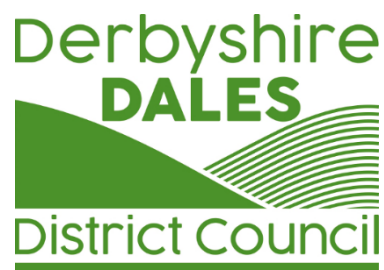


**Internal Audit**  
**Annual Report**  
**2023/24**

**Derbyshire Dales**  
**District Council**



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**Jenny Williams**

**Head of the Internal Audit Consortium**

**Introduction and Background**

1.1 The Public Sector Internal Audit Standards (PSIAS) apply to all internal audit service providers, whether in-house, shared services or outsourced.

1.2 The PSIAS state: -

- 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.

1.3 This report will: -

- Present a summary of the internal audit work undertaken during 2023/24 from which the opinion on governance, risk and internal control is derived.
- Look at the performance of Internal Audit.
- Provide an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control arrangements including any qualifications to that opinion.
- Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement.
- Compare work undertaken with that which was planned and summarise performance.
- Comment on compliance with the Public Sector Internal Audit Standards (PSIAS) and Code of Ethics.
- Include the Quality Assurance Improvement Programme (QAIP) along with an improvement plan.
- Confirm the organisational independence of internal audit.
- Review the performance of Internal Audit against the current Internal Audit Charter.

## Summary of Work Undertaken

2.1 Appendix 1 details the audit reports issued in respect of audits included in the 2023/24 internal audit plan. The appendix shows for each report the overall assurance level provided on the reliability of the internal controls and the assurance level given at the last audit. The report opinions can be summarised as follows: -

| <b>Assurance Level</b> | <b>2021/22 Number</b> | <b>2022/23 Number</b> | <b>2023/24 Number</b> | <b>2023/24 %</b> |
|------------------------|-----------------------|-----------------------|-----------------------|------------------|
| Substantial            | 6                     | 2                     | 5                     | 28               |
| Reasonable             | 4                     | 1                     | 11                    | 61               |
| Limited                | 1                     | 0                     | 2                     | 11               |
| Inadequate             | 0                     | 0                     | 0                     | 0                |
| <b>Total</b>           | <b>11</b>             | <b>3</b>              | <b>18</b>             | <b>100</b>       |

2.2 A definition of the above assurance levels is shown at the bottom of Appendix 1.

2.3 No fraud was identified.

## Performance of Internal Audit

3.1 The following table summarises the performance indicators for Internal Audit.

| <b>Description</b>          | <b>2022/23</b> |               | <b>2023/24</b> |               |
|-----------------------------|----------------|---------------|----------------|---------------|
|                             | <b>Plan</b>    | <b>Actual</b> | <b>Plan</b>    | <b>Actual</b> |
| Percentage Plan Completed   | 75%            | *             | 90%            | 82%           |
| Number of Complaints        | 0              | *             | 0              | 0             |
| Completion of Annual Report | June 2023      | *             | July 2024      | June 2024     |
| Customer Satisfaction Score | 85%            | *             | 85%            | 98%           |
| Net Cost per audit day      | £228           | *             | £250           | £293          |

\* Indicators not measured for 2022/23 as only 3 audits were completed and so the statistics would be meaningless.

## Audit Opinion 2023/24

- 4.1 Despite not having a full complement of staff until July 2023 enough of the internal audit plan has been completed to be able to give an unlimited audit opinion in respect of the 2023/24 financial year.
- 4.2 The Head of the Internal Audit Consortium is responsible for the delivery of an annual audit opinion that can be used by the council to inform its governance system. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 4.3 In my opinion reasonable assurance can be provided on the overall adequacy and effectiveness of the council's framework for governance, risk management and control for the financial year 2023/24. Sufficient work has been completed and assurances ascertained to be able to provide an unlimited opinion on the systems of governance, risk management and control in place. This year 5 substantial, 11 reasonable and 2 limited assurance reports have been issued. Managers are in the process of implementing the audit recommendations made.
- 4.4 Assurance can never be absolute. In this context "reasonable assurance" means that arrangements are in place to manage key risks and to meet good governance principles, but there are some areas where improvements are required.
- 4.5 The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans. An internal audit plan for 2023/24 was developed with the intention of being able to provide independent assurance on the adequacy and effectiveness of systems of governance, risk and control across a range of financial and organisational areas.
- 4.6 Overall, 89% of the areas audited received Substantial or Reasonable Assurance demonstrating that in the main there are effective systems of governance, risk management and

control in place.

- 4.7 Performance management procedures are in place to ensure that the Corporate Leadership Team receive regular reports in relation to outstanding audit recommendations in order that appropriate action can be taken.
- 4.8 The Governance and Resources Committee receive a 6 monthly report in relation to outstanding audit recommendations and full copies of reports where a limited or inadequate assurance audit report is issued.

### **Issues for Inclusion in the Annual Governance Statement**

- 5.1 The internal control issues arising from audits completed in the year and outstanding internal audit recommendations have been considered by the Director of Resources during the preparation of the Annual Governance Statement.
- 5.2 Audit work has identified that in particular, improvement is required in respect of procurement and data protection and these areas have been included in the Annual Governance Statement.

### **Comparison of Planned work to Actual Work Undertaken**

- 6.1 The Internal Audit Plan for 2023/24 was approved by the Governance and Resources Committee on the 8th of March 2023. Most audits have been completed with the remaining audits being scheduled into the 2024/25 Internal Audit Plan. Appendix 2 details the audits completed and those deferred.

### **Compliance with the Public Sector Internal Audit Standards / Code of Ethics**

- 7.1 From a self- assessment against the PSIAS undertaken in May 2024 it can be confirmed that Internal Audit comply with the Public Sector Internal Audit Standards and the Code of Ethics.

## **Quality Assurance Improvement Programme (QAIP)**

- 8.1 The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The Internal Audit QAIP is shown at Appendix 3. The procedures and processes documented within the QAIP are designed to ensure compliance with the PSIAS and Code of Ethics. The QAIP includes an improvement plan for the 2024/25 financial year.

## **Confirmation of Independence**

- 9.1 It can be confirmed that the internal audit activity is organisationally independent. Internal audit reports directly to the Director of Resources but has a direct and unrestricted access to the Corporate Leadership Team and the Governance and Resources Committee. The Head of Internal Audit regularly attends the Governance and Resources Committee meetings.
- 9.2 During the 2023/24 financial year, all Auditors have acted with integrity and objectivity and at no point has their independence been compromised. Annually each Auditor completes a declaration of interests form to identify any potential conflicts of interest. Where declarations are made, work is allocated to ensure a conflict does not occur.

## **Review of performance against the Internal Audit Charter**

- 10.1 The Audit Charter was last reported to and approved by the Governance and Resources Committee in November 2022.
- 10.2 Based on the information provided in this report on the completion of the 2023/24 internal audit plan, it is considered that the requirements of the Charter were met during the year.

## Appendix 1

### Derbyshire Dales District Council – Internal Audit Reports Issued 2023/2024

| Ref | Report Title                             | Overall Opinion/ Assurance |                |
|-----|--|----------------------------|----------------|
|     |  | 2023/24                    | Previous Audit |
| 1   | Council Tax                              | Reasonable                 | Substantial    |
| 2   | Housing Benefits                         | Reasonable                 | Reasonable     |
| 3   | Expenses and Allowances                  | Reasonable                 | Substantial    |
| 4   | Treasury Management                      | Reasonable                 | Reasonable     |
| 5   | Climate Change                           | Substantial                | Substantial    |
| 6   | Emergency Planning & Business Continuity | Reasonable                 | Substantial    |
| 7   | Freedom of Information                   | Reasonable                 | Reasonable     |
| 8   | Energy Grants                            | Substantial                | N/A - New      |
| 9   | Cash and Bank                            | Reasonable                 | Reasonable     |
| 10  | Ethical Governance                       | Reasonable                 | N/A - New      |
| 11  | Asset Management                         | Reasonable                 | Limited        |
| 12  | Main Accounting System                   | Substantial                | Reasonable     |
| 13  | Procurement                              | Limited                    | Limited        |
| 14  | Transport, Plant, Vehicles, Fuel         | Reasonable                 | Substantial    |
| 15  | Budgetary Control                        | Reasonable                 | Substantial    |
| 16  | Refuse Collection Contract               | Substantial                | Limited        |
| 17  | Corporate Targets                        | Substantial                | Substantial    |
| 18  | Data Protection                          | Limited                    | Limited        |

#### Internal Audit Assurance Level Definitions

| Assurance Level              | Definition  |
|------------------------------|---|
| <b>Substantial Assurance</b> | There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.  |
| <b>Reasonable Assurance</b>  | The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.                     |
| <b>Limited Assurance</b>     | Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.                            |
| <b>Inadequate Assurance</b>  | There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives. |



## Appendix 2

### Comparison of Planned work to Completed Work

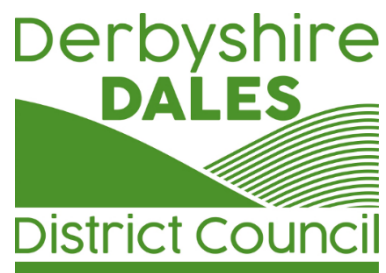
|                             |
|-----------------------------|
| Complete                    |
| Ongoing throughout the year |
| In progress                 |
| Deferred                    |

| Priority | Main Financial Systems                | <u>2023/24</u><br><u>Days</u> |
|----------|---------------------------------------|-------------------------------|
| H/M      | Main Accounting System                | 9                             |
| H/M      | Budgetary Control                     | 5                             |
| H/M      | Cash and Bank                         | 15                            |
| H/M      | Treasury Management                   | 15                            |
| H/M      | Council Tax                           | 10                            |
| H        | Housing / Council Tax Benefit         | 20                            |
|          |                                       |                               |
|          | <b>Total Main Financial Systems</b>   | <b>74</b>                     |
|          |                                       |                               |
|          | <b>Other Operational Audits</b>       |                               |
|          |                                       |                               |
| H/M      | Asset Management                      | 12                            |
| M/L      | Energy Grants                         | 5                             |
| L        | Expenses and Allowances               | 10                            |
| L        | Illuminations                         | 2                             |
| L        | Parks                                 | 5                             |
| H        | Refuse Collection                     | 15                            |
| M/H      | Transport/plant/vehicles/fuel         | 12                            |
|          |                                       |                               |
|          | <b>Total Other Operational Audits</b> | <b>61</b>                     |
|          |                                       |                               |
|          | <b>Corporate/Cross Cutting</b>        |                               |
| M        | Corporate Targets                     | 10                            |
| H        | Climate Change                        | 10                            |
| H/M      | Data Protection                       | 12                            |
| M        | Business Continuity                   | 10                            |
| M        | Ethics                                | 12                            |
| H        | Follow up Previous Recommendations    | 10                            |

|     |   |            |
|-----|---|------------|
| L   | Freedom of Information                  | 8          |
| M   | Health and Safety                       | 12         |
| H   | Procurement                             | 10         |
|     |   |            |
|     | <b>Total Corporate/Cross Cutting</b>    | <b>94</b>  |
|     |   |            |
|     | <b>IT Systems</b>                       |            |
| M   | Laptops / Removable Media               | 10         |
|     |   |            |
|     | <b>Total IT Systems</b>                 | <b>10</b>  |
|     | <b>Fraud and Corruption</b>             |            |
|     |   |            |
| N/A | National Fraud Initiative               | 1          |
|     |   |            |
|     | <b>Total Fraud and Corruption</b>       | <b>1</b>   |
|     |   |            |
|     | <b>Other</b>                            |            |
|     |   |            |
|     | Contingency                             | 62         |
|     | Financial Advice/Working Groups         | 25         |
|     |   |            |
|     | <b>Total Other</b>                      | <b>87</b>  |
|     | Management Time (Head of IA Consortium) | 30         |
|     |   |            |
|     | <b>Grand Total</b>                      | <b>357</b> |

# Internal Audit

## Quality Assurance and Improvement Programme (QAIP)



## **Introduction**

The Public Sector Internal Audit Standards require that the Head of Internal Audit develops and maintains an improvement programme that covers all aspects of the internal audit activity.

A quality assurance and improvement programme (QAIP) is designed to enable an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit 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.

The quality assurance and improvement programme must include both internal and external assessments.

**Internal assessments** must include: -

- Ongoing monitoring of the performance of the internal audit activity.
- Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.

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

This QAIP covers: -

- 1) Internal Assessments
- 2) External Assessments
- 3) Staff qualifications / experience
- 4) Training
- 5) Working Practices
- 6) Improvement Plan

## **1) Internal Assessments**

Internal assessments consist of the following: -

- An annual assessment against the Public Sector Internal Audit Standards by the Head of the Internal Audit Consortium. This was undertaken in May 2024 and the review confirmed that there were no significant areas of non-compliance.
- Reviews of working papers – All audit working papers are reviewed by the Head of Internal Audit or the Senior Auditor to ensure that they meet required standards and support the findings of the review. These reviews are documented.
- Review of audit reports – The Head of Internal Audit reviews all reports for quality and consistency before they are formally issued.
- Key performance indicators – these are reported to the Governance and Resources Committee in the annual report.
- Customer feedback – Customer satisfaction surveys are issued with every report and the results monitored. Based on the customer satisfaction survey forms returned (11), the average score was 98%.
- All staff completed a declaration of personal interests statement in September 2023.

## **2) External Assessments**

An external review of internal audit took place in May 2021 the results of which concluded “Current services are assessed to “generally conform” with the PSIAS and compare favourably with peers, there are no areas where the service does not comply with the Standards”.

The results of the external assessment were reported to the Governance and Resources Committee.

An action plan was developed from the points arising in the 2021 external review and has been used to further drive improvement. The action plan has now been fully implemented.

### **3) Audit Staff Qualifications / Experience**

The table below summarises the qualifications and experience of the Internal Audit staff as at May 2024.

| <b><u>Post</u></b>     | <b><u>Qualification</u></b> | <b><u>Experience</u></b> |
|------------------------|-----------------------------|--------------------------|
| Head of Internal Audit | CIPFA                       | 25 plus years            |
| Senior Auditor         | AAT                         | 15 years                 |
| Auditor                | AAT Level 3                 | 1 year                   |

### **Training Undertaken in 2023/24**

Training records are maintained to monitor both professional and ad hoc training received by staff.

Training is delivered via webinars, team meetings, professional journals etc. All staff undertake Continuous Professional Development.

During 2023/24 training included: -

- CIPFA – lessons learnt from section 114 notices.
- Transforming public procurement.
- CIPFA – Introduction to Internal Audit in Local Government (new auditor).
- Subsidy Control – MHCLG
- Counter Fraud - MHCLG
- CIPFA level 7 diploma in corporate governance (Senior Auditor commenced)
- AAT level 4 exams (Auditor)
- On the job training provided to the Auditor

In addition to this Internal Audit are members of the Midlands Audit Group, The Notts Audit Group and the Chief Auditors network. All of these groups share ideas and best practice.

## **Working Practices**

- All staff have Performance reviews. These reviews set and monitor the achievement of objectives and identify any training requirements.
- 1:1's – All staff have 1:1 meetings with their manager at least monthly.
- The Internal Audit Manual is a comprehensive record of audit procedures and requirements and is regularly updated.
- Declarations of Business Interest – Staff are required to complete a declaration of business interests form on an annual basis and cannot undertake audits where there is a potential conflict of interest.
- Team meetings – Monthly team meetings are held which discuss points of practice, audit findings, information sharing and include elements of training and brainstorming (DDDC attend the Internal Audit Consortium team meetings).

## Internal Audit Consortium Improvement Plan 2024/25

|   | <b>Opportunity for Improvement</b>  | <b>Who</b>   | <b>When by</b>   |
|---|---|--------------|--|
| 1 | To review the internal audit report format to see if it can be improved for the client / be more risk focused.  | HOIAC / Team | March 25, if changed to be implemented from the 25/26 financial year |
| 2 | To improve permanent file information to ensure that they contain system notes etc, labelling of files so clear what it is / deletion of outdated information.                                | All          | Ongoing  |
| 3 | To review the Global Internal Audit Standards that were published in January 2024 and assess and implement any changes that would be beneficial to the Internal Audit Consortium.             | HOIAC        | December 2024  |
| 4 | To review Public Sector guidance re changes required in respect of the Global Standards (consultation due Autumn 24 with guidance published by the end of 24 to become mandatory April 2025). | HOIAC        | December 2024  |
| 5 | To update the Assurance mapping exercise last undertaken 2019/20 to be used to inform IA opinion and future audit plans. Assurance mapping to become a standard team meeting agenda item.     | HOIAC / Team | February 2025 and ongoing  |



|   |  |       |               |
|---|--|-------|---------------|
| 6 | To review and update the Internal Audit Manual with any new requirements following the update of the PSIAS.  | HOIAC | February 2025 |
| 7 | To review the customer satisfaction survey for continued relevance.  | Team  | February 2025 |
| 8 | To undertake relevant training / webinars to keep up to date / meet CPD requirements.  | All   | Ongoing       |
| 9 | To review the Council's current Risk Management strategy to ensure that our risk definitions for High, Medium and Low recommendations still reflect the Council's risk appetite. | HOIAC | February 2025 |