
REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	19 June 2012	CATEGORY: RECOMMENDED
REPORT FROM:	HEAD OF INTERNAL AUDIT PARTNERSHIP	
MEMBERS' CONTACT POINT:	HEAD OF INTERNAL AUDIT PARTNERSHIP RICHARD BONEHAM richard.boneham@derby.gov.uk	DOC:
SUBJECT:	Head of Internal Audit's Annual Audit Opinion 2011/12	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

- 1.1 To note the Annual Audit Opinion for 2011/12

2.0 Purpose of Report

- 2.1 This report provides members with the Head of the Internal Audit Partnership's opinion on the adequacy and effectiveness of the Council's internal control environment.

3.0 Detail

- 3.1 Under the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006, the Head of Internal Audit (HIA) should provide a written report to those charged with governance. This is timed to support the Annual Governance Statement. The Head of Internal Audit should give an opinion on the overall adequacy and effectiveness of the organisation's internal control environment.
- 3.2 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit review, appraise and report on the effectiveness of financial and other management controls. My overall audit opinion is based on the work undertaken by internal audit in 2011/12. The reporting of the incidence of significant control failings or weaknesses has also been covered in the progress reports to the Committee on Internal Audit's progress against the Annual Audit Plan.
- 3.3 In preparing the overall opinion, I will review all audit activity carried out during 2011/12. I use the individual assurance ratings from the audits conducted and the progress with agreed actions to form the overall opinion. As Members are aware, the internal audit function for the Council is now provided by the

Central Midlands Audit Partnership. Therefore my opinion has had to be based on a combination of the work of South Derbyshire's own internal team up to 31 December 2011, which also included audits undertaken by Derby City Council, and the audit work of the Central Midlands Audit Partnership from 1 January 2012. Unfortunately, I have not been able to complete my assessment of the audit work of the former internal audit team as I have been unable to locate all the files.

- 3.4 The table below shows the areas of audit review in 2011/12 carried out by Derby City Council and the Central Midlands Audit Partnership and the level of assurance that could be provided by internal audit for each:

Audit	Assurance rating
Housing Benefits	Draft report - Comprehensive
Payroll	Draft Report being reviewed
Financial Systems	Draft report - Comprehensive
HR Policies & Pre-employment Checks	Reasonable
Rent Accounting	Comprehensive
Planning Services	Draft report - Comprehensive
Rosliston Forestry Centre	Limited
Legal & Democratic Services	Comprehensive
Data Quality	Not applicable
Academy IT Security	Reasonable
Grounds Maintenance Orders	Not applicable
Accounting Systems	Draft Report being reviewed

Where reports have been reviewed as part of the audit quality check, I have been able to use the assurance rating provided in the report. For 2 audits (payroll and accounting systems), the draft reports are currently being reviewed. In these cases, I have reviewed the draft report and spoken with the auditors who undertook the review to enable me to assess the impact of the findings of each review on this annual audit opinion report.

Following the transfer to the partnership, I have been able to establish that the following audit assignments were completed by the former in-house team:

- Council Tax;
- NNDR;
- Budgetary Control;
- Main Accounting System;
- Bank Reconciliations and
- Green Bank Leisure Centre – Procurement

I have therefore based my assessment of this work on the issues that were reported to Audit Sub-Committee.

- 3.5 Based on the work undertaken during the year that I have been able to assess, I have reached the overall opinion **that there is an acceptable level of internal control within the Council's systems and procedures**. There were no critical risk recommendations made within any audit reports issued in 2011/12. No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.

- 3.6 There are no adverse implications for the Authority's Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2011/12. All of the risks raised within the internal audit reports have been accepted. Internal Audit's recommendations, or alternative proposed actions made by Management in response to the risk issue, have been agreed to be implemented in all cases. Full implementation of the agreed actions will realise the benefits of the control improvements detailed in each individual audit report. Internal Audit will follow up the implementation of its recommendations, or any agreed alternative actions, with the relevant responsible officers, as soon as is practicable, after the target implementation dates. Progress on implementation of audit recommendations will be reported through to the Audit Sub-Committee in future reports on the 2012/13 work of Internal Audit.

4.0 Financial Implications

- 4.1 None

5.0 Legal Implications

- 5.1 The Authority is obliged under the Accounts and Audit Regulations (England) 2011 to maintain an effective internal audit.

6.0 Corporate Implications

- 6.1 None

7.0 Community Implications

- 7.1 None

8.0 Background Papers

- 8.1 None