

## **INTERNAL AUDIT ASSURANCE STATEMENT – 2008/2009**

### **Statutory Requirement**

The requirement for an Internal Audit function of local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities make arrangements for the proper administration of their financial affairs and ensure that one of their officers has responsibility for that role. The appointed officer, for South Derbyshire District Council, is the Director of Corporate Services. The Accounts and Audit Regulations 2003 and the Accounts and Audit (Amendment) (England) Regulations 2006 more specifically require that 'a relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices'.

### **System of Internal Control**

The Council is responsible for ensuring that there is a sound system of internal control, which facilitates the effective exercise of the Council's functions. The control environment comprises a number of elements within its framework; a key element is the use of internal controls.

Internal controls are processes designed and implemented by management to ensure statutory requirements, policies and procedures are complied with, assets are safeguarded and records are complete and accurate.

### **The role of Internal Audit**

This function provides an independent evaluation on the adequacy of the internal control system as a contribution to the proper, economic, efficient and effective use of resources.

Internal audit is the main means by which the Council obtains assurances that systems are operating effectively. This is achieved by reviewing systems over a period of time thereby assessing the effectiveness of the overall internal control system. A long-term strategic plan is formulated using a risk assessment methodology within the audit planning process and annual work plans are undertaken.

Internal Audit operates within the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. All audit work carried out is in accordance with the standards in the code and subject to a quality review process.

Internal Audit and external audit operate a joint working arrangement, known as the Managed Audit, to maximise the effectiveness of the audit process within the Council. The external auditor considers Internal Audit as a core component of the Council's internal control framework.

The Internal Audit Service is subject to regular inspection by the Council's external auditors who, in accordance with the Audit Commission's Code of Practice, place reliance on the work carried out. Internal Audit is responsible to the Director of Corporate Services and the Head of Finance and Property Services being the Responsible Finance Officer and Deputy for the Authority.

### **Internal Audit's Assessment of the Internal Control System**

The review of the effectiveness of internal control is informed by the work of Internal Audit and the senior managers within the Council who have responsibility for the development and maintenance of the internal control environment. In addition the comments made by our external auditors, inspectorates and other review agencies are also part of the overall assessment.

Internal Audit examined systems operating in a range of Council functions and Services during 2008/09 in accordance with the annual plan. Internal Audit's observations and recommendations were discussed with relevant managers as part of the operation of the internal audit service.

In relation to work carried out by Internal Audit for this period and during April and May 2009, I consider, that based on this work, reliance can be placed upon the Council's internal control system. The Council implemented a number of new revenue computer systems during the latter part of 2007/08. The controls in these systems have been reviewed during 2008/09 to ensure the level of internal control is maintained. The majority of problems encountered related to conversion issues and these have all been satisfactorily resolved.

**A.J.Stamper**

**Audit Manager**

**June 2009**