



South Derbyshire District Council – Internal Audit – Audit Files

Audit Sub-Committee: 19th December 2012



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.

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1. Reason for the report

In my annual audit opinion report to Audit Sub-Committee on 20 June 2012, I reported that:

In preparing the overall opinion, I will review all audit activity carried out during 2011/12. I use the individual assurance ratings from the audits conducted and the progress with agreed actions to form the overall opinion. As Members are aware, the internal audit function for the Council is now provided by the Central Midlands Audit Partnership. Therefore my opinion has had to be based on a combination of the work of South Derbyshire's own internal team up to 31 December 2011, which also included audits undertaken by Derby City Council, and the audit work of the Central Midlands Audit Partnership from 1 January 2012. Unfortunately, I have not been able to complete my assessment of the audit work of the former internal audit team as I have been unable to locate all the files.

At the Audit Sub-Committee meeting on 26 September 2012, Members requested that I produced a report that explained the work undertaken by the Central Midlands Audit Partnership and officers from the Council, to try to locate the audit files.

I reported in my annual opinion that I had been able to establish through reports made to the Audit Sub-Committee, that the following audit assignments had been completed by the former in-house team:

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

I was therefore able to base my assessment of this work on the issues that were reported to this Sub-Committee.

2. Work done to locate audit files

On 18 January 2012, as part of the initial post-transfer arrangements, the Audit Manager from Central Midlands Audit Partnership held a one to one at South Derbyshire's offices with a member of the former in-house team who had transferred to the partnership on 1 January 2012.

One reason for the meeting was for the Audit Manager to understand what audit work was still on-going that would be transferring to Central Midlands Audit Partnership from the South Derbyshire's audit team and also to incorporate the then current year (2011/12) audit files into Central Midlands Audit Partnership's systems.

In respect of the 2011/12 files, the transferred auditor explained that all audit working files were given to the former South Derbyshire Audit Manager for him to review. The auditor was unsure as to where these files were then kept. A search of the audit office failed to find any of the current working files. Although many historic working files, spanning many years, were readily at hand.

The Director of Corporate Services arranged with the Council's Head of IT for a copy of all the electronic audit files on the former South Derbyshire Audit Manager's personal network drives to be transferred to his PC. These audit files were then transferred to the Partnership.

In total, 92 folders containing 966 sub-folders (6,749 files) were transferred. The size of the overall transfer was 2.4GB. These folders contain information dating back several years.

The Partnership's Audit Manager has viewed those folders for audit areas where South Derbyshire's audit team has reported completed audits to this Sub-Committee, but has failed to find sufficient evidence within the folders to support the audit work reported.

Whilst the electronic files have a structure to them (i.e. clearly titled folders with sub-folders identifying a specific audit year), there is insufficient detail within the working papers to allow anyone to understand what audit work has been undertaken or determine how conclusions have been drawn.

3. Conclusion

The whereabouts of the hard copy internal audit working files cannot be determined. The auditor who transferred from the in-house audit team has informed me that the files existed for the audit work he did and that he passed them to South Derbyshire's former Audit Manager. The files could not be located in the Audit office or any of the Council's other storage rooms. We have been unable to question South Derbyshire's former Audit Manager about anything relating to this matter. It is also not possible to re-create these files from the electronic folders transferred from the Audit Manager's drive.

In terms of my annual Audit Opinion presented to this Sub-Committee in June, I am satisfied that I was able to review a sufficiently large sample of audit work to enable me to support my overall conclusion on the effectiveness of the Council's control environment.

This situation should not arise in the future. All working papers produced by the Central Midlands Audit Partnership in relation to audit work are produced to very strict quality standards that are closely monitored by the Audit Management team. All our audit files are paperless and our electronic files are securely held and backed up regularly.