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Our ref: DT/CL
Your ref:

Date: 17th September 2013

Dear Councillor,

Audit-Sub Committee

A Meeting of the **Audit-Sub Committee** will be held in the **Council Chamber**, on **Wednesday, 25 September 2013 at 16:00**. You are requested to attend.

Yours faithfully,

Chief Executive

To:- **Conservative Group**
Councillor Harrison (Chairman), Councillor Ford (Vice-Chairman) and
Councillor Mrs. Hood.

Labour Group
Councillors Dunn and Shepherd.



AGENDA

Open to Public and Press

- 1 Apologies
- 2 To confirm the Open Minutes of the Meeting held on 19th June 2013.
- 3 To note any declarations of interest arising from any items on the Agenda
- 4 To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 5 To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 6 Annual Report to Those Charged with Governance **3 - 43**
- 7 Internal Audit - Quarterly Progress Report **44 - 60**
- 8 Public Sector Internal Audit Standards - Compliance **61 - 93**

Exclusion of the Public and Press:

- 9 The Chairman may therefore move:-
That in accordance with Section 100 (A) of the Local Government Act 1972 the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.
- 10 To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 6
DATE OF MEETING:	25th SEPTEMBER 2013	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/final accounts 1213/audit opinion and papers/governance covering report Sept 13
SUBJECT:	ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 05

1.0 Recommendations

- 1.1 That the report is considered and approved and any issues arising are referred to the Finance and Management Committee.

2.0 Purpose of Report

- 2.1 For Grant Thornton as the Council's appointed auditors, to present their statutory annual report on the Council's accounts and financial statements for 2012/13.

3.0 Detail

- 3.1 Grant Thornton's Report is attached. Audit Managers of Grant Thornton will attend the meeting and present the report to the Committee.
- 3.2 In summary, the report provides details on, together with any issues arising from, the Audit of the Council's annual accounts, financial statements and its internal control framework for 2012/13.
- 3.3 Consequently, the report provides and opinion on those accounts. Following consideration at this Committee, the accounts and financial statements themselves will be presented to the Finance and Management Committee later on 25th September 2013 for formal adoption and publication.

Value for Money Assessment

- 3.4 In addition, the report assesses overall value for money arrangements at the Council. Consequently, the Auditors will also provide an opinion on whether overall the Council provides value for money on a pure "yes or no" basis. This

takes into account the Council's performance on securing efficiency savings and its resilience to financial pressures.

Letter of Representation

- 3.5 At the end of the Audit, the Council is required to provide a Letter of Representation. This is also attached to this Report. It requires the Council's Chief Finance (Section 151) Officer to provide assurances about the status of the accounts and financial statements.
- 3.6 It also confirms that the appropriate law, regulations and codes of practice have been complied with and that no irregularities exist that could have a material effect on the financial statements.
- 3.7 Essentially, it confirms that there are no material issues or transactions known, other than those already reported and disclosed that could materially affect the accounts for 2012/13.
- 3.8 Following this and subject to any issues raised, the Director of Finance will officially sign the letter to finalise this particular part of Audit work for the year.

4.0 Financial Implications

- 4.1 None directly.

5.0 Corporate Implications

- 5.1 None directly.

6.0 Community Implications

- 6.1 None directly.

7.0 Background Papers

None



The Audit Findings for South Derbyshire District Council

Year ended 31 March 2013

13 September 2013

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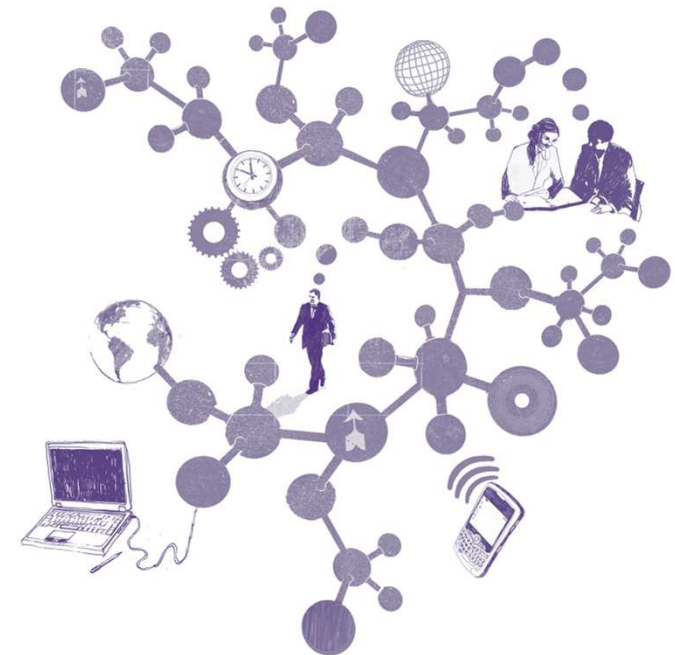
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

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05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of South Derbyshire District Council's ('the Council') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2013.

Our audit is substantially complete although we are finalising our work in the following areas:

- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion and
- Whole of Government Accounts.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- we have not identified any adjustments affecting the Council's reported net expenditure of £8,830k.
- there are no unadjusted misstatements. All adjustments identified during the audit have been made within the final set of financial statements.
- there was one material misstatement. This related to £6.6m internal recharges incorrectly included in income and expenditure. This has been corrected by management.
- we have made a number of adjustments to improve the presentation of the financial statements.
- the draft accounts and supporting working papers were of a high standard.

Further details are set out in section 2 of this report.

Value for money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance & Corporate Services.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2013

Section 2: *Audit findings*

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Sub Committee on 3 April 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 3 April 2013. A summary of the risks identified in that plan and our audit findings is provided at Appendix B.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix A.

Outstanding matters

Our audit is substantially complete although we are finalising our work in the following areas:

- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion and
- Whole of Government Accounts.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journals entries • review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses</p>	<p>Operating expenses understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls in relation to the completeness assertion to assess whether those controls are designed effectively • performance of attribute testing on a sample of transactions. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Operating expenses</p>	<p>Creditors understated or not recorded in the correct period</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls in relation to the completeness assertion to assess whether those controls are designed effectively • test of detail on trade creditors and accruals in the financial statements including reviewing the calculation of significant accruals and other items and reviewing payments after the year end. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against other risks


Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals understated/ payroll tax obligations understated.	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls in relation to the completeness assertion to assess whether those controls are designed effectively • performance of attribute testing on a sample of transactions • test employee remuneration disclosures in the financial statements to supporting evidence. 	Our audit work has not identified any significant issues in relation to the risk identified.
Welfare expenditure	Welfare benefits improperly computed	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls in relation to the valuation gross assertion to assess whether those controls are designed effectively • testing of the final Housing Benefit Claim using the HBCOUNT methodology, with assurance taken from the testing of the initial 20 cases per benefit category. 	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Housing rent</p>	<p>Revenue transactions not recorded.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls in relation to the completeness assertion to assess whether those controls are designed effectively • testing of detail on housing rent revenue transactions included in the financial statements. 	<p>Our audit work has not identified any significant issues in relation to the risk identified. We did however have difficulty obtaining detailed reports by property to support the figures in the financial statements and are in discussion with officers as to how to ensure this information is readily available for next years audit.</p>

Accounting policies, estimates & judgements



In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<ul style="list-style-type: none"> Revenue from the sales of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or services potential associated with the transaction will flow to the Council Revenue from the provisions of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurances that the Council will comply with the conditions attached to the payments, and grants or contributions will be received. 	<p>The accounting policy is appropriate and has been adequately disclosed.</p>	<p style="text-align: center;">  Green </p>

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate and disclosures sufficient
- Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	<ul style="list-style-type: none"> • Key estimates and judgements include: <ul style="list-style-type: none"> – useful life of capital equipment – pension fund valuations and settlements – revaluations – impairments – provisions 	There was appropriate disclosure of key estimates and judgments	 Green
Other accounting policies	<ul style="list-style-type: none"> • We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	 Green

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate and disclosures sufficient

- Accounting policy appropriate but scope for improved disclosure

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the key statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 Internal recharges incorrectly included in revenues and expenditure	6,648 (6,648)		
Overall impact	£nil	£nil	£nil

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	1,400	NNDR debtors and creditors	The NNDR debtor of £1,400k and the NNDR creditor of £ 1,443k have been netted in the accounts to show a consolidated balance of £43k creditor.
2 Disclosure	113	Financial instruments	The financial liabilities carried at contract was incorrectly stated as £5,711k. This was amended to £5,598k to be consistent with note 17 of the accounts.
3 Disclosure	N/A	Note 27 External Audit Fees	Amended the note to show correct audit fees of £65k and grant claim certification of £31k less the Audit Commission rebate of £6k. The disclosure note was also amended to include the fees for other services relating to the review of Housing Capital spend of £17k.
4 Disclosure	292	Note 18 Borrowings	The note stated that non current borrowings of £58,430k consists of four amounts. The total of the four amounts was £58,722k.
5 Disclosure	N/A	Note 9 Property, Plant & Equipment	The note did not disclose the name of the external valuer and their qualifications.
6 Disclosure	N/A	Note 29 Related Parties	The disclosure note was enhanced to include transactions with other public bodies such as pension contributions and reference to debtor/creditor balances.

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
7	Disclosure	N/A	2011/12 Exceptional item	An additional disclosure note was included to explain the 2011/12 exceptional item.
8	Disclosure	N/A	Note 31 Defined benefit contributions	An additional disclosure was made of the best employer estimate of contributions expected to be paid to the plan in the next accounting period
9	Disclosure	N/A	Note 26 Officers remuneration	The disclosure of the remuneration bandings for senior employees was amended to show the correct bandings.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We reported in our Audit Plan the results of our interim audit work and the fact that the Council had implemented a number of additional controls in January and February 2013. We have not identified any significant internal control deficiencies to bring to your attention.

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> See above comments in misclassification and disclosure changes.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> See above comments in misclassification and disclosure changes.
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

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Value for Money

Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- **The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Overall our work concluded that the Council has adequate arrangements for securing financial resilience. Its overall financial position is challenging with projected budget gaps in each of the years covered by the Medium Term Financial Plan (to 2017/18). The Council's arrangements mean that it is well placed to address this challenge.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within.

Our overall conclusion is that the Council is responding well to the challenges of the Local Government Finance Settlement and delivering savings through restructuring. The Council has identified £300k of savings in 2013/14 and is targeting its resources effectively.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. Our initial risk assessment identified the following risks to our VfM conclusion which we followed up as part of our more detailed risk assessment:

Residual Risk identified	Assurances obtained	Conclusion on residual risk
<p>Medium Term Financial Plan (MTFP) - the Council will need to continue to carefully monitor the MTFP to ensure it adequately reflects the financial uncertainty and the scale of savings required. The use of scenario planning and updated assumptions will be key to ensure that the MTFP remains realistic.</p>	<p>We have reviewed the MTFP and discussed the situation with officers.</p>	<p>We are satisfied that the Council is taking sensible action to safeguard its financial future and the essential services which it provides. Given the on-going financial pressures within Local Government, it is vital that the Council continues to:</p> <ul style="list-style-type: none"> - Maintain tight financial control - Keep the MTFP up-to-date and plan for a range of scenarios - Effectively manage its efficiency savings plan to ensure that the required savings are delivered.
<p>Financial challenges – the Council is expected to face further reductions in funding over and above those currently notified. This includes a reduction in funding to support the new Council Tax Allowance scheme. In addition, uncertainty around how the new NNDR redistribution system will impact upon the Council.</p>	<p>We have reviewed the MTFP and discussed the financial challenges with officers.</p>	<p>We are satisfied that the Council is factoring the impact of the changes into its medium term financial planning.</p>
<p>Strategic financial planning - given the challenging financial environment and expected further cuts in revenue funding, it is important that the Council continues to maintain reserve levels so that it has a 'safety net' for the future.</p>	<p>We have discussed the General Fund position with officers and evaluated it in the light of the range of other reserves which the Council holds. We have also noted that the level increased to £4.3m at 31 March 2013.</p>	<p>We are satisfied that the General Fund reserve does not represent a major risk to the Council's financial resilience.</p>

Residual Risk identified	Assurances obtained	Conclusion on residual risk
<p>Financial control - significant budget over or under spends may indicate poor in year forecasting. At quarter 3 the Council is projecting a variance of approximately 2% to budget. However final outturn figures will need to be reviewed to ascertain whether final outturn suggests budgeting was not appropriate.</p>	<p>We have reviewed the outturn report for 2012/13.</p>	<p>We are satisfied that the Council has appropriate budgetary control. There was an underspend of £389,270 against an approved budget of £11,343,340. The underspend represents 3.4% of the net budget on the General Fund. The main reasons for the underspend were savings in staffing, waste and cleansing, central costs and ground maintenance.</p>
<p>Long term borrowing –the Council has a higher than average ratio for long term borrowing compared to Council tax received.</p>	<p>We updated the long term borrowing ratios using the 2012/13 accounts and noted that the ratio has slightly improved from 5.2:1 in 2011/12 to 4.8:1 in 2012/13. We have discussed the situation with officers and reviewed the MTFP.</p>	<p>We are satisfied that the Council reflects its long term borrowing in the medium term financial plan. It adequately reflects the repayment profile for that borrowing, so to minimise any effect on service delivery. The borrowing is in respect to HRA self financing funding which was determined by Central Government. The MTFP shows that the overall financial situation for the HRA is positive and this does not represent a major risk to the Council.</p>
<p>Finance Department capacity - from 1 June 2012 the Council brought back in house the finance function. The Council has reviewed the structure of the finance function and in 2012/13 has restructured the finance team to have more permanent staff and to decrease the reliance on consultants.</p>	<p>We have discussed the finance department capacity with officers. The Council has enhanced the resilience of the Finance Department, by the recruitment of a Financial Accountant who is CIPFA qualified and a Senior Management accountant who is in the final stages of their ACCA studies. Other members of the finance department are also studying for professional accountancy qualifications.</p>	<p>We are satisfied that the Council has appropriate finance department capacity. The increase of permanent staff to assist the Financial Services Manager has reduced the reliance on consultants and brought about cost savings, improved resilience and provides longer term stability to the finance department.</p>

Residual Risk identified	Assurances obtained	Conclusion on residual risk
<p>Decision making not based on appropriate or adequate information -the Internal Audit function merged with Central Midlands Audit Partnership in January 2012. A number of audit files, supporting reports issued by the legacy internal audit service, have been misplaced.</p>	<p>We have reviewed the Head of Internal Audit's Annual report and had discussions with the Internal Audit. This has not been a problem in 2012/13.</p>	<p>We are satisfied that the Council has appropriate arrangements in place to ensure that decision making is based on appropriate and adequate information.</p>
<p>Benchmarking - the Council will need to increase its use of benchmarking to ensure that it understands its cost base compared to other district councils. This will enable it to identify further efficiencies.</p>	<p>We have held discussions on benchmarking with officers.</p>	<p>We are satisfied that the Council has appropriate arrangements in place to understand its cost base compared to other councils.</p>
<p>Procurement Arrangements – we are aware of a number of procedural issues that have occurred within procurement during 2012/13.</p>	<p>We have discussed the procurement arrangements with officers and obtained an update on the specific matters identified.</p>	<p>We are satisfied that appropriate action is being taken to address the weaknesses in procurement. The failings in procurement were due to the lack of experience and understanding of certain officers who are involved in procurement processes. In 2012/13 this has been addressed by employing a Head of Procurement to oversee the procurement process and providing additional training to staff.</p>

Section 4: Fees, non audit services and independence

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Fees, non audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services

Fees

	Per Audit plan £	Actual fees £
Council audit	64,800	64,800
Grant certification -indicative	31,400	31,400
Total audit fees	96,200	96,200

Work on grant certification is on-going. We will report any variance from the above fee to you once work has been completed.

Fees for other services

Service	Fees £
Review of Housing Capital Spend: Phase 1 & 2	17,450

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit Plan	Audit Findings
Our communication plan		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH DERBYSHIRE DISTRICT COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of South Derbyshire District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of South Derbyshire District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance & Corporate Services and auditor

As explained more fully in the Statement of the Director of Finance & Corporate Services Responsibilities, the Director of Finance & Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance & Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of South Derbyshire District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, South Derbyshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of South Derbyshire District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Kyla Bellingall
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

Date

Appendix B: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 3 April 2013.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated	No	None
Cost of services – employee remuneration	Employee remuneration	Other	Remuneration expenses not correct	No	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	No	None
Cost of services – Housing revenue	HRA	Other	Housing revenue transactions not recorded	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	Yes – page 15
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Payments to Housing Capital Receipts Pool	Property, Plant & Equipment	None		No	None
Precepts and Levies	Council Tax	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None		No	None
Impairment of investments	Investments	None		No	None
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None		No	None
Income from council tax	Council Tax	None		No	None
NNDR Distribution	NNDR	None		No	Yes – page 16
Other Government grants	Grant income	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	None		No	None
Heritage assets & Investment property	Property, Plant & Equipment	None		No	None
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	None
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cash & Cash Equivalents	Bank & Cash	None		No	None
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	None
Provisions (long & short term)	Provision	None		No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None



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**South
Derbyshire**
District Council

Grant Thornton UK LLP
Colmore Plaza
Colmore Circus
Birmingham
B4 6AT

25th September 2013

Dear Sirs

South Derbyshire District Council
Financial Statements for the Year Ended 31 March 2013

This representation letter is provided in connection with the audit of the financial statements of South Derbyshire District Council for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- v We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.



- vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).
- vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the code.
- viii All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code require adjustment or disclosure has been adjusted or disclosed.
- ix The financial statements are free of material misstatements, including omissions.
- x We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xi We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xii We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. Unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xiii We have communicated to you all deficiencies in internal control of which management are aware.
- xiv All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.



- xvi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
- xvii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xviii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xix We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

Annual Governance Statement

- xx We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS

Approval

The approval of this letter of representation was minuted by the Council's Audit Sub Committee at its meeting on 25th September 2013.

Signed on behalf of South Derbyshire District Council

.....

Kevin Stackhouse
 Director of Finance and Corporate Services
 25th September 2013



REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	25th SEPTEMBER 2013	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/internal audit/quarterly reports/cover
SUBJECT:	INTERNAL AUDIT - QUARTERLY PROGRESS REPORT	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

1.1 That the report of the Audit Manager is considered and any issues identified are referred to the Finance and Management Committee or subject to a follow-up report as appropriate.

2.0 Purpose of Report

2.1 To provide an update on progress against the approved Internal Audit Plan. This details the performance and activity of Internal Audit between 1st June 2013 and 31st August 2013.

3.0 Detail

3.1 The detailed report is attached.

4.0 Financial Implications

4.1 None directly.

5.0 Corporate Implications

5.1 None directly.

6.0 Community Implications

6.1 None directly.

7.0 Background Papers

7.1 None

South Derbyshire District Council – Internal Audit Progress Report

Audit Sub-Committee: 25th September 2013



Our Vision

Through continuous improvement, the central midlands audit partnership will strive to provide cost effective, high quality internal audit services that meet the needs and expectations of all its partners.

Contacts

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South Derbyshire District Council – Internal Audit Progress Report

1 Summary

Role of Internal Audit

The Internal Audit Service for South Derbyshire District Council is now provided by the Central Midlands Audit Partnership (CMAP). The Partnership operates in accordance with standards of best practice applicable to Internal Audit (in particular, the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006). CMAP also adheres to the Internal Audit Terms of Reference.

The role of internal audit is to provide independent assurance that the organisation's risk management, governance and internal control processes are operating effectively.

Recommendation Ranking

To help management schedule their efforts to implement our recommendations or their alternative solutions, we have risk assessed each control weakness identified in our audits. For each recommendation a judgment was made on the likelihood of the risk occurring and the potential impact if the risk was to occur. From that risk assessment each recommendation has been given one of the following ratings:

- Critical risk.
- Significant risk.
- Moderate risk
- Low risk.

These ratings provide managers with an indication of the importance of recommendations as perceived by Audit; they do not form part of the risk management process; nor do they reflect the timeframe within which these recommendations can be addressed. These matters are still for management to determine.

Control Assurance Definitions

Summaries of all audit reports are to be reported to Audit Sub Committee together with the management responses as part of Internal Audit's reports to Committee on progress made against the Audit Plan. All audit reviews will contain an overall opinion based on the adequacy of the level of internal control in existence at the time of the audit. This will be graded as either:

- **None** - We are not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks were not being well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Limited** - We are able to offer limited assurance in relation to the areas reviewed and the controls found to be in place. Some key risks were not well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Reasonable** - We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Comprehensive** - We are able to offer comprehensive assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.

This report rating will be determined by the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks. Any audits that receive a None or Limited assurance assessment will be highlighted to the Audit Sub-Committee in Audit's progress reports.

South Derbyshire District Council – Internal Audit Progress Report

2 Audit Coverage

Progress on Audit Assignments

The following audit assignments are progressing at the moment. Another 6 planned assignments have been allocated, but are yet to commence and another 3 have yet to be allocated.

2013-14 Audit Plan Assignments	Type of Audit	Current Status	% Complete
Capital Programme	Systems/Risk Audit	In Progress	40%
VAT	Systems/Risk Audit	Draft Report	95%
Housing & Council Tax Benefit 2013-14	Key Financial System	In Progress	15%
Procurement	Procurement/Contract Audit	Reviewed	90%
People Management	Systems/Risk Audit	Awaiting Review	80%
Corporate Governance	Governance Review	In Progress	75%
Virtualisation Management	IT Audit	In Progress	75%
Client Monitoring - Corporate Services Contract	Systems/Risk Audit	In Progress	30%
Records Management	Governance Review	In Progress	70%
Data Quality 2013-14	Governance Review	Allocated	10%
Leisure Centres	Systems/Risk Audit	In Progress	75%
Rent Accounting 2013-14	Systems/Risk Audit	In Progress	70%
Tenants Arrears	Systems/Risk Audit	In Progress	75%
Housing Allocations 2013-14	Systems/Risk Audit	Awaiting Review	80%
Tender Receipt & Opening	Investigation	Reviewed	90%
B/Fwd - Treasury Management / Insurance 2012-13	Key Financial System	Reviewed	90%
B/Fwd - Payroll / Officers Expenses & Allowances 2012-13	Key Financial System	Awaiting Review	80%
B/Fwd - Post Implementation Review - Agresso Upgrade	IT Audit	In Progress	70%
B/Fwd - Email & Internet Services Health-check	IT Audit	In Progress	55%
B/Fwd - Service Contracts	Procurement/Contract Audit	Awaiting Review	80%
B/Fwd - Council Tax / NNDR / Cashiering 2012-13	Key Financial System	Final Report	100%
B/Fwd - Housing & Council Tax Benefit 2012-13	Key Financial System	Final Report	100%

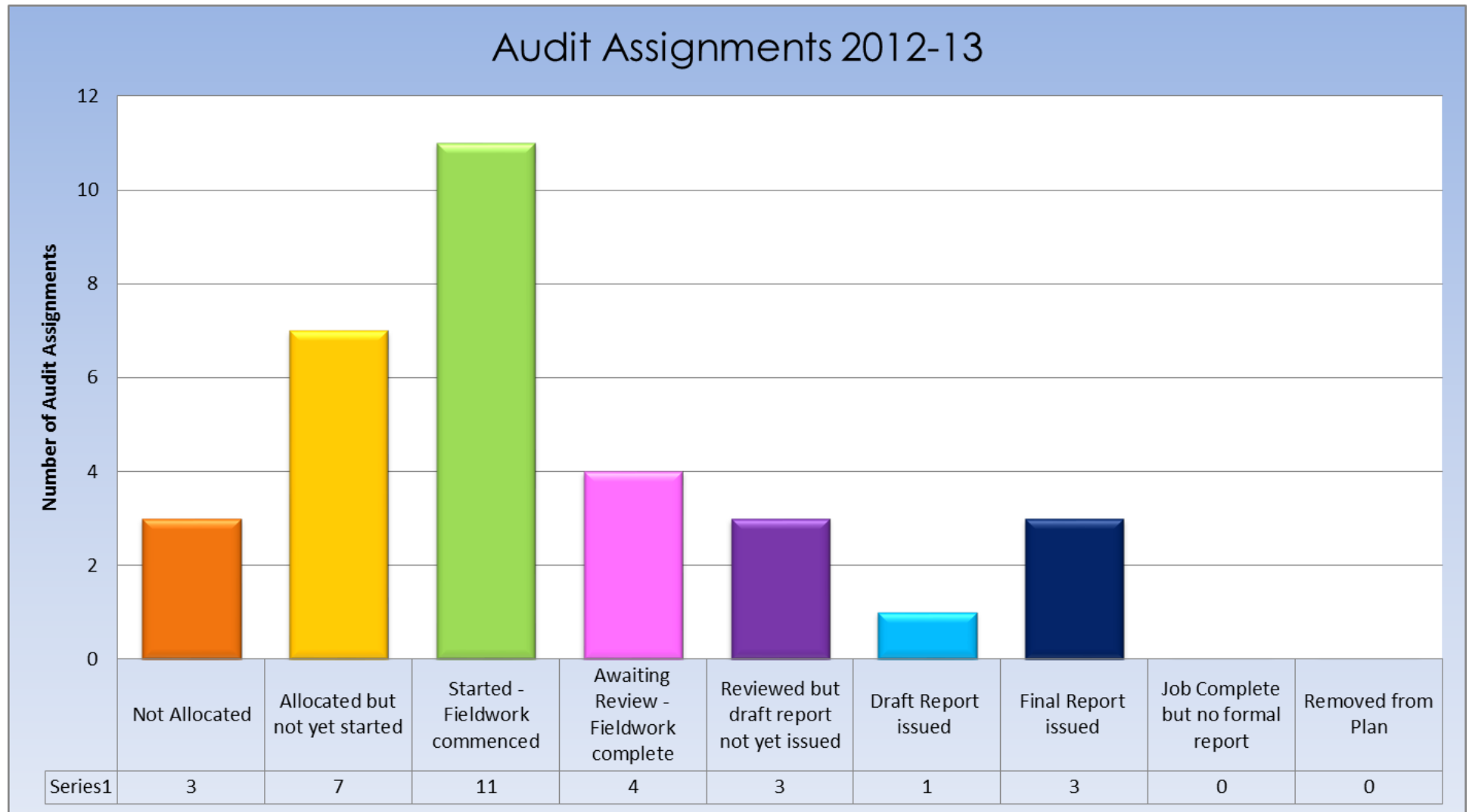
One assignment brought forward into this year's Audit Plan was finalised and reported upon at the June 2013 Audit Sub-Committee meeting.

South Derbyshire District Council – Internal Audit Progress Report

2 Audit Coverage (Cont.)

Progress on Audit Assignments Chart

South Derbyshire District Council – Internal Audit Progress Report



2 Audit Coverage (Cont.)

South Derbyshire District Council – Internal Audit Progress Report

Completed Audit Assignments

Between 1st June 2013 and 31st August 2013, the following audit assignments have been finalised since the last Progress Report was presented to this Committee:

- Council Tax / NNDR / Cashiering 2012-13.
- Housing & Council Tax Benefit 2012-13.

The following summarises the internal audit work completed in the period.

Council Tax / NNDR / Cashiering 2012-13

Overall Control Assurance Rating: **Reasonable**

This audit focused on providing assurance as to the adequacy of controls over the cashiering function, with focus on the interrelation with Council Tax, NNDR and the maintenance of the suspense account.

From the 47 key controls evaluated in this audit review, 32 were considered to provide adequate control and 15 contained weaknesses. The report contained 9 recommendations, all 9 of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- The use of a pool till with a generic login had been accepted by management, but the record of which officer was using this till at any one time was not in a format which could be retained for future resolution of queries. (Low Risk)
- The safe could be accessed by any one of several officers, with no single officer being accountable for the safe contents.
- There were no documented procedures on the operation and monitoring of the suspense account. (Low Risk)
- The records kept of transactions carried out on the suspense account were of varying quality and accuracy, with the potential

for duplication of efforts by members of staff. (Low Risk)

- Regular reviews of the suspense account were not taking place, so errors could creep into the transactions without detection. (Low Risk)
- Management reviews of the suspense account were not being annotated and the process had yet to be documented. (Low Risk)
- The reconciliation of refunds being produced through the bank account to those produced through the Academy Council Tax was not complete, and this was not uncovered by management checks. (Low Risk)
- The reliance on only one member of staff to complete the reconciliations between the cash receipting system and the Academy systems leaves the service at risk should that person become unavailable. (Low Risk)
- Unpaid or returned items were not being dealt with as promptly as they might and the records relating to these items were not always complete. (Low Risk)

All 9 of the control issues within this report were accepted and positive action had already been taken to address 1 of the recommendations, 6 were to be addressed by 15th July 2013, one by 31st July and the remaining recommendation was to be addressed by 2nd August 2013.

Housing & Council Tax Benefit 2012-13

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the processing of benefit claims, to provide assurance that benefits paid were in accordance with Department of Work and Pensions (DWP) guidelines and that measures to secure data and prevent errors and fraud were adequate.

From the 44 key controls evaluated in this audit review, 39 were considered to provide adequate control and 5 contained weaknesses. The report contained 4 recommendations, all 4 of which were considered a low risk. The following issues were considered to be the key

South Derbyshire District Council – Internal Audit Progress Report

control weaknesses:

- There was not a business continuity plan and disaster recovery plan in place which covered all aspects of activities. (Low Risk)
- There were no checks to ensure that the right number of income streams had been included in calculating benefits due. (Low Risk)
- The claim history of a claimant had not been taken into account when assessing their latest application. (Low Risk)
- Council Tax records had not been correctly updated following changes to households. (Low Risk)

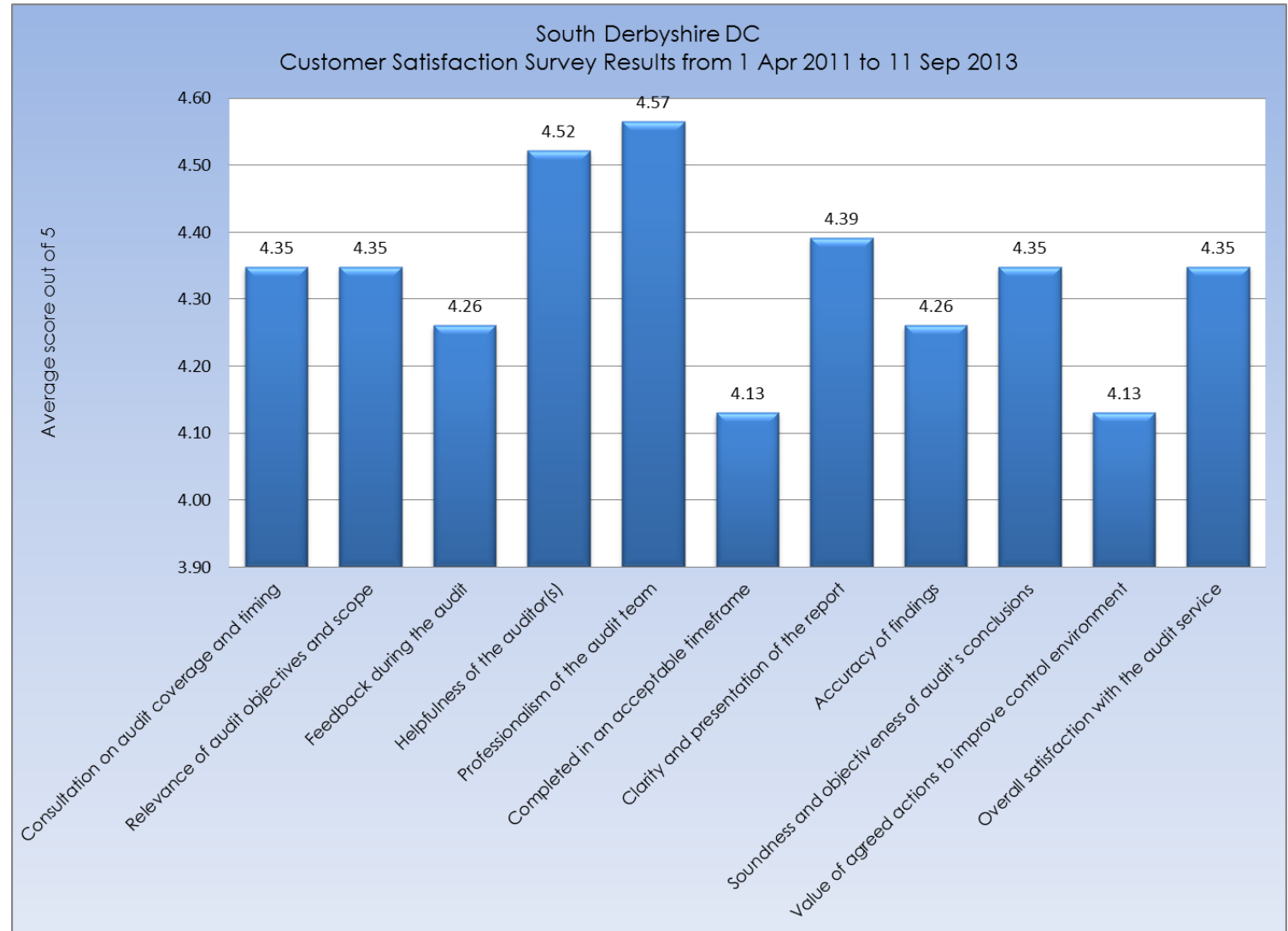
All 4 control issues raised in this report were accepted and positive action was to be taken to address 3 recommendations by 1st July 2013 and the remaining recommendation was to be addressed by 31st October 2013.

South Derbyshire District Council – Internal Audit Progress Report

3 Audit Performance

Customer Satisfaction

The Audit Section sends out a customer satisfaction survey with the final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The survey consists of 11 questions which require grading from 1 to 5, where 1 is very poor and 5 is excellent. The chart across summarises the average score for each question from the 23 responses received between 1st April 2011 and 11th September 2013. The overall average score from the surveys was 47.7 out of 55. The lowest score received from a survey was 42, whilst the highest was 55.



3 Audit Performance (Cont.)

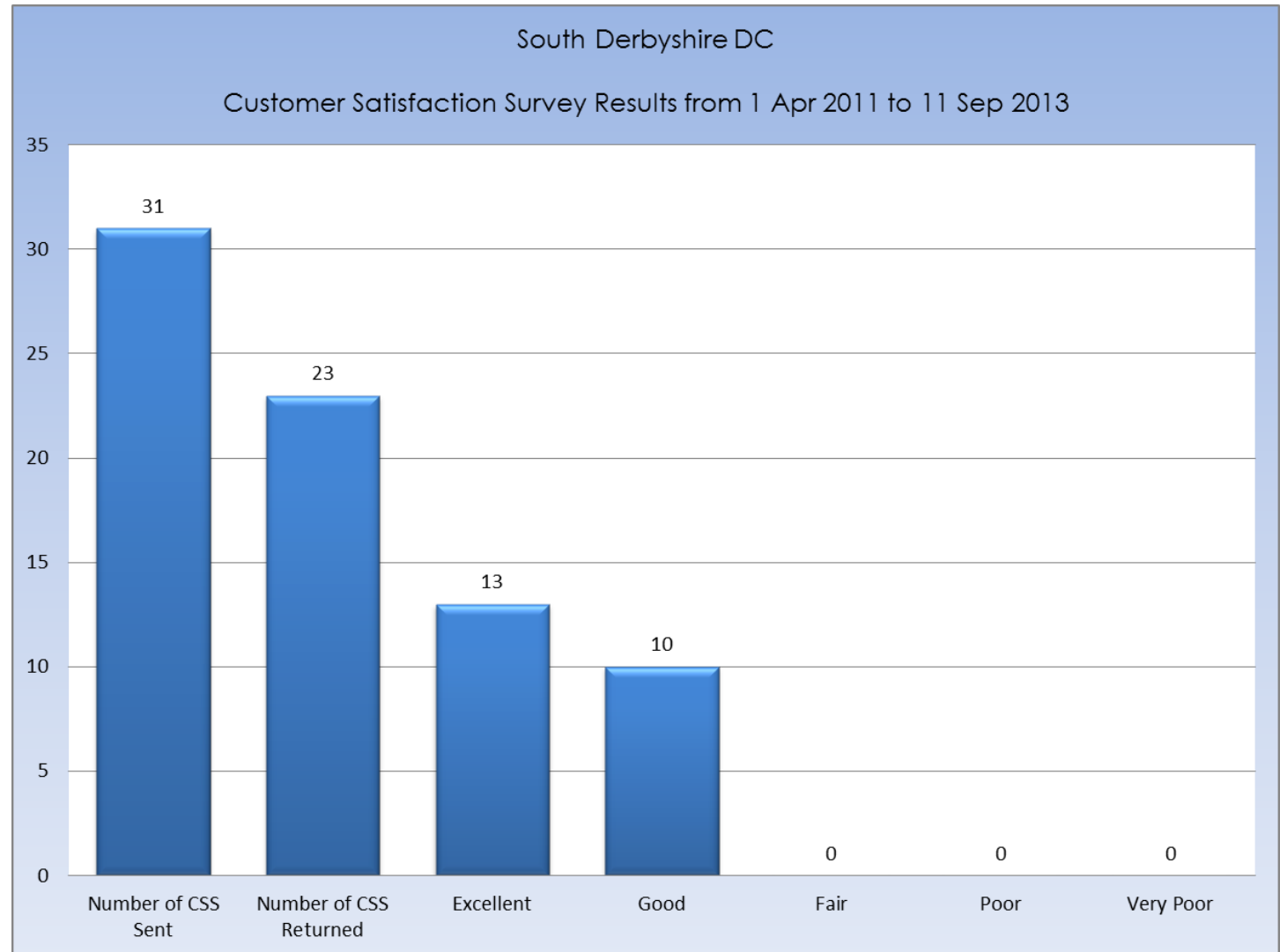
Customer Satisfaction

Since 1st April 2011, we have sent 31 Customer Satisfaction Surveys (CSS) to the recipients of audit services. Of the 31 sent we have received 23 responses.

The overall responses are graded as either:

- Excellent (scores 47 to 55)
- Good (scores 38 to 46)
- Fair (scores 29 to 37)
- Poor (scores 20 to 28)
- Very poor (scores 11 to 19)

Overall 13 of 23 responses categorised the audit service they received as excellent, another 10 responses categorised the audit as good. There were no overall responses that fell into the fair, poor or very poor categories.



South Derbyshire District Council – Internal Audit Progress Report

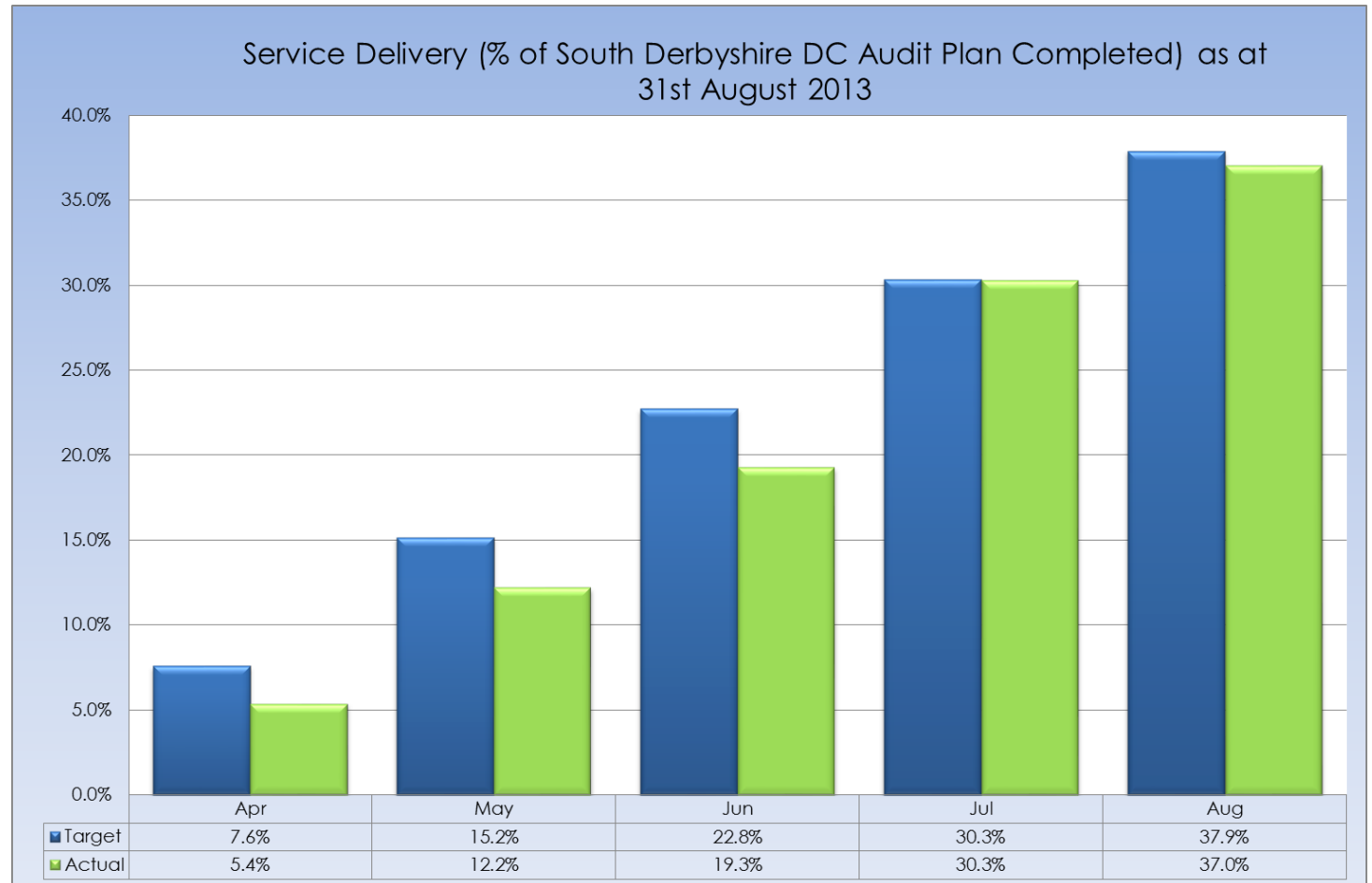
3 Audit Performance (Cont.)

Service Delivery (% of Audit Plan Completed)

At the end of each month, Audit staff provide the Audit Manager with an estimated percentage complete figure for each audit assignment they have been allocated. These figures are used to calculate how much of each Partner organisation's Audit Plans have been completed to date and how much of the Partnership's overall Audit Plan has been completed.

Shown across is the estimated percentage complete for South Derbyshire's 2013-14 Audit Plan (including incomplete jobs brought forward) after 2 months of the Audit Plan year.

The monthly target percentages are derived from equal monthly divisions of an annual target of 91% and do not take into account any variances in the productive days available each month.



South Derbyshire District Council – Internal Audit Progress Report

4 Recommendation Tracking

Follow-up Process

Internal Audit sends emails, automatically generated by our recommendations database, to officers responsible for action where their recommendations' action dates have been exceeded. We request an update on each recommendation's implementation status, which is fed back into the database, along with any revised implementation dates.

Prior to the Audit Sub-Committee meeting we will provide the relevant Senior Managers with details of each of the recommendations made to their divisions which have yet to be implemented. This is intended to give them an opportunity to provide Audit with an update position.

Each recommendation made by Internal Audit will be assigned one of the following "Action Status" categories as a result of our attempts to follow-up management's progress in the implementation of agreed actions. The following explanations are provided in respect of each "Action Status" category:

- **Blank** = Audit have been unable to ascertain any progress information from the responsible officer or it has yet to reach its agreed implementation date.
- **Implemented** = Audit has received assurances that the agreed actions have been implemented.
- **Superseded** = Audit has received information about changes to the system or processes that means that the original weaknesses no longer exist.
- **Risk Accepted** = Management has decided to accept the risk that Audit has identified and take no mitigating action.
- **Being Implemented** = Management is still committed to undertaking the agreed actions, but they have yet to be completed. (This category should result in a revised action date).

Implementation Status Details

The table below is intended to provide members with an overview of the current implementation status of all agreed actions to address the control weaknesses highlighted by audit recommendations that have passed their agreed implementation dates.

	Implemented	Being implemented	Risk Accepted	Superseded	Due, but unable to obtain progress information	Hasn't reached agreed implementation dates	Total
Low Risk	113	7	3	0	0	1	124
Moderate Risk	26	1	0	0	0	0	27
Significant Risk	7	0	1	0	0	0	8
Critical Risk	0	0	0	0	0	0	0
	146	8	4	0	0	1	159

The table below shows those recommendations not yet implemented by Dept.

Recommendations Not Yet Implemented	Corporate Services	Community & Planning Services	Housing & Environmental Services	TOTALS
Being implemented	4	0	4	8
Due, but unable to obtain progress information	0	0	0	0
	4	0	4	8

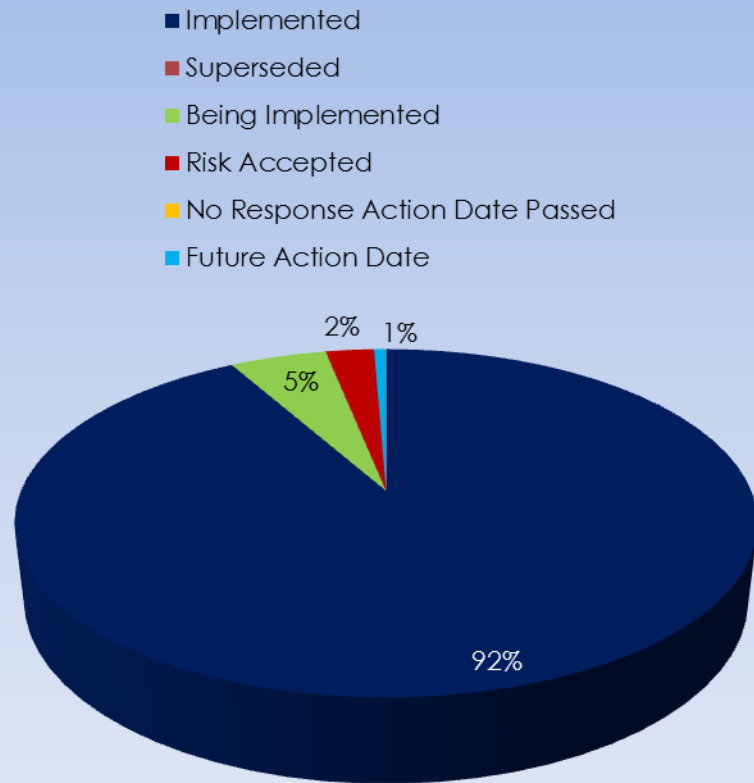
Internal Audit has provided Committee with summary details of those recommendations still in the process of 'Being Implemented' and those that have passed their due date for implementation. We will provide full details of each recommendation where management has decided not to take any mitigating actions (shown in the 'Risk Accepted' category above). The 4 recommendations shown above, where management has chosen to accept the risk, have already been reported to this Committee.

South Derbyshire District Council – Internal Audit Progress Report

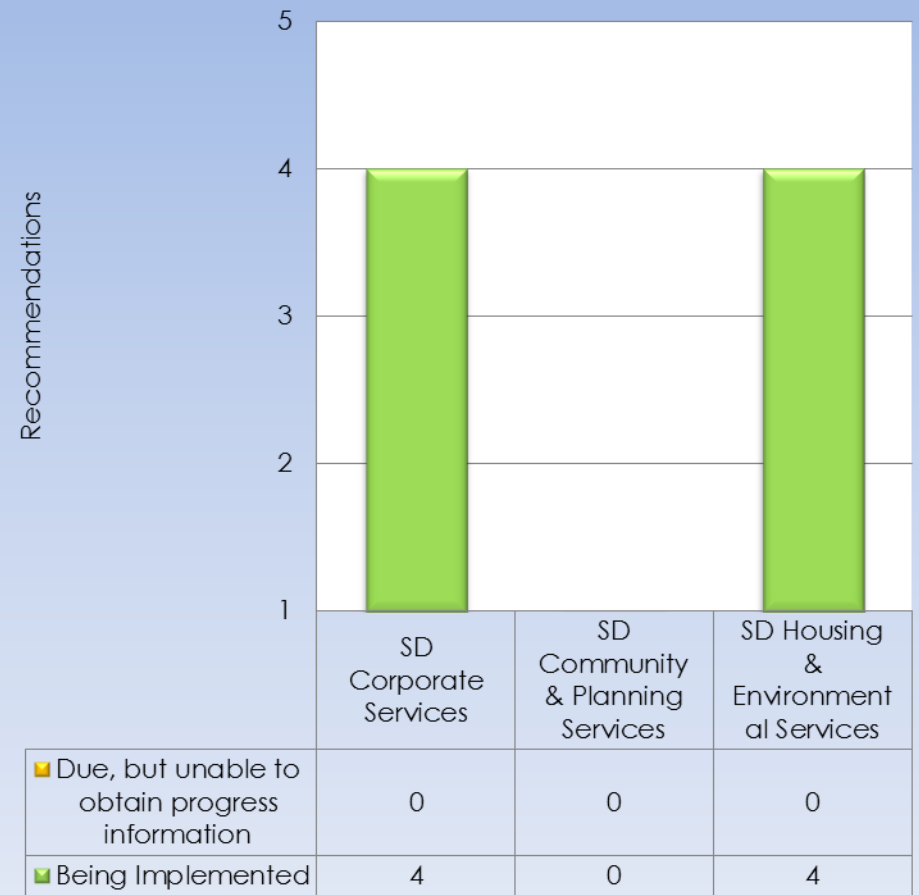
4 Recommendation Tracking (Cont.)

Implementation Status Charts

Action Status of Recommendations made between 1st Oct 2010 and 31st Aug 2013



South Derbyshire - Recommendations Not Yet Implemented by Department



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4 Recommendation Tracking (Cont.)

Recommendations Not Yet Implemented

Corporate Services

Car Allowances
<p>Control Issue - A neighbouring Authority has revised its car user allowance scheme and introduced a new scheme which has removed the essential user lump sum and pays one mileage rate to both types of user. This will enable the Authority to make significant savings in future years.</p> <p>Risk Rating – Low Risk</p> <p>Status Update - Following the Budget Round for 2013/14 and the recent Council Restructure, it is anticipated that the Single Status Steering Group will be reconvened later in 2013. This item will be considered, as planned, as part of the pay and grading review. However, any proposals are unlikely to be implemented this financial year.</p>
<p>Original Action Date 30 Jun 11 Revised Action Date 31 Mar 14</p>

Risk Management
<p>Control Issue - There was not a documented policy or procedure for reporting and management of incidents.</p> <p>Risk Rating – Low Risk</p> <p>Status Update - We haven't progressed this as far as formal Committee approval is concerned. Having now got a draft policy, the plan is to consult with senior managers and take a proposal policy to the Audit Committee in June 2013 to be considered under their terms of reference regarding risk management.</p>
<p>Original Action Date 31 Mar 13 Revised Action Date 30 Sep 13</p>

Council Tax / NNDR / Cashiering 2012-13
<p>Control Issue - The safe could be accessed by any one of several officers, with no single officer being accountable for the safe contents.</p> <p>Risk Rating – Low Risk</p> <p>Status Update - A tamper proof book is now used into which the contents of the safe and cash bags are logged. The remaining proposals would mean someone staying on beyond their contracted hours to deal with the close of business work. We will look at allowing a bit of time beyond closure time for taking payments to then deal with the end of day stuff.</p>
<p>Original Action Date 15 Jul 13 Revised Action Date 15 Apr 14</p>

South Derbyshire District Council – Internal Audit Progress Report

4 Recommendation Tracking (Cont.)

Recommendations Not Yet Implemented

Corporate Services

Legal & Democratic Services			
<p>Control Issue - Purchase orders were not being raised for goods and services required in respect of running the election.</p> <p>Risk Rating – Low Risk</p> <p>Status Update - Going forward we will now be raising purchase orders for all ordering. This was not undertaken for the County Council elections but will be undertaken going forward. The Elections process has recently been subject to an independent review commissioned by the Chief Executive. Changes to reporting lines have been made and a report will be considered by the Finance and Management Committee.</p>			
Original Action Date	30 Nov 12	Revised Action Date	30 Nov 13

Housing & Environmental Services

Waste Management			
<p>Control Issue - The Council was using historic maximum and minimum pricing parameters which had not been formally approved and may have no longer accurately reflected the latest prices in the trade waste collection market.</p> <p>Risk Rating – Moderate Risk</p> <p>Status Update - Due to a significant number of major service issues needing resolution, the timescale for this item needs to be changed. I have agreed a departmental work programme with Bob Ledger and the review of trade waste will take place following the implementation of the new kerbside recycling scheme in October. This should allow us time to make the necessary improvements to trade refuse charging in time to implement with next year's fees and charges report.</p>			
Original Action Date	1 Apr 13	Revised Action Date	31 Dec 13
<p>Control Issue - There was no documentation maintained on file in the form of competitor quotes which supported the negotiated, best price offered by the Council.</p> <p>Risk Rating – Low Risk</p> <p>Status Update - A review is to take place of the trade refuse service from a business viability viewpoint. If special rates/discounted prices are to continue within the service then there will be a robust procedure for dealing with this.</p>			
Original Action Date	1 Apr 13	Revised Action Date	28 Feb 14

South Derbyshire District Council – Internal Audit Progress Report

Recommendations Not Yet Implemented

Housing & Environmental Services

Waste Management	
<p>Control Issue - There were no documented guidelines available for employees to refer to when negotiating a special price for trade waste. This meant that decisions were based on the employees personal judgement and discretion.</p>	
<p>Risk Rating – Low Risk</p>	
<p>Status Update – A review is to take place of the trade refuse service from a business viability viewpoint. As a temporary measure, staff have been instructed to only arrange new trade refuse contracts on our current fixed charge and that no special rates will be negotiated.</p>	
Original Action Date	1 Apr 13
Revised Action Date	28 Feb 14

Housing Repairs	
<p>Control Issue - The Mutual Repairs Policy had not been established, although it was referred to in the Repairs Policy.</p>	
<p>Risk Rating – Low Risk</p>	
<p>Status Update - The Mutual repairs policy went to the legal team in July to check and then to the tenants forum. Hope to have the whole process wrapped up by end of August. The document will be managed by the business support unit who will undertake all consultations and the day to day operation of the policy.</p>	
Original Action Date	30 Jun 11
Revised Action Date	30 Sep 13

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	25 September 2013	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:	Public Sector Internal Audit Standards - Compliance	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE:

1.0 Recommendations

1.1 To note the report

2.0 Purpose of Report

2.1 This report provides members with a self-assessment of conformance with the new Public Sector Internal Audit Standards that came into effect from 1 April 2013.

3.0 Detail

3.1 The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013 to create consistent standards for the practice of internal audit across the public sector and establish the basis for its quality assurance. These standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.

3.2 The Sub-Committee received a report at its meeting on 20 February 2013 which provided an overview to the Standards. Members were informed that additional guidance for local authorities would be included in the Local Government Application Note on the PSIAS, which was planned to be published in March 2013.

3.3 Members asked for a further report to be brought to the Audit Sub-Committee when the Application Note on the PSIAS had been published.

3.4 The PSIAS and the Local Government Application Note together supersede the 2006 CIPFA Code of Practice for Internal audit in Local Government in the United Kingdom (2006 Code). The Application Note has been developed as the sector specific requirements for local government organisations.

3.5 The Application Note provides further explanation for the PSIAS and practical guidance on how to apply them.

Summary of the Main Changes between the PSIAS and the 2006 Code:

- 3.6 The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace internal auditors' own professional bodies' codes of ethics or those of the employing organisation. Internal auditors must also have regard to the Committee on Standards in Public Life's Seven Principles of Public Life namely Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.
- 3.7 A key difference with the PSIAS for local government is the terminology. The PSIAS use the term 'Chief Audit Executive' (CAE), the description used internationally, rather than 'Chief Internal Auditor or Head of Internal Audit' more commonly used in the UK.
- 3.8 Another change is the requirement for an Internal Audit 'Charter'. This formally defines purpose, authority and responsibility of the internal audit activity as well arrangements for avoiding conflicts of interest.
- 3.9 There is a need for a risk-based plan linked to a strategic / high-level statement on how the service will be provided and developed in accordance with the charter and how this links to the organisation's objectives and priorities.
- 3.10 A Quality Assurance and Improvement Programme (QA&IP) will need to be in place requiring both internal and external assessments. The external assessment will be required at least every 5 years. The CAE is required to include a statement on the results of the QA&IP in the annual report. The external assessment must be carried out by a qualified and independent assessor from outside the organisation. It can be a full external evaluation or a self-assessment with independent external validation.

Conformance with the PSIAS:

- 3.11 A checklist has been developed by CIPFA to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the QA & IP. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents. An initial desk top review of the PSIAS has been carried out using the checklist by the Head of the Central Midlands Audit Partnership. This is attached at appendix 1.
- 3.12 Due to the fact that the Central Midlands Audit Partnership is currently fully compliant with the 2006 CIPFA Code of Audit Practice, the majority of the requirements of the new PSIAS are already achieved without any need to change existing practices. The main area of the PSIAS that will require further development is the QA & IP and also to finalise the Internal Audit Charter.

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

Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note

Please tick to indicate Y = YES, P = PARTIAL, N = NO. Evidence for each response must be provided and reasons for any partial or full non-conformance should be given, together with any compensating measures in place or actions in progress to address this.

Ref	Conformance with the Standard	Y	P	N	Evidence
1	Definition of Internal Auditing				
	Using evidence gained from assessing conformance with other Standards, is the internal audit activity:				
	a) Independent?	Y			Effectiveness of Internal Audit report 19/6/2013 – refers to CIPFA Better Governance Forum framework and CIPFA Code of Practice
	b) Objective?	Y			As above
	Using evidence gained from assessing conformance with other Standards, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	Y			As above
2	Code of Ethics				
	Integrity				
	Using evidence gained from assessing conformance with other Standards, do internal auditors:				
	a) Perform their work with honesty, diligence and responsibility?	Y			Effectiveness of Internal Audit report 19/6/2013 – refers to CIPFA Better Governance Forum framework and CIPFA Code of Practice
	b) Observe the law and make disclosures expected by the law and the profession?	Y			As above
	c) Not knowingly partake in any illegal activity nor engage in in acts that are discreditable to the profession of internal auditing or to the organisation?	Y			As above
	d) Respect and contribute to the legitimate and ethical objectives of the organisation?	Y			As above
	Objectivity				
	Using evidence gained from assessing				

Ref	Conformance with the Standard	Y	P	N	Evidence
	conformance with other Standards, do internal auditors display objectivity by not:				
	a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?	Y			Effectiveness of Internal Audit report 19/6/2013 – refers to CIPFA Better Governance Forum framework and CIPFA Code of Practice
	b) Accepting anything that may impair or be presumed to impair their professional judgement?	Y			As above
	c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?	Y			As above
	Confidentiality Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:				
	a) Acting prudently when using information acquired in the course of their duties and protecting that information?	Y			Effectiveness of Internal Audit report 19/6/2013 – refers to CIPFA Better Governance Forum framework and CIPFA Code of Practice
	b) Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?	Y			As above
	Competency Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:				
	a) Only carrying out services for which they have the necessary knowledge, skills and experience?	Y			Effectiveness of Internal Audit report 19/6/2013 – refers to CIPFA Better Governance Forum framework and CIPFA Code of Practice
	b) Performing services in accordance with the PSIAS?	Y			As above
	c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?	Y			As above
	Do internal auditors have regard to the on Standards of Public Life's <i>Seven Principles of Public Life</i> ?				As above – also annual declaration
	Standards				
3	Attribute Standards				
3.1	1000 Purpose, Authority and				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Responsibility				
	Does the internal audit charter include a formal definition of:				Terms of reference need to be developed into Audit Charter
	a) the purpose b) the authority, and c) the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?	Y			IA Terms of Reference
LGAN	Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity? Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.	Y			Terms of Reference section 1.6
	Does the internal audit charter also:				
	a) Set out the internal audit activity's position within the organisation?	Y			Terms of Reference section 1.7
	b) Establish the CAE's functional reporting relationship with the board?	Y			Terms of Reference section 1.6
LGAN	c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively?	Y			Terms of Reference section 1.6
LGAN	d) Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit?	Y			Terms of Reference section 1.6
	e) Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?	Y			Terms of Reference section 1.12
LGAN	f) Define the scope of internal audit activities?	Y			Terms of reference section 1.7
LGAN	g) Recognise that internal audit's remit extends to the entire control environment of the organisation?	Y			Terms of reference section 1.7
LGAN	h) Identify internal audit's contribution to the review of effectiveness of the	Y			Section1.8

Ref	Conformance with the Standard	Y	P	N	Evidence
	control environment, as set out in the Accounts and Audit (England) Regulations 2011?				
LGAN	i) Establish the organisational independence of internal audit?	Y			Section 1.5
	j) Cover the arrangements for appropriate resourcing?	Y			Section 1.9
	k) Define the role of internal audit in any fraud-related work?	Y			Section 1.11
	l) Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	Y			Section 1.11
	m) Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?	Y			Section 1.5 para 1.5.5
	n) Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?	Y			Section 1.10
	o) Define the nature of consulting services?	Y			Section 1.11
	p) Recognise the mandatory nature of the PSIAS?			N	Working copy refers to CIPFA Code – to be updated
	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?		P		Revised Terms to be presented
	Does the CAE attend audit committee meetings?	Y			See minutes for proof of attendance
	Does the CAE contribute to audit committee agendas?	Y			Reports are produced and submitted
3.2	1100 Independence and Objectivity				
	Does the CAE have direct and unrestricted access to senior management and the board?	Y			Effectiveness of Internal Audit report 19/6/2013 appendix 1 "has full access to the Head of Corporate Finance and, if required, the Chair of Audit Sub-Committee"
	Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee?	Y			As above
	Are threats to objectivity identified and managed at the following levels:				
	a) Individual auditor?	Y			Monthly one-to-one meetings, MIP process, annual declarations of interests

Ref	Conformance with the Standard	Y	P	N	Evidence
	b) Engagement?	Y			Individual declarations by auditor and Assistant Audit Manager for each engagement
	c) Functional?	Y			Overseen by the Head of Partnership.
	d) Organisation?	Y			Overseen by the CMAP Board
	1110 Organisational Independence				
	Does the CAE report to an organisational level equal or higher to the corporate management team?	Y			Reports to Audit Sub-committee (Terms of Reference s 1.6)
LGAN	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	Y			Reports to Audit Sub-committee (Terms of Reference s 1.6)
LGAN	Have reporting and management arrangements been put in place that preserve the CAE's independence and objectivity? This is of particular importance when the CAE is line managed by another officer of the authority.	Y			Terms of Reference s1.5
LGAN	Does the CAE's position in the management structure:				
	a) Reflect the influence he or she has on the control environment?	Y			Internal Audit is provided by an Audit Partnership. The CAE isn't part of the management structure of SDDC, but reports to the Audit Sub-Committee.
	b) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board?	Y			Directly reports to Audit Sub-committee
	c) Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?	Y			Direct report to Audit Sub-committee and has access to Director of Corporate Services and Chair of Sub-Committee (Effectiveness of Internal Audit report appendix 1)
	Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent? The following examples can be used by the CAE when assessing the organisational independence of the internal audit activity:	Y			Annual Audit opinion – appendix annual report section 1
	The board:				
	a) approves the internal audit charter			N	This will be done by the CMAP Board - SDDC has representation on this Board.
	b) approves the risk-based audit plan	Y			Approved by Sub Committee 3/4/2013
	c) approves the internal audit budget and resource plan	Y			This is approved by the CMAP Board – SDDC has representation on this Board.

Ref	Conformance with the Standard	Y	P	N	Evidence
	d) receives communications from the CAE on the activity's performance (in relation to the plan, for example)	Y			Quarterly progress reports (eg 19/6/2013)
	e) approves decisions relating to the appointment and removal of the CAE	Y			This will be done by the CMAP Board - SDDC has representation on this Board.
	f) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.	Y			The potential for limitations is recognised in the Terms of Reference
	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?				The performance appraisal is carried out by the Host Authority.
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?				Not Applicable
	1111 Direct Interaction with the Board				
	Does the CAE communicate and interact directly with the board?	Y			Reports directly to Audit Sub-Committee
	1120 Individual Objectivity				
	Do internal auditors have an impartial, unbiased attitude?	Y			
	Do internal auditors avoid any conflict of interest, whether apparent or actual?	Y			Make annual declaration of interests (overall) and also declaration on each engagement
	1130 Impairment to Independence or Objectivity				
	If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?	Y			No such instances have occurred but if they had, these would be dealt with appropriately by CAE
	Have internal auditors assessed specific operations for which they have been responsible within the previous year?	Y			CMAP is totally independent of SDDC and has no operational responsibility.
	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?				Not applicable
LGAN	Are assignments for ongoing assurance engagements and other audit	Y			The Audit plan is arranged such that engagements are rotated within the team on a periodic basis.

Ref	Conformance with the Standard	Y	P	N	Evidence
	responsibilities rotated periodically within the internal audit team?				
LGAN	Have internal auditors declared interests in accordance with organisational requirements?	Y			Terms of Reference 1.5.5
LGAN	Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?	Y			CMAP Auditors are required to declare offers under the Derby CC Employee Code of Conduct (as Host Authority)
LGAN	Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?				No such instances
LGAN	Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	Y			Internal review process.
LGAN	Have internal auditors complied with the Bribery Act 2010?	Y			Auditors are bound by DCC Code of Conduct which requires adherence to the DCC Bribery Act Policy
	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?				Not applicable – no consulting services engagements have been done.
	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?				Not applicable – no consulting services engagements have been done.
3.3	1200 Proficiency and Due Professional Care				
	1210 Proficiency				
	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?	Y			CIPFA qualified
	Is the CAE suitably experienced?	Y			20+ years experience
LGAN	Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's	Y			Responsible under hosting authority (DCC) recruitment policy and procedure

Ref	Conformance with the Standard	Y	P	N	Evidence
	human resources processes?				
LGAN	Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	Y			Most recently reviewed in 2013
	Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	Y			Wide range of skills and knowledge – see Staff profiles
	Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?	Y			Call-off contract exists for additional resources – Terms of Reference 1.11.2
	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	Y			Fraud awareness given high profile, 4 staff with CIPD
	Do internal auditors have sufficient knowledge of key information technology risks and controls?	Y			Regular training and 2 IT specialists within team
	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	Y			Team have access to and can use IDEA
	1220 Due Professional Care				
	Do internal auditors exercise due professional care by considering the:				
	a) Extent of work needed to achieve the engagement's objectives?	Y			Each job is scoped with senior management prior to commencement
	b) Relative complexity, materiality or significance of matters to which assurance procedures are applied?	Y			Each job is scoped with senior management prior to commencement
	c) Adequacy and effectiveness of governance, risk management and control processes?	Y			Each assignment requires a risk assessment prior to work beginning
	d) Probability of significant errors, fraud, or non-compliance?	Y			Each assignment requires a risk assessment prior to work beginning
	e) Cost of assurance in relation to potential benefits?	Y			Recommendations are reviewed during the quality check process for practicality
	Do internal auditors exercise due professional care during a consulting				

Ref	Conformance with the Standard	Y	P	N	Evidence
	engagement by considering the:				
	a) Needs and expectations of clients, including the nature, timing and communication of engagement results?	Y			This is arranged during the scoping / opening meeting, including frequency of updates to senior management
	b) Relative complexity and extent of work needed to achieve the engagement's objectives?	Y			This is established at the scoping / opening meeting
	c) Cost of the consulting engagement in relation to potential benefits?	Y			Recommendations are reviewed during the quality check process for practicality
	1230 Continuing Professional Development				
LGAN	Has the CAE defined the skills and competencies for each level of auditor?	Y			See Person Specifications for each role
LGAN	Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	Y			Annual MIP (appraisal) – each individual is assessed against the Excellent Internal Auditor
	Do internal auditors undertake a programme of continuing professional development?	Y			Ongoing training, attendance at CATS courses etc
	Do internal auditors maintain a record of their professional development and training activities?	Y			This is recorded in the training database which is part of the Audit Management System
3.4	1300 Quality Assurance and Improvement Programme				
	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?		P		The quality assurance system that was in place for the 2006 Code covers a proportion of this.
	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?		P		As above
	Does the CAE maintain the QAIP?		P		The CAE is reviewing the current process and will update and maintain it.
LGAN	If the organisation is a 'larger relevant body' in England, does it conduct a review of the effectiveness of its internal audit at least annually, in accordance with the Accounts and Audit (England) Regulations 2011 section 6(3)?	Y			Effectiveness of internal Audit report taken to Audit Sub-Committee 19/6/2013
	1310 Requirements of the Quality Assurance and Improvement Programme				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the QAIP include both internal and external assessments?		P		In development
	1311 Internal Assessments				
LGAN	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	Y			The Work is planned such that the specialisms of individuals are part of the allocation process.
	Do internal assessments include ongoing monitoring of the internal audit activity, such as:				
	a) Routine quality monitoring processes?	Y			Each assignment is subject to a two-stage quality assurance process
	b) Periodic assessments for evaluating conformance with the PSIAS?	Y			This will form part of the Annual Report which accompanies the HoA Audit Opinion
LGAN	Does ongoing performance monitoring include comprehensive performance targets?	Y			Performance is reported to Audit Sub-Committee on a quarterly basis
LGAN	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	Y			Performance targets have been developed in conjunction with the CMAP Board
LGAN	Does the CAE measure, monitor and report on progress against these targets?	Y			Quarterly reports taken to Audit Sub-Committee
LGAN	Does ongoing performance monitoring include obtaining stakeholder feedback?	Y			Feedback from stakeholders is included by the use of customer satisfaction surveys
	Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices? Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.			N	No assessments done for PSIAS. Assessments against the 2006 Code were carried out by External Audit every 3 years. Self-assessments carried out every year as part of the review of the effectiveness of internal audit.
LGAN	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	Y			This was done under the 2006 Code and will be the same under PSIAS.
	1312 External Assessments				
	Has an external assessment been carried out, or is planned to be carried out, at least once every five years?	Y			This is planned to be carried out.
LGAN	Has the CAE considered the pros and cons for the different types of external assessment (ie 'full' or self-assessment		P		This will be discussed at the next meeting of the CMAP Board. Initial work has been done by the CAE in regard to the self-assessment.

Ref	Conformance with the Standard	Y	P	N	Evidence
	plus 'independent validation')?				
	Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board?			N	
LGAN	Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?			N	
	Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?			N	
	<p>Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process?</p> <p>Competence can be determined in the following ways:</p> <p>a) experience gained in organisations of similar size</p> <p>b) complexity</p> <p>c) sector (ie the public sector)</p> <p>d) industry (ie local government), and</p> <p>e) technical experience.</p> <p>Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.</p>				Not applicable at the moment
	How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?				Not applicable at the moment
	Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the				Not applicable at the moment

Ref	Conformance with the Standard	Y	P	N	Evidence
	organisation to which the internal audit activity belongs.				
	1320 Reporting on the Quality Assurance and Improvement Programme				
	Has the CAE reported the results of the QAIP to senior management and the board?				Not applicable at the moment
	Note that:				
	a) the results of both external and periodic internal assessment must be communicated upon completion				
	b) the results of ongoing monitoring must be communicated at least annually				
	c) the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.				
	Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?				Not applicable at the moment
	1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'				
	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?				Not applicable at the moment
	1322 Disclosure of Non-conformance				
	Has the CAE reported any instances of non-conformance with the PSIAS to the board?				Not applicable at the moment
	Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?				Not applicable at the moment
4	Performance Standards				
4.1	2000 Managing the Internal Audit Activity				
	Do the results of the internal audit activity's work achieve the purposes	Y			

Ref	Conformance with the Standard	Y	P	N	Evidence
	and responsibility of the activity, as set out in the internal audit charter?				
	Does the internal audit activity conform with the <i>Definition of Internal Auditing</i> and the <i>Standards</i> ?		P		Conforms to the new definition and the majority of the PSIAS other than the QA&IP. Developments underway to achieve full conformity with the PSIAS.
	Do individual internal auditors, who are part of the internal audit activity, demonstrate conformance with the <i>Code of Ethics</i> and the <i>Standards</i> ?	Y			Also with the Code of Ethics of the various relevant bodies. All conform with the parts of the PSIAS that are relevant to audit activity.
	Does the internal audit activity add value to the organisation and its stakeholders by				
	a) Providing objective and relevant assurance?	Y			Effectiveness of IA Review
	b) Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes?	Y			Effectiveness of IA Review
	2010 Planning				
	Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?	Y			Priorities are based on highest risk levels, after discussion with relevant managers.
	Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?	Y			Noted in the Annual Plan submitted to Audit Sub-Committee
	Does the risk-based plan take into account the organisation's assurance framework?	Y			Noted in the Annual Plan
	Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:				
	a) How the internal audit service will be delivered?	Y			In annual plan
	b) How the internal audit service will be developed in accordance with the internal audit charter?			N	
	c) How the internal audit service links to organisational objectives and priorities?	Y			In aims of coverage 9section 1) Annual Plan
	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	Y			Plan addresses risk issues
	In developing the risk-based plan, has	Y			Included in plan and referred to in "Approach to Audit Planning"

Ref	Conformance with the Standard	Y	P	N	Evidence
	the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?				section
	If such a risk management framework does not exist, has the CAE used his or her judgement of risks after input from senior management and the board and evidenced this?	Y			included in plan and referred to in "Approach to Audit Planning" section
LGAN	Does the risk-based plan set out the:				
	a) Audit work to be carried out?	Y			In plan
	b) Respective priorities of those pieces of audit work?	Y			Highlighted in section 4 of the annual plan
	c) Estimated resources needed for the work?	Y			Section 4
LGAN	Does the risk-based plan differentiate between audit and other types of work?	Y			In "plan contingencies" section
LGAN	Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?	Y			Contingency time is built into the plan
	Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	Y			Reports on progress against the plan on a quarterly basis – should an urgent need to change priorities arise, agreement is sought to delay delivery of pre-planned work in the following audit year, if necessary.
	Is the internal audit activity's plan of engagements based on a documented risk assessment?	Y			Given in the plan at section 4
	Is the risk assessment used to develop the plan of engagements undertaken at least annually?	Y			Re-assessed at plan development stage
LGAN	In developing the risk-based plan, has the CAE also considered the following:				
	a) Any declarations of interest (for the avoidance for conflicts of interest)?	Y			Dealt with by appropriate allocation of assignments
	b) The requirement to use specialists, eg IT or contract and procurement auditors?	Y			Dealt with as part of work allocation within the team
	c) Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary?	Y			Contingency is built into the plan - estimates are based on experience built up in previous years
	d) The time required to carry out the audit planning process effectively as	Y			The time allocated to each audit is based on the complexity of each area of review and performance against time estimates is reported

Ref	Conformance with the Standard	Y	P	N	Evidence
	well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?				to the Audit Sub-Committee on a quarterly basis.
	Is the input of senior management and the board considered in the risk assessment process?	Y			Drawn up following discussions with senior management
	Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?	Y			Drawn up following discussions with senior management
	Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	Y			Prioritised on basis of risk – see Plan – approach to planning section
	Are consulting engagements that have been accepted included in the risk-based plan?	Y			All work is included in the plan – see detailed plan in section 4
	2020 Communication and Approval				
	Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?	Y			Taken to Audit Sub-Committee 3/4/2013
	Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	Y			Significant changes have not occurred, but would be reported with progress during quarterly updates as these would affect delivery of the agreed plan.
	Has the CAE communicated the impact of any resource limitations to senior management and the board?	Y			See plan section 2 – Audit Resources.
	2030 Resource Management				
	Does the risk-based plan explain how internal audit's resource requirements have been assessed?	Y			Annual plan section 2
LGAN	Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time?	Y			Timing of engagements is negotiated with clients at the start of the audit year
LGAN	If the CAE believes that the level of agreed resources will impact adversely	Y			There is a continual monitoring of resources to work plan and this is reported in the quarterly progress report. (Annual plan section 1)

Ref	Conformance with the Standard	Y	P	N	Evidence
	on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board? This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.				
	2040 Policies and Procedures				
	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	Y			The Audit manual is regularly updated and available on-line to all staff
LGAN	Has the CAE established policies and procedures to guide staff in performing their duties in a manner than conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems.	Y			The Audit manual is regularly updated and available on-line to all staff The Audit management system is also on-line
LGAN	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	Y			The audit manual is updated frequently
	2050 Coordination				
	Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	Y			There is a call-off contract in place to pull in additional resources should this be necessary.
LGAN	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?			N	
	Does the CAE share information and coordinate activities with other internal and external providers of assurance and consulting services?	Y			Works closely with External Auditors and, when necessary, the Auditors supplying additional cover
LGAN	Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans?	Y			Works closely with External Auditors
	2060 Reporting to Senior Management and the Board				
	Does the CAE report periodically to senior management and the board on	Y			Quarterly reports submitted

Ref	Conformance with the Standard	Y	P	N	Evidence
	the internal audit activity's purpose, authority, responsibility and performance relative to its plan?				
	Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?	Y			Within quarterly reports
	Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?	Y			Content of quarterly reports discussed with Head of Corporate Services.
	2070 External Service Provider and Organisational Responsibility for Internal Auditing				
	Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?	Y			Included in annual "Effectiveness of internal Audit" report
4.2	2100 Nature of Work				
	Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes?	Y			Annual Audit plan sections 1 and 2
	Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach and is this evidenced?	Y			Covering report for annual plan (Audit Sub-committee meeting 3 April 2013) shows that all areas are planned for coverage at least once every 5 years, with areas of higher concern more frequently. This approach can be proved by comparison of the audit plans across multiple years.
	2110 Governance				
	Does the internal audit activity:				
	a) Promote appropriate ethics and values within the organisation?	Y			Included in the controls assessed with each engagement
	b) Ensure effective organisational performance management and accountability?	Y			As above

Ref	Conformance with the Standard	Y	P	N	Evidence
	c) Communicate risk and control information to appropriate areas of the organisation?	Y			Audit reports are issued to both senior and line management to allow for dissemination of knowledge relating to risks and controls, as well as being summarised for Members in quarterly reports
	d) Coordinate the activities of and communicate information among the board, external and internal auditors and management?	Y			Audit engagement reports are issued to management, summaries to members and External audit receive copies of reports on request, as well as having access to members reports
	Does the internal audit activity assess and make appropriate recommendations for improving the governance process as part of accomplishing the above objectives?	Y			This is included in reports
	Has the internal audit activity evaluated the:				
	a) design	Y			
	b) implementation, and	Y			
	c) effectiveness	Y			Regular audit assignments re corporate governance
	of the organisation's ethics-related objectives, programmes and activities?				
	Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	Y			This has been subject to an audit assignment
LGAN	Has the CAE considered the proportionality of the amount of work required to assess the ethics and information technology governance of the organisation when developing the risk-based plan?	Y			Included in scope within plan
	2120 Risk Management				
	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:				
	a) Organisational objectives support and align with the organisation's mission?	Y			Subject to an audit assignment
	b) Significant risks are identified and assessed?	Y			Subject of an audit assignment
	c) Appropriate risk responses are selected that align risks with the organisation's risk appetite?	Y			Covered by an audit assignment
	d) Relevant risk information is captured	Y			Risk assessments are carried out as part of each assignment

Ref	Conformance with the Standard	Y	P	N	Evidence
	and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?				
	Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the:				
	a) Achievement of the organisation's strategic objectives?	Y			Considered as part of the audit assignment
	b) Reliability and integrity of financial and operational information?	Y			Subject to annual audit
	c) Effectiveness and efficiency of operations and programmes?	Y			Considered as part of the audit assignments
	d) Safeguarding of assets?	Y			Included in audit assignments
	e) Compliance with laws, regulations, policies, procedures and contracts?	Y			Included in audit assignments
	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	Y			Anti-fraud and corruption measures have been assessment as an audit assignment
	Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	Y			This is included in consultancy assignments
	Are internal auditors alert to other significant risks when undertaking consulting engagements?	Y			This in included in consultancy assignments
	Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	Y			This is specifically included in the Terms of Reference section 1.11.2
	2130 Control				
	Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the:				
	a) Achievement of the organisation's strategic objectives?	Y			Forms part of the audit assessment during assignments
	b) Reliability and integrity of financial and operational information?	Y			Subject to annual assignment
	c) Effectiveness and efficiency of operations and programmes?	Y			Considered as part of the audit assignments

Ref	Conformance with the Standard	Y	P	N	Evidence
	d) Safeguarding of assets?	Y			Included in audit assignments
	e) Compliance with laws, regulations, policies, procedures and contracts?	Y			Included in audit assignments
	Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	Y			Information relating to individual assignments is shared amongst auditors within the team
4.3	2200 Engagement Planning				
	Do internal auditors develop and document a plan for each engagement?	Y			Scope is drawn up at the start of each assignment
	Does the engagement plan include the engagement's:				
	a) Objectives?	Y			See Job Control sheet
	b) Scope?	Y			See job control sheet
	c) Timing?	Y			Time period allocated at planning stage
	d) Resource allocations?	Y			Resources allocated at planning stage
	Do internal auditors consider the following in planning an engagement, and is this documented:				
	a) The objectives of the activity being reviewed?	Y			Information is gathered at opening meeting
	b) The means by which the activity controls its performance?	Y			Systems notes are part of the audit file
	c) The significant risks to the activity being audited?	Y			Information is gathered throughout the opening meeting and a risk assessment is carried out at the start of the assignment
	d) The activity's resources?	Y			Gathered at opening meeting
	e) The activity's operations?	Y			Gathered at opening meeting if not already known
	f) The means by which the potential impact of risk is kept to an acceptable level?	Y			Gathered during the audit assignment
	g) The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model?	Y			Use of CIPFA or Grace controls to establish expectations
	h) The opportunities for making significant improvements to the activity's governance, risk management and control processes?	Y			This forms part of the assignment – it is an expected outcome of an audit engagement
	Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written				

Ref	Conformance with the Standard	Y	P	N	Evidence
	understanding with that party about the following:				
	a) Objectives?	Y			The same process would be followed as for an audit within the organisation
	b) Scope?	Y			As above
	c) The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?	Y			As above
	For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:				
	a) Objectives?	Y			The same process would be followed as for an audit within the organisation
	b) Scope?	Y			As above
	c) The respective responsibilities of the internal auditors and the client and other client expectations?	Y			As above
	For significant consulting engagements, has this understanding been documented?	Y			The same process would be followed as for an audit within the organisation
	2210 Engagement Objectives				
	Have objectives been agreed for each engagement?	Y			Documented in job control sheet
	Have internal auditors carried out a preliminary risk assessment of the activity under review?	Y			Risk assessment carried out for each audit
	Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?	Y			Risk assessment informs the focus of the audit being carried out
	Have internal auditors considered the probability of the following, when developing the engagement objectives:				
	a) Significant errors?	Y			Factored in the risk assessment
	b) Fraud?	Y			As above
	c) Non-compliance?	Y			As above
	d) Any other risks?	Y			As above
	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been	Y			Discussed in setting the plan/individual audit.

Ref	Conformance with the Standard	Y	P	N	Evidence
	accomplished?				
	If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?	Y			
	If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?			N	
LGAN	If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets?	Y			There is a specific VFM methodology
	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	Y			As discussed in the consultation process
	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	Y			This would be established at the outset of the consulting process
	2220 Engagement Scope				
	Is the scope that is established for the engagement sufficient to satisfy the engagement's objectives?	Y			The scope of each assignment is discussed with senior management at the outset
	Does the engagement scope include consideration of the following relevant areas of the organisation:				
	a) Systems?	Y			Discussed at the opening meeting and forms part of the audit programme
	b) Records?	Y			As above
	c) Personnel?	Y			As above
	d) Premises?	Y			As above
	Does the engagement scope include consideration of the following relevant areas under the control of outside parties, where appropriate:				
	a) Systems?	Y			Discussed at the opening meeting and forms part of the audit programme
	b) Records?	Y			As above
	c) Personnel?	Y			As above
	d) Premises?	Y			As above

Ref	Conformance with the Standard	Y	P	N	Evidence
	Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?	Y			Where the nature of the assignment changes, or an additional area of work is required, this is documented and agreed to by the client
	Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting Standards?			N	Consulting Standards still need to be finalised.
	For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives?			N	No consulting engagements have been carried out at SDDC.
	If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?				N/A
	During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?				N/A
	During consulting engagements, were internal auditors alert to any significant control issues?				N/A
	2230 Engagement Resource Allocation				
	Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on:				
	a) The nature and complexity of each individual engagement?	Y			This is established at the planning stage, such that sufficient resources are provided based on the nature of the task in hand
	b) Any time constraints?	Y			As above
	c) The resources available?	Y			As above
	2240 Engagement Work Programme				
	Have internal auditors developed and documented work programmes that achieve the engagement objectives?	Y			For frequently completed audits there are workbooks in place for reference/use

Ref	Conformance with the Standard	Y	P	N	Evidence
	Do the engagement work programmes include the following procedures for:				
	a) Identifying information?	Y			Guidance is available from reference to previous audits and by reference to colleagues / managers
	b) Analysing information?	Y			As above
	c) Evaluating information?	Y			As above
	d) Documenting information?	Y			As above
	Were work programmes approved prior to implementation for each engagement?	Y			Work programmes are established at the start of each engagement
	Were any adjustments required to work programmes approved promptly?	Y			No such instances have occurred but if they had, a signature to confirm changes would be sought from the client
4.4	2300 Performing the Engagement				
	Have internal auditors carried out the following in order to achieve each engagement's objectives:				
	a) Identify sufficient information?	Y			Each assignment is subject to a 2 stage quality check, which checks that sufficient work in this area has been carried out.
	b) Analyse sufficient information?	Y			As above
	c) Evaluate sufficient information?	Y			As above
	d) Document sufficient information?	Y			As above
	2310 Identifying Information				
	Have internal auditors identified the following in order to achieve each engagement's objectives:				
	a) Sufficient information?	Y			Each assignment is subject to a 2 stage quality check, which checks that sufficient work in this area has been carried out.
	b) Reliable information?	Y			As above
	c) Relevant information?	Y			As above
	d) Useful information?	Y			As above
	2320 Analysis and Evaluation				
	Have internal auditors based their conclusions and engagement results on appropriate analyses and evaluations?	Y			Each assignment is subject to a 2 stage quality check, which checks that sufficient work in this area has been carried out.
LGAN	Have internal auditors remained alert to the possibility of the following:				
	a) intentional wrongdoing				
	b) errors and omissions				
	c) poor value for money				
	d) failure to comply with management policy, and				
	e) conflicts of interest				

Ref	Conformance with the Standard	Y	P	N	Evidence
	when performing their individual audits, and has this been documented?	Y			These are all elements which are the subject of tests and checks within each audit and advice and guidance on these areas is provided in the audit manual
	2330 Documenting Information				
	Have internal auditors documented the relevant information required to support engagement conclusions and results?	Y			Each audit produces a comprehensive file documenting the grounds for the conclusions and results it arrives at.
LGAN	Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?	Y			This is part of the quality checking process
	Does the CAE control access to engagement records?	Y			Audit files are kept on an auditor-access only part of the server
	Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?	Y			Senior management in respect of release of reports to external auditors.
	Has the CAE developed and implemented retention requirements for all types of engagement records?	Y			The requirement for the retention of audit files and the time periods applied is in the Audit manual
	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	Y			
	2340 Engagement Supervision				
	Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	y			Supervisory structure is in place, with monthly meetings where progress can be monitored
	Is appropriate evidence of supervision documented and retained for each engagement?	Y			Within files there is a record (review record sheet) and the monthly meetings are annotated and retained.
4.5	2400 Communicating Results				
	Do internal auditors communicate the results of engagements?	Y			This is done in 3 stages, at the closing meeting the client has the opportunity to challenge findings, at "draft" stage the client can submit alternative resolutions to the issues identified, and at final stage a summary of both the auditors findings and the agreed actions is provided.
	2410 Criteria for Communicating				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Do the communications of engagement results include the following:				
	a) The engagement's objectives?	Y			Part of the report
	b) The scope of the engagement?	Y			As above
	c) Applicable conclusions?	Y			As above
	d) Recommendations and action plans, if appropriate?	Y			As above
LGAN	Has the internal auditor discussed the contents of the draft final report with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	Y			This is carried out in the closing meeting prior to the issue of the draft report
LGAN	If recommendations and an action plan have been included, are recommendations prioritised according to risk?	Y			Each recommendation is given a risk priority, low, moderate, significant and critical
LGAN	If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?	Y			Part of the report
LGAN	If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?	Y			Management have the option to "accept the risk" but these are reported to members in the quarterly report
LGAN	Do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice, subject to confidentiality requirements?	Y			Details to support the findings are provided within the reports
LGAN	Do the final communications of engagement results contain, where appropriate, the internal auditor's opinions and/or conclusions, building up to the annual internal audit opinion on the control environment?	Y			The Annual opinion report draws on the opinions and conclusions for each report concluded during that year
	When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?				
	When an opinion or conclusion is issued, is it supported by sufficient,	Y			Details are given in respect of each recommendation and these form the basis of the calculation of the overall opinion

Ref	Conformance with the Standard	Y	P	N	Evidence
	reliable, relevant and useful information?				
	Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	Y			Where satisfactory performance has been found, this is acknowledged within the body of the report
	When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	Y			Only released to External Audit.
LGAN	If the CAE has been required to provide assurance to other partnership organisations, has he or she also demonstrated that their fundamental responsibility is to the management of the organisation to which they are obliged to provide internal audit services?	Y			
	2420 Quality of Communications				
	Are communications:				
	a) Accurate?	Y			For each assignment a client satisfaction survey is issued, seeking client feedback on these areas.
	b) Objective?	Y			As above
	c) Clear?	Y			As above
	d) Concise?	Y			As above
	e) Constructive?	Y			As above
	f) Complete?	Y			As above
	g) Timely?	Y			As above
	2421 Errors and Omissions				
	If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	Y			This has not occurred but should an error be found after communication, this would be rectified and the relevant parties notified
	2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'				
	Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?			N	QA&IP not in place yet.
	2431 Engagement Disclosure of				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Nonconformance				
	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:				
	a) The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved?				No instances have occurred
	b) The reason(s) for non-conformance?				No instances have occurred
	c) The impact of non-conformance on the engagement and the engagement results?				No instances have occurred
	2440 Disseminating Results				
	Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	Y			Audit reports are issued to the relevant senior management, line management and the Director of Finance and Corporate Services.
	Has the CAE communicated engagement results to all appropriate parties?	Y			Each report is issued to relevant parties and a summary of findings is taken to members on a quarterly basis
	Before releasing engagement results to parties outside the organisation, did the CAE:				
	a) Assess the potential risk to the organisation?	Y			Results are only ever shared with External Audit, or, in the case of investigations, the Police
	b) Consult with senior management and/or legal counsel as appropriate?	Y			This would be done on a case-by-case basis
	c) Control dissemination by restricting the use of the results?			N	
	Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?				No consulting engagements have taken place.
	2450 Overall Opinion				
	Has the CAE delivered an annual internal audit opinion?	Y			Taken to Audit Sub-Committee 19/6/2013
	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?	Y			Annual audit opinion report para 3.2 and 3.3
	Does the annual internal audit opinion				It is an opinion based on audit evidence. Other opinions are not

Ref	Conformance with the Standard	Y	P	N	Evidence
	take into account the expectations of senior management, the board and other stakeholders?				relevant for this..
	Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information?	Y			The "basis for opinion" is supported by a calculation methodology which is reported to members
	Does the communication identify the following:				
	a) The scope of the opinion, including the time period to which the opinion relates?	Y			Each report covers a separate financial year
	b) Any scope limitations?	Y			Each report notes that absolute assurance cannot be given (para 3.4)
	c) The consideration of all related projects including the reliance on other assurance providers?	Y			The report states that it is based on the work of the Internal Audit team. Other assurance providers had not been involved in the periods examined
	d) The risk or control framework or other criteria used as a basis for the overall opinion?	Y			
	Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?	Y			This has not occurred to date
	Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?	Y			Cross referenced in the Annual Governance Statement which is signed by the Chief Executive and Leader of the Council
	Does the annual report incorporate the following:				
	a) The annual internal audit opinion?	Y			See report taken to audit sub-committee 19/9/2013
LGAN	b) A summary of the work that supports the opinion?	Y			Appendix is the annual report which summarised internal audit work during the year
LGAN	c) A disclosure of any qualifications to the opinion?	Y			If there were qualifications these would be included
LGAN	d) The reasons for any qualifications to the opinion?	Y			If there were, these would be included
LGAN	e) A disclosure of any impairments or restriction in scope?	Y			If there were, these would be included
LGAN	f) A comparison or work actually carried out with the work planned?	Y			This is one of the performance measures
	g) A statement on conformance with the PSIAS?	Y			The need to conform with PSIAS from 2013/14 was noted in the Annual Governance Statement Governance Work Plan for 2013/14 and will be included in the 2013/14 HOA opinion report
LGAN	h) The results of the QAIP?				Will not be included until the 2013/14 Annual report (due April 2014)

Ref	Conformance with the Standard	Y	P	N	Evidence
LGAN	i) Progress against any improvement plans resulting from the QAIP?				N/A
LGAN	j) A summary of the performance of the internal audit activity against its performance measures and targets?	Y			Performance measures are included in the annual report (pages 6 and 7)
	k) Any other issues that the CAE judges is relevant to the preparation of the governance statement?	Y			The format of the report is not set so the CAE is able to include issues as they arise.
4.6	2500 Monitoring Progress				
	Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	Y			There is a follow-up process established where agreed actions for recommendations all have a "due date". These details are recorded in the Audit management system and reminders are generated from the system.
	Where issues have during the follow-up process, has the CAE considered revising the internal audit opinion?	Y			No such instances have occurred, but if they did the CAE would include this in their opinion report
	Do the results of monitoring management actions inform the risk-based planning of future audit work?	Y			Failure to implement agreed actions is included as part of the risk assessment which in turn informs the audit plan.
	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?				None undertaken
4.7	2600 Communicating the Acceptance of Risks				
	If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	Y			All "accept risk" issues are included in Final report which is copied to senior management
	If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?	Y			"accept risk" instances are notified to the Audit Sub-Committee in both the quarterly progress report (on a recommendation – by – recommendation basis) and in the annual report as overall departmental totals.