

## **INTERNAL AUDIT ASSURANCE STATEMENT – 2010/11**

### **Statutory Requirement**

The requirement for an Internal Audit function of local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities make arrangements for the proper administration of their financial affairs and ensure that one of their officers has responsibility for that role. The appointed officer for South Derbyshire District Council is the Head of Corporate Services. The Accounts and Audit Regulations 2003 together with amending regulations are revoked and have been replaced by the Accounts and Audit (England) Regulations 2011. These Regulations require that 'a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

### **System of Internal Control**

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

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

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

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

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

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

Internal Audit and external audit operate a joint working arrangement, known as the Managed Audit, to maximise the effectiveness of the audit process within the Council.

The external auditor considers Internal Audit as a core component of the Council's internal control framework.

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

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

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

Internal Audit examined systems operating in a range of Council functions and Services during 2010/11 in accordance with the annual plan. Internal Audit's observations and recommendations were discussed with relevant managers as part of the operation of the internal audit service.

In relation to work carried out by Internal Audit for this period and during April and May 2011, I consider, that based on this work, reliance can be placed upon the Council's internal control system. New computer systems, most of which are material to the final accounts process, have been implemented in recent years and there are plans to upgrade the main accounting system and replace the cash receipting and posting system during 2011/12. The controls in these systems have been reviewed during the year to assess the level of internal control. Internal Audit has also examined other non-financial areas and no major weaknesses were found.

**A.J.Stamper**

**Audit Manager**

**June 2011**