

REPORT TO:	AUDIT SUB-COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	06 DECEMBER 2023	CATEGORY:
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	CHARLOTTE JACKSON charlotte.jackson@south-derbyshire.gov.uk	DOC:
SUBJECT:	INTERNAL AUDIT COVERAGE 2024/25	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE:

1.0 Recommendations

- 1.1 That the Committee note the contents of the report and that the audit coverage will be formally reviewed again in 2 years' time.

2.0 Purpose of the Report

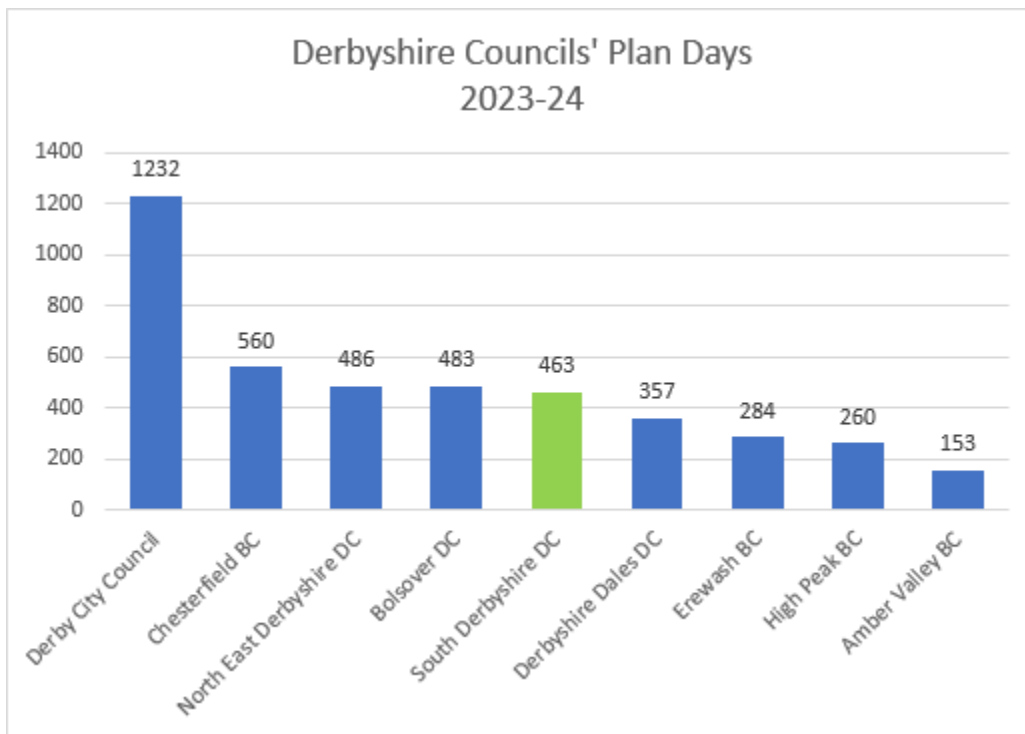
- 2.1 At it's meeting on 8 March 2023, the Audit Sub-Committee approved the Internal Audit Plan for 2023/24 and approved that there is a review of coverage for the 2024/25 plan.
- 2.2 This report sets out the review of audit coverage for South Derbyshire and arising recommendation of the Section 151 Officer.

3.0 Introduction

- 3.1 Since January 2016, the Council has been in partnership with several public sector organisations for the integration and provision of internal audit services.
- 3.2 The arrangements deliver an internal audit function that meets our needs and requirements as defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government.
- 3.3 The arrangements are set out in a signed agreement and a Joint Committee known as the Central Midlands Audit Partnership ("CMAP") is in place.
- 3.4 Derby City Council act as the host authority for CMAP and as such are responsible for the for commissioning any functions which are core to the effective governance, risk management and control arrangements for councils to maintain appropriate and effective internal audit arrangements as set out in the Accounts and Audit Regulations 2015.
- 3.5 Three partners reduced their coverage in 2023/24: Derby City took forward a planned reduction in its financial contribution to CMAP of 229 days, Erewash a reduction of 94 days and High Peak a reduction in 110 days. This has created a projected shortfall

in CMAP income over the period 2023/24 and 2024/25 if CMAP continued with the same staffing resource.

- 3.6 Implications of the reduction were that a higher deficit of approximately £95,000 for the 2023/24 would occur. Proposals for addressing the deficit for 2023/24 considered by the CMAP Board in September 2023 and the outcome was for CMAP to pursue the selling of internal audit services to non-partner organisations, securing new partners and using reserves to meet the shortfall. The Audit Sub-Committee Chair represents South Derbyshire on this Board.
- 3.7 In addition, the CMAP Board agreed that a 6-month notice period is introduced for those Partners wanting to reduce audit days as part of the revised Partnership Agreement. An interim variation is being developed to cover the period to the next agreement update.
- 3.8 South Derbyshire District Council currently contributes £176,000 towards the partnership for audit coverage of 463 audit plan days.
- 3.9 An analysis of all Derbyshire District Council's published Audit Plans for 2023/24 presents the following benchmarking comparison for South Derbyshire audit coverage:



4.0 Review of audit coverage

4.1 Considering the request of the Audit Sub-Committee, the Section 151 Officer has undertaken a review of audit coverage for the Council. This review has considered the current strategic outlook for South Derbyshire, the level of organisational development anticipated, the level of strategic risk faced and the size and nature of the Council's existing and planned projects, programmes and initiatives into 2024/25 and beyond.

4.2 The Section 151 has made the following key observations:

- 4.2.1 The external regulatory environment is becoming increasingly complex for local government and the need for management assurances in regard to this from an internal audit function are of increasingly higher importance. Examples include Housing Tenant Standards and the new Office for Local Government monitoring regime.
- 4.2.2 The Council is currently developing its budget for 2024/25 and capital bids for the ongoing delivery of statutory services have been sought and these will significantly increase the level of capital investment in council owned assets over the forthcoming 5-year medium term financial plan period. As such, independent assurances over significant areas of spend will be of high importance for the Leadership Team and Members.
- 4.2.3 The Council is currently developing its new Council Plan, which sets out several high-profile priorities, aims and outcomes. This new plan will require the alignment of resources and will present a new way of delivering and reporting on progress. The Council is also developing a new Council Vision and set of Values which underpin the core ambition of the Council and the way in which officers and members work. Independent assurances to ease in these new approaches will be critical during this new period.
- 4.2.4 The Council's current and projected draft budget medium-term financial plan projects ongoing budgetary deficits on its General Fund.
- 4.2.5 The audit coverage for South Derbyshire is median compared to other Derbyshire District Councils.
- 4.3 The conclusion of the Section 151 Officer review is that the level of audit coverage should not be varied for 2024/25, given the current strategic environment in which the Council operates, as set out above. This position should be reviewed again in a minimum of two years' time, ahead of agreeing the 2026/27 Internal Audit Plan.
- 4.4 As part of developing the Internal Audit Plan for 2024/25, the Section 151 Officer intends to recalibrate audit coverage so that more time is available for advisory work. This would have the benefit of utilising the auditor's skillset for advisory work in the design and implementation of new ways of working, to assist the organisation in its adoption of the new Council Plan.
- 4.5 The Internal Audit Plan for 2024/25 will be presented to the Audit Sub-Committee for approval in March 2024.

5.0 Financial Implications

- 5.1 South Derbyshire District Council currently contributes £176,000 towards the partnership for audit coverage of 463 audit plan days. An anticipated increase in partnership contributions of £9,000 are anticipated for the 2024/25 year.
- 5.2 There are no financial implications arising as a result of this report.

6.0 Corporate Implications

Employment Implications

- 6.1 There are no employment implications arising as a result of this report.

Legal Implications

6.2 There are no legal implications arising as a result of this report.

Corporate Plan Implications

6.3 There are no direct implications, however effective governance, risk management and control arrangements will ensure the achievement of the council's Council Plan in 2024/25.

Risk Impact

6.4 Effective governance, risk management and control arrangements rely heavily on the assurances of an independent auditor. The maintenance of audit coverage at current levels into the 2024/25 year will ensure the Council is resourced appropriately in this regard.

7.0 Community Impact

Consultation

7.1 There are no consultation matters to be considered.

Equality and Diversity Impact

7.2 There are no equality and diversity impact matters to be considered.

Social Value Impact

7.3 There are no social value impact matters to be considered.

Environmental Sustainability

7.4 There are no environmental sustainability matters to be considered.

8.0 Conclusions

8.1 Following the review, it is the recommendation of the Section 151 Officer that the level of audit coverage should not be varied for 2024/25, given the current strategic environment in which the Council operates.

8.2 The Audit Sub-Committee will receive the auditors Internal Audit Plan for the for 2024/25 year in March 2024 for approval.

9.0 Background Papers

9.1 Audit Sub-Committee meeting, 8 March 2023 "Internal Audit Plan 2023-24 and Audit Charter".