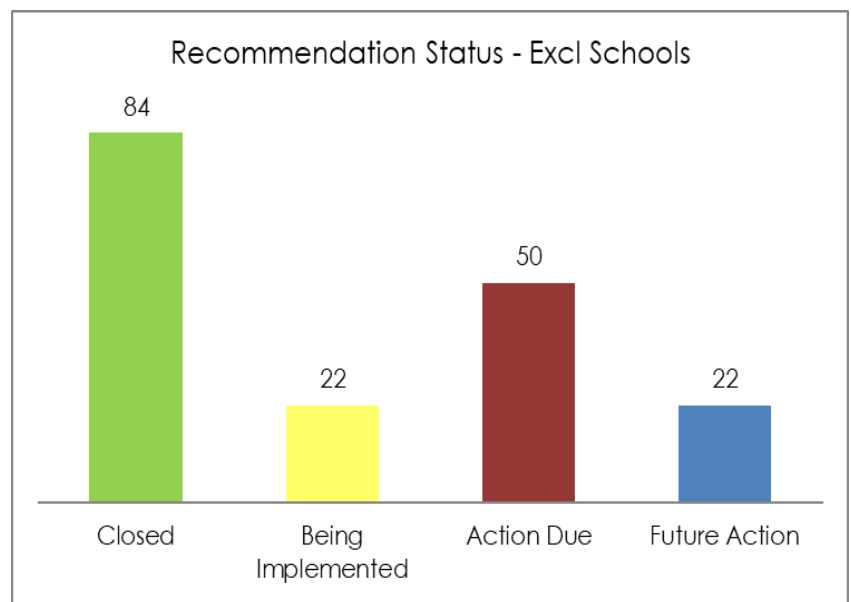
**Note: Above table excludes individual school audits**

## Derby City Council - Recommendations Summary

Of the 178 recommendations made during 2022-23, 71.9% of all recommendations were considered to present a low risk, with 28.1% presenting a moderate risk. There were no significant risks.

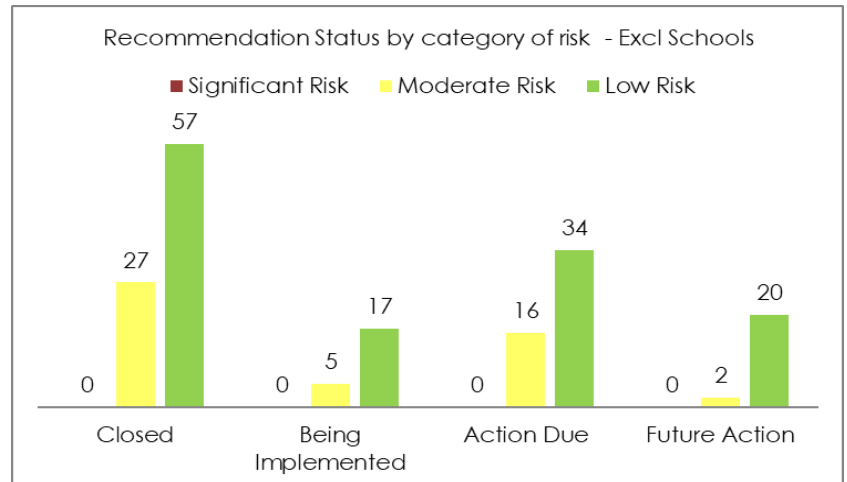


Of the 178 recommendations made, 47.1% have been closed, 12.4% have passed their original action date and a revised target has been set (Being Implemented), 28.1% have passed their original action date but we have not yet received information regarding the status of management's action. The remaining 12.4% have an agreed original action date set in the future. The percentage of recommendations made in the year that have been closed is higher than in 2021/22 (38%).



## Derby City Council – Internal Audit Annual Report 2022-23

46% of the Moderate Risk recommendations and 44.5% of the low risk recommendations are still to be implemented. We will continue to monitor all recommendations not yet addressed and where appropriate, we will bring those risk recommendations that remain outstanding to the attention of the Audit & Governance Committee throughout the coming year.



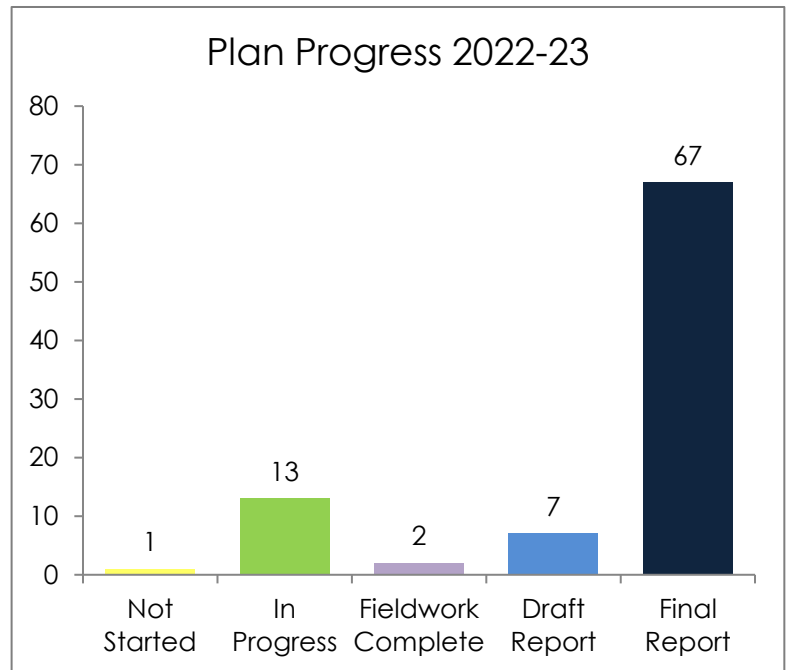
## Performance Measures

During 2022/23, 23 customer satisfaction surveys have been returned. The survey contains 11 questions regarding the audit service provided and asks managers to score each on a scale of 1-5 (1=Very Poor, 2=Poor, 3=Fair, 4=Good, 5=Excellent). The overall average score out of a maximum of 55 was 49.5 for 2022/23 compared to 47.9 in 2021/22.



## Derby City Council – Internal Audit Annual Report 2022-23

By the end of the 2022-23 financial year we had completed 90.3% of our planned internal audit work. Our benchmark percentage is 90%. There was one audit that we had planned to start that remained at the scoping stage due to a transfer of responsibilities from one service area to another.



## QAIP – Improvement Plan

Actions	Update Position
<p>1. We should continue to heighten our profile by building on the relationship management already established with each partner organisation. i.e. regular meetings with Senior Management combined with an on-site presence.</p>	<p>Completed.</p>
<p>2. We should map competency levels of staff over the various audit disciplines (e.g. contract, IT, probity, investigations etc.) that we can link to audit engagements to demonstrate that the staff assigned are appropriate. We should continue to promote a culture of continuous improvement which considers the needs of individuals by:</p> <ul style="list-style-type: none"> <li>• staff completing the AMS in respect of any training received,</li> <li>• undertaking staff appraisals (GPCs) in accordance with the hosts requirements and</li> <li>• producing a Training &amp; Development Plan.</li> </ul>	<p>The Training and Development Plan is now being drawn up.</p>
<p>3. We should ask staff to complete a Personal Development Plan and then produce a Training &amp; Development Plan for the Team.</p>	<p>Being done in conjunction with the overall Training and Development plan</p>
<p>4. We should aim to increase our knowledge around the use of data analytics and other CAATs and identify the benefits it could bring to the audit processes.</p> <ul style="list-style-type: none"> <li>• To ensure that audit engagements are supported by appropriate tools, we need to develop a strategy for the use of data analytics.</li> </ul>	<p>Four members of the team have been on a data analytics training course. Data analytics is being used in audits. CMAP needs to develop a Data Analytics Strategy to guide its work.</p>
<p>5. To demonstrate stakeholder engagement with the process, we</p>	<p>Completed</p>



## Derby City Council – Internal Audit Annual Report 2022-23

Actions	Update Position
should ensure that the QAIP Action Plan is a standard agenda item on both the CMAP Operational Group and at Audit Section meetings.	
6. To demonstrate each work programme has been appropriately approved, we should seek earlier formal sign off of the control evaluation so we can better demonstrate scrutiny and approval of coverage by audit management.	Completed
7. CMAP needs to explore potential external assessors that can deliver the appropriate level of validation required and that understand the partnership ethos/approach.	Completed.
8. We should continue to develop the process for incorporating other assurance information into our overall risk assessment process and our overall opinion and how the other assurance provider information we gather can be used to demonstrate an audit assurance framework for each organisation.	This is all about CMAP establishing an assurance mapping framework with partners to build on and develop. Ideally we need to get all Partners interested in producing their own Assurance Maps.
9. We should ensure that our Audit Manual is complete, up-to-date, readily available and used by all audit staff.	Completed - Business as usual task
10. To support the improvement of the organisation's governance framework, we should undertake consultancy work to facilitate the self-assessment of the effectiveness of the Audit Committee at all partner organisations.	The annual exercise at Derby City Council has taken place in February 2023. Another partner does a similar annual exercise with its Audit Committee. Other partners need to be encouraged to adopt an Audit Committee effectiveness assessment process.
11. We should consider how we could systematically evaluate the potential for the occurrence of fraud at each partner organisation and how each organisation manages fraud risk.	Audit work to inform this continues at Derby City Council. Each year CMAP are sent a series of fraud risk management related questions for each partner by the External Auditor.

## Derby City Council – Internal Audit Annual Report 2022-23

Actions	Update Position
<b>12.</b> To review all CMAP reports to assess compliance with the Web Content Accessibility Guidelines (WCAG).	An initial assessment was done. Its currently on hold as CMAP wants to review the report templates available in the new Audit Management System when it is procured.