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Date: 24 March 2015

Dear Councillor,

Audit-Sub Committee

A Meeting of the **Audit-Sub Committee** will be held in the **Council Chamber**, on **Wednesday, 01 April 2015 at 16:00**. You are requested to attend.

Yours faithfully,

Chief Executive

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

Labour Group
Councillors Dunn and Shepherd.



AGENDA

Open to Public and Press

- 1** Apologies.
- 2** To receive the Open Minutes of the Meeting held on 17.12.2014.

Open Minutes. **3 - 5**
- 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** HEALTH & SAFETY AUDIT - UPDATE ON PROGRESSING RECOMMENDATIONS. **6 - 9**
- 7** EFFECTIVENESS OF THE AUDIT SUB-COMMITTEE - SELF ASSESSMENT. **10 - 16**
- 8** EXTERNAL AUDIT PLAN FOR YEAR ENDING 31ST MARCH 2015. **17 - 36**
- 9** INTERNAL AUDIT PLAN 2015-16. **37 - 49**

Exclusion of the Public and Press:

- 10** 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.
- 11** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.

AUDIT SUB-COMMITTEE

17th December 2014

PRESENT:-

Conservative Group

Councillors Harrison (Chairman) and Ford (Vice-Chairman)

Labour Group

Councillors Dunn and Shepherd

AS/16.

APOLOGIES

Councillor Murray

AS/17.

MINUTES

The Open Minutes of the Meeting held on 24th September 2014 were approved as a true record.

AS/18.

DECLARATIONS OF INTEREST

None received.

AS/19.

TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PRODEDURE RULE NO 10.

None received.

AS/20.

TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PRODEDURE RULE NO 11.

None received.

AS/21.

INTERNAL AUDIT QUARTERLY PROGRESS REPORT

The Sub-Committee considered the Internal Audit Quarterly Progress Report, prepared by Internal Audit. This summarised the performance and activity of Internal Audit between 1st September 2014 and 30th November 2014. Ten audit assignments were completed during the period, all of which received a comprehensive or reasonable rating so there were no specific issues to be brought to the Committee's attention.

It was reported that Customer Satisfaction ratings with the service delivery were high.

A question was raised in regard to the number of Key Financial Systems audits that yet to be undertaken. The Audit Manager explained that these are usually done early in the year closer to the financial year end.

The Audit Manager highlighted the details of the recommendation tracking with the majority of recommendations being implemented and some still being implemented, but it was considered a low number in comparison to other organisations. There were a total of 55 recommendations not reached by the agreed implementation date. The Audit Manager explained that more realistic date setting may be required for recommendations in order that they be achieved within time.

RESOLVED:-

That the report be accepted. No specific issues be reported back to the Finance & Management Committee arising from it.

AS/22.

EFFECTIVENESS OF AUDIT COMMITTEES

The Audit Manager presented the report providing a synopsis of the latest Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Audit Committees, together with the self-assessment on good practice.

The CIPFA Guidance:

- states the purpose of an audit committee
- sets out the CIPFA position statement.
- specifies the key regulations which could be addressed by the terms of reference of an Audit Committee and provides some suggested Terms of Reference.

The Sub Committee discussed the options for considering the CIPFA guidance and completion of the self-assessment. It was agreed that the rest of this report would be considered at the February 18th 2015 Sub-committee following a special meeting in January 2015 to complete the self-assessment.

RESOLVED:-

That a special meeting be arranged on Tuesday 27th January 2015 to discuss the report and to carry out a self-assessment based on the CIPFA template.

AS/23.

TERMS OF REFERENCE

The Sub-Committee considered a report from The Head of the Internal Audit Partnership. The report described that it is good practice to review the Committee's terms of reference on an annual basis and outlined the suggested amendments to the Committee's terms of reference following the annual review. Appendix 2 to the report highlighted the changes to the current Sub-Committee's terms of reference, which were set by Council in June 2006. The Sub Committee discussed the proposed changes to the terms of reference.

RESOLVED:-

That the proposed changes to the terms of reference be accepted and reported to Finance and Management Committee.

AS/24.

LOCAL CODE OF CORPORATE GOVERNANCE – WORK PLAN 2014/15

The Legal and Democratic Services Manager presented a report that reviewed the progress associated with updating and strengthening the Council's Corporate Governance arrangements as set out in the approved Work Plan. This plan was approved by the Committee in June 2014. Appendix 1 to the report described the progress of the agreed Work Plan for 2014/15.

The Sub-committee considered the report. Clarification was sought if Item 2 on the Work Plan to 'Introduce a new Leadership and Development Programme for Managers' had started. The Legal and Democratic Services Manager confirmed that the Programme has started.

In reference to item 4 of the Work Plan, concerns were raised that parishes are slow in taking up neighbourhood plans with only 1 so far looking at the process. It was confirmed that others were looking but further promotion of this was required. It was suggested this should be done through Parish Liaison in particular.

In response to a question relating to item 3 of the Work Plan, the Legal and Democratic Services Manager confirmed that an Induction Programme for Members is currently being set up.

RESOLVED:-

That progress on the Action Plan for 2014/15 be considered and noted.

J. HARRISON

CHAIRMAN

The meeting terminated at 4:30 p.m.

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 6
DATE OF MEETING:	1st APRIL 2015	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/audit/audit committee/health and safety report back April 2015
SUBJECT:	HEALTH & SAFETY AUDIT: UPDATE ON PROGRESSING RECOMMENDATIONS	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

- 1.1 That the timeframe for implementing the recommendations following the Health and Safety Audit are considered and progress to-date noted.

2.0 Purpose of Report

- 2.1 To report the detailed recommendations arising from the Health and Safety Audit which was undertaken at the Council's Depot earlier in the year. This follows the request from the previous Audit Sub Committee in February, regarding some concerns on the audit findings and the timetable proposed by officers for their implementation.

3.0 Detail

- 3.1 At the Committee's meeting in February, the Internal Audit Manager reported the outcomes of the health and safety audit review at the Depot. This highlighted several control weaknesses and 9 recommendations to strengthen procedures in this area.
- 3.2 Although most of the recommendations were classed as low risk, with 2 classed as being moderate, the Committee raised concerns on several of the findings, together with the extended time frame proposed by the responsible managers for implementing the recommendations.
- 3.3 The recommendations are detailed in **Appendix1**. This also details the management response, progress and proposed time frames. An updated position will be provided at the Committee meeting.

4.0 Financial Implications

4.1 None.

5.0 Corporate Implications

5.1 None

6.0 Community Implications

6.1 None directly.

7.0 Background Papers

7.1 None

South Derbyshire DC - Depot Health & Safety

AUDIT RECOMMENDATIONS					MANAGEMENT RESPONSES		
Rec No.	Risk Rating	Summary of Weakness (Issue)	Issue Accepted	Suggested Action (Recommendation)	Action Details Inc. alternative solution (If no action please state reasons)	Officer Responsible (email address only)	Implementation Date (dd/mm/yyyy)
1	Moderate Risk	Procedural guidance/safety method statements had not been established for all duties undertaken by the Grounds Maintenance Operatives and signed records had not been kept to demonstrate when guidance had been issued and received.	YES	We recommend that procedural guidance/safety method statements are established for all duties undertaken by the Grounds Maintenance operatives. Signed records should be maintained to demonstrate that operatives had been issued with, received and understood the Health & Safety guidance/ codes of safe working practices issued to them. This would serve as a means of maintaining signed evidence that they are aware of what is expected of them.	Direct Services Manager, Service Manager (Grounds & Facilities) and the Health & Safety Officer are developing a series of tool box talks on procedural guidance and safe systems of work. These will be delivered on a month by month basis at team briefings. Guidance will be delivered on a priority basis commencing with the highest risk/probability rating.	adrian.lowery@south-derbys.gov.uk	01/03/2015 – 28/02/2016
2	Low Risk	A Code of Safe Working Practice for Grounds Maintenance had been prepared, but was not dated to evidence when it was produced, due for review or issued to operatives. In addition, the Code of Safe Working Practice for Street Cleansing was dated August 2004, making it nearly 11 years old.	YES	We recommend that Codes of Safe Working Practices are dated to evidence their date of production and that the current codes are reviewed to ensure their content remains appropriate and relevant prior to reissue to operatives. Ideally, signed records should be maintained or operatives training records should reflect that operatives have been issued with and are aware of the codes relevant to their area of work.	Codes of safe working practices for grounds refuse and cleansing are currently under review by the Direct Services Manager, Service Manager (Grounds & Facilities) and the Health & Safety Officer and new dated versions will be issued to all staff.	adrian.lowery@south-derbys.gov.uk	01/04/2015
3	Low Risk	Risk assessments for Waste and Cleansing had not been reviewed and updated since November 2012.	YES	We recommend that risk assessments are reviewed and updated on an annual basis to ensure their content remains relevant and up-to-date.	Annual reviews of all risk assessments have been arranged for Waste & Cleansing and Grounds Maintenance. 12/02/2015 – waste & cleansing 19/02/2015 - grounds	adrian.lowery@south-derbys.gov.uk	completed
4	Moderate Risk	Limited Health and Safety training had been provided to Grounds Maintenance and Waste and Cleansing operatives during the last 3 years.	YES	Given that duties undertaken by operatives based at the Council's Depot pose the biggest risk to the Council in terms of Health and Safety, we recommend that Depot operatives are required to undertake Health and Safety training on a regular basis, both in terms of mandatory training and task specific. This should be undertaken in conjunction with the Health and Safety Officer and records of attendance at training sessions should be maintained to demonstrate all operatives have attended and serve to indicate when refresher training was required.	Review and evidence current training records and plan a programme for all mandatory training and task specific training, with clear time frames for refresher training.	adrian.lowery@south-derbys.gov.uk	28/02/2015
5	Low Risk	Not all managers had undergone Health and Safety training specifically geared towards managers and their responsibilities as the employer.	YES	We recommend that all line managers at the Depot attend an IOSH Managing Safely or similar course. This would serve as a means of demonstrating that management awareness and responsibility of Health and Safety is fully understood.	IOSH Managing Safely or similar course to be arranged for supervisors at the depot. All three managers at the depot –A. Lowery, G. Coates and S. Sheppard have received IOSH or similar course on Health & Safety.	adrian.lowery@south-derbys.gov.uk	01/04/2015 – 31/03/2016
6	Low Risk	Risk management log sheets had not always been signed off by a Senior Officer to demonstrate that exposure levels had been monitored. Risk management log sheets were not being completed in respect of exposure to noise levels.	YES	We recommend that risk management log sheets are completed by operatives in respect of their use of tools and equipment. These should be completed in respect of both exposure to noise levels and vibration levels, signed and dated by the operative and by their Line Manager to demonstrate that checks have been undertaken to ensure exposure levels have not been exceeded for each day. Nil returns should also be submitted and filed.	Log sheets are completed and signed off by a line manager for exposure to vibration, including NIL returns; this will be expanded to incorporate noise exposure.	adrian.lowery@south-derbys.gov.uk	01/04/2015
7	Low Risk	There was no documented timetable to demonstrate when equipment was due for testing the vibration and noise levels it produced, or when it was due for replacing.	YES	We recommend that a documented timetable is established to clearly demonstrate when equipment is due to be subject to annual hand, arm vibration and noise test levels. The timetable should also indicate when the machinery is due for replacement.	All plant and equipment has been incorporated into the Vehicle, plant and equipment database with all servicing and testing timetabled. The database is reviewed every Monday morning by the Direct Services Manager.	adrian.lowery@south-derbys.gov.uk	completed

South Derbyshire DC - Depot Health & Safety

AUDIT RECOMMENDATIONS					MANAGEMENT RESPONSES		
Rec No.	Risk Rating	Summary of Weakness (Issue)	Issue Accepted	Suggested Action (Recommendation)	Action Details Inc. alternative solution (If no action please state reasons)	Officer Responsible (email address only)	Implementation Date (dd/mm/yyyy)
8	Low Risk	The result of spot checks on refuse operatives working on site was not being documented.	YES	We recommend that the result of spot checks on operatives whilst working on site is documented. This would serve to demonstrate that the spot check has been undertaken and that operatives were complying with Health and Safety requirements whilst undertaking their duties.	A system was previously in place and this appears to have lapsed; this has now been reinstated and documented spot checks will be undertaken from 23/02/15	adrian.lowery@south-derbys.gov.uk	23/02/15
9	Low Risk	Operatives based at the Council's Depot had very limited access to Health and Safety information.	YES	We recommend that the computer installed in the rest area at the Depot is connected to the Council's network in order that it can provide operatives with electronic access to the Council's Health and Safety policies and procedures. In connecting this computer, consideration should be given to ensuring adherence to and compliance with the Council's IT User Security Policy and Procedures. Alternatively, we recommend management consider the option of utilising a notice board for displaying the Health and Safety policies and procedures and relevant risk assessments. This would also serve to ensure operatives had access to Health and Safety information.	The installation of the computer is not a practicable solution at this time, but should be considered for the new depot. A combination of tool box talks, mandatory training and codes of safe working practices along with risk assessments and generic use of notice boards.	adrian.lowery@south-derbys.gov.uk	01/03/2015 – 28/02/2016

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	1st APRIL 2015	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE & CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/audit/audit committee/effectiveness/self-assessment review March 2015
SUBJECT:	EFFECTIVENESS OF THE AUDIT SUB COMMITTEE – SELF ASSESSMENT	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

- 1.1 That the effectiveness self-assessment undertaken by Members of the Audit Sub Committee is reviewed and noted.
- 1.2 That the weaknesses identified and the associated actions for improvement are approved.

2.0 Purpose of the Report

- 2.1 To provide the results of the self-assessment undertaken by Members of the Audit Sub Committee regarding the Committee's effectiveness.
- 2.2 All current Members of the Audit Sub Committee met on 11th March 2015 to collectively assess the Committee's effectiveness against best practice guidance and a checklist published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

3.0 Detail

- 3.1 It is considered that audit committees have an important role in the governance of councils and it is recommended by CIPFA that their effectiveness is regularly reviewed. At its meeting on 17th December 2014, the Audit Sub Committee agreed to self-assess its effectiveness against best practice principles.
- 3.2 This is the first review the Committee has undertaken since CIPFA updated its guidance in December 2013 and follows a review of the Audit Sub Committee's terms of reference, together with an update of the knowledge and skills framework for audit committees.

Self-Assessment Checklist

- 3.3 This is detailed in **Appendix 1** which sets out the response by Members against each of the questions or issues raised. Generally, the Members were satisfied that the Committee met most of the good practice points regarding its purpose, terms of reference, together with its membership and support.
- 3.4 Out of the 20 questions on its role, Members were able to answer positively to 17, with 2 being considered to be partly met and only 1 more significant improvement identified. These are detailed in the following table, which also identifies how improvement can be made on each issue.

Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	Partly met	<i>Not all knowledge areas have been formally assessed – recommend that this is undertaken prior to the commencement of each municipal year following appointment to the Committee. This will also highlight any training and development needs of Members.</i>
Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Not met	<i>Recommend that Internal and External Audit are asked for feedback on the overall operation of the Committee and whether it is sufficiently proactive and supportive of the Auditor's work</i>
Does the committee have an action plan to improve any areas of weakness?	Partly met	<i>Training needs have previously been identified, but a more robust plan will be drawn up to improve the role of the Committee as identified in this review.</i>

- 3.5 On the actual qualitative measures of effectiveness, Members were generally satisfied that these were substantially met. Out of the 9 distinct areas, only 2 were considered to be in need of improvement, as highlighted in the following table.

Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.	<i>This is considered a weakness as the Committee does not ordinarily review major projects, for example, the current programme of New Build in the HRA. Recommended that any major projects are included specifically in future audit plans for a governance review, or plans adjusted to reflect new projects to enable assurance to be sought as early as possible.</i>
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<p>Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English.</p> <p>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.</p>	<p><i>This is considered a weakness as the Committee has rarely focused on this issue. The Committee has reviewed the Council's arrangements for meeting the Transparency Code of Practice. However, more general public reporting and in particular decision making through partnerships has not been specifically considered.</i></p> <p><i>It is recommended that where audits touch on the Council's significant partnership arrangements, this issue is included within the scope of the audit in addition to operational/contract arrangements.</i></p>
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4.0 Financial Implications

4.1 None

5.0 Corporate Implications

5.1 None directly

6.0 Community Implications

6.1 None directly

7.0 Background Papers

7.1 None

Self-assessment of Good Practice and Effectiveness

Note: All references to “Committee” mean the Audit Sub Committee

Good practice questions	Yes	Partly	No
Audit committee purpose and governance			
1 Does the authority have a dedicated audit committee?	Yes		
2 Does the audit committee report directly to full council?	Yes		
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s Position Statement?	Yes		
4 Is the role and purpose of the audit committee understood and accepted across the authority?	Yes		
5 Does the audit committee provide support to the authority in meeting the requirements of good governance?	Yes		
6 Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Yes		
Functions of the committee			
7 Do the committee’s terms of reference explicitly address all the core areas identified in CIPFA’s Position Statement?			
• Good governance	Yes		
• Assurance framework	Yes		
• Internal audit	Yes		
• External audit	Yes		
• Financial reporting	Yes		
• Risk management	Yes		
• Value for money	Yes		
• Counter-fraud and corruption	Yes		
8 Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Yes		
9 Has the audit committee considered the wider areas identified in CIPFA’s Position Statement and whether it would be appropriate for the committee to undertake them?	Yes		
10 Where coverage of core areas has been found to be limited, are plans in place to address this?	Yes		
11 Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Yes		

Good practice questions	Yes	Partly	No
Membership and support			
<p>12 Has an effective audit committee structure and composition of the committee been selected? This should include:</p> <ul style="list-style-type: none"> • Separation from the executive • An appropriate mix of knowledge and skills among the membership • A size of committee that is not unwieldy • <i>Where independent members are used, that they have been appointed using an appropriate process. (NOT APPLICABLE)</i> 	Yes		
	Yes		
	Yes		
	N/a		
13 Does the Committee chairman have appropriate knowledge and skills?	Yes		
14 Are arrangements in place to support the committee with briefings and training?	Yes		
<p>15 Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?</p> <p>Not all knowledge areas have been formally assessed – recommend that this is undertaken prior to the commencement of each municipal year following appointment to the Committee. This will also highlight any training and development needs of Members.</p>		Partly	
16 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	Yes		
17 Is adequate secretariat and administrative support to the committee provided?	Yes		
<p>18 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?</p> <p>Recommend that Internal and External Audit are asked for feedback on the overall operation of the Committee and whether it is sufficiently proactive and supportive of the Auditor’s work.</p>			No
19 Has the committee evaluated whether and how it is adding value to the organisation?	Yes		
<p>20 Does the committee have an action plan to improve any areas of weakness?</p> <p>Training needs have previously been identified, but a more robust plan will be drawn up to improve the role of the Committee as identified in this review.</p>		Partly	

Evaluating the effectiveness of the audit committee

Key

- 5 Clear evidence is available from a **number** of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are **clearly identifiable**.
- 4 clear evidence from **some** sources that the committee is actively and effectively supporting improvement across some aspects of this area
- 3 The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also **significant gaps**
- 2 There is some evidence that the committee has supported improvements, but the **impact** of this support is **limited**.
- 1 **No evidence** can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation examples – areas of strength and weakness	Overall assessment; 5 – 1 (see key above)
Promoting the principles of good governance and their application to decision making	Providing robust review of the AGS and the assurances underpinning it. Working with key members to improve their understanding of the AGS and their contribution to it. Supporting review/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships.	<i>AGS reviewed and signed off annually, together with mid-year review of work plan. Local Code of Corporate Governance maintained and reviewed by the Committee twice per year. Member of CMAP enables sharing of approach and provides opportunities for improvement.</i>	4
Contributing to the development of an effective control environment	Monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls with appropriate senior managers.	<i>Recommendation tracking reviewed by the Committee on a quarterly basis. Committee have asked for "report backs" on concerns raised; for example, bank reconciliation, procurement and most recently, Health and Safety at the Depot.</i>	5
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. Monitoring improvements. Holding risk owners to account for major / strategic risks.	<i>Arrangements regularly reported to the Committee and reviewed. The Committee does not hold risk owners to account for specific risks and it is considered that this is not a function of this Committee..</i>	4
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeing to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.	<i>The Committee reviews Audit Plans prior to work commencing and considers risk areas. Annual reviews of Auditors considered and Value Statement signed off.</i>	5
Supporting the quality of the internal audit activity, particularly by underpinning its organisational	Reviewing the Internal Audit Charter and functional reporting arrangements. Assessing the effectiveness of	<i>As above. Internal Audit Charter approved and reviewed when necessary. Internal Audit provided by</i>	5

independence	internal audit arrangements and supporting improvements.	<i>CMAP whose officers are independent of the Council.</i>	
Aiding the achievement of the Authority's goals and objectives through helping to ensure appropriate governance, risk control and assurance arrangements.	Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.	<i>This is considered a weakness as the Committee does not ordinarily review major projects, for example, the current programme of New Build in the HRA. Recommended that any major projects are included specifically in future audit plans for a governance review, or plans adjusted to reflect new projects to enable assurance to be sought as early as possible.</i>	1
	Reviewing the effectiveness of performance management arrangements.	<i>This is regularly reported and considered by the Committee.</i>	5
Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS.	<i>Any areas for improvement reported to the Committee are set out in a work plan and this is monitored by the Committee. This is also included in the AGS.</i>	5
Helping the Authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	Reviewing arrangement against the standards set out in CIPFA's <i>Managing the Risk of Fraud</i> (Red Book 2) Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and governors.	<i>This is discharged through the annual "Informing the Audit Risk Assessment" undertaken by External Audit. The Committee consider the Council's arrangements against potential risks identified and monitors any actions arising.</i>	5
Promoting effective public reporting to the Authority's stakeholders and local community and measures to improve transparency and accountability	Improving how the Authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.	<i>This is considered a weakness as the Committee has rarely focused on this issue. The Committee has reviewed the Council's arrangements for meeting the Code of Practice on Transparency. However, more general public reporting and in particular decision making through partnerships has not been specifically considered. It is recommended that where audits touch on the Council's significant partnership arrangements, this issue is included within the scope of the audit in addition to operational/contract arrangements.</i>	3

REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	1st APRIL 2015	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE & CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/audit/grant thornton/plan& inspection/ covering report
SUBJECT:	EXTERNAL AUDIT PLAN YEAR ENDING 31ST MARCH 2015	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 01

1.0 Recommendations

- 1.1 That the proposed Audit Plan for the year ending 31st March 2015 is considered and the proposed approach to undertaking audit work for the year is approved.

2.0 Purpose of Report

- 2.1 For Grant Thornton, as the Council's appointed auditors, to present their Audit Plan and approach for the year ending 31st March 2015.

3.0 Detail

- 3.1 The Plan sets out where the External Auditors will focus their activities for the year ending March 2015. Predominantly, this will involve work in respect of the Council's Annual Accounts and Financial Statements, together with assessing the Council's arrangements for securing Value for Money.
- 3.2 This is a broad plan and details how the Auditors will approach their work in order to satisfy statutory requirements and to benefit the Council. It details work and testing undertaken to-date and identifies potential risk areas that will be followed up over the coming months.
- 3.3 The outcome will be reported to the Audit Sub Committee in September, with the Annual Audit Letter being reported to Full Council in November 2015.

4.0 Financial Implications

- 4.1 The Audit Plan provides an estimate of the fees that will be charged to the Council and how they are calculated. These fees will be contained in the Council's budget allocation for External Audit.

5.0 Corporate Implications

5.1 None directly.

6.0 Community Implications

6.1 None directly.

7.0 Background Papers

None

The Audit Plan for South Derbyshire District Council

Year ended 31 March 2015

6 March 2015

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Director

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Tony Parks

Manager

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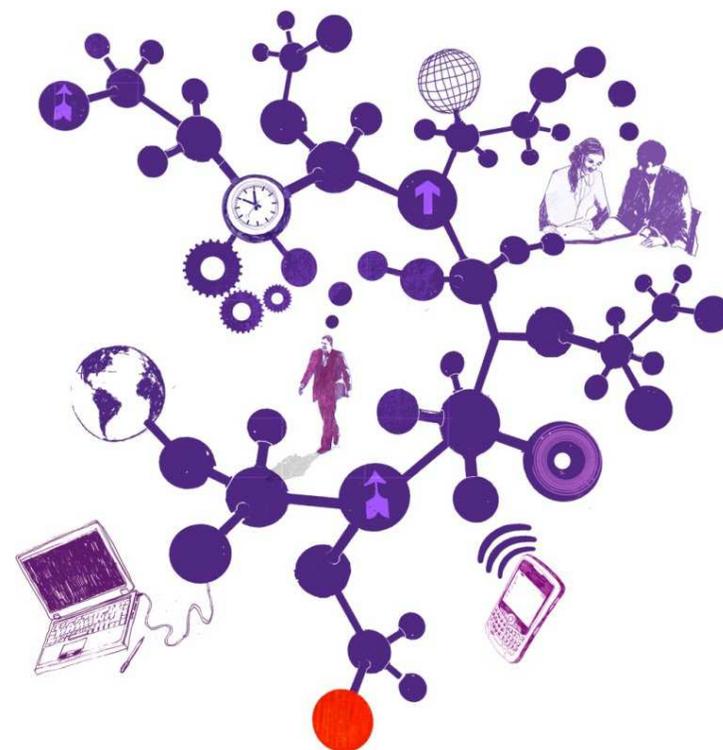
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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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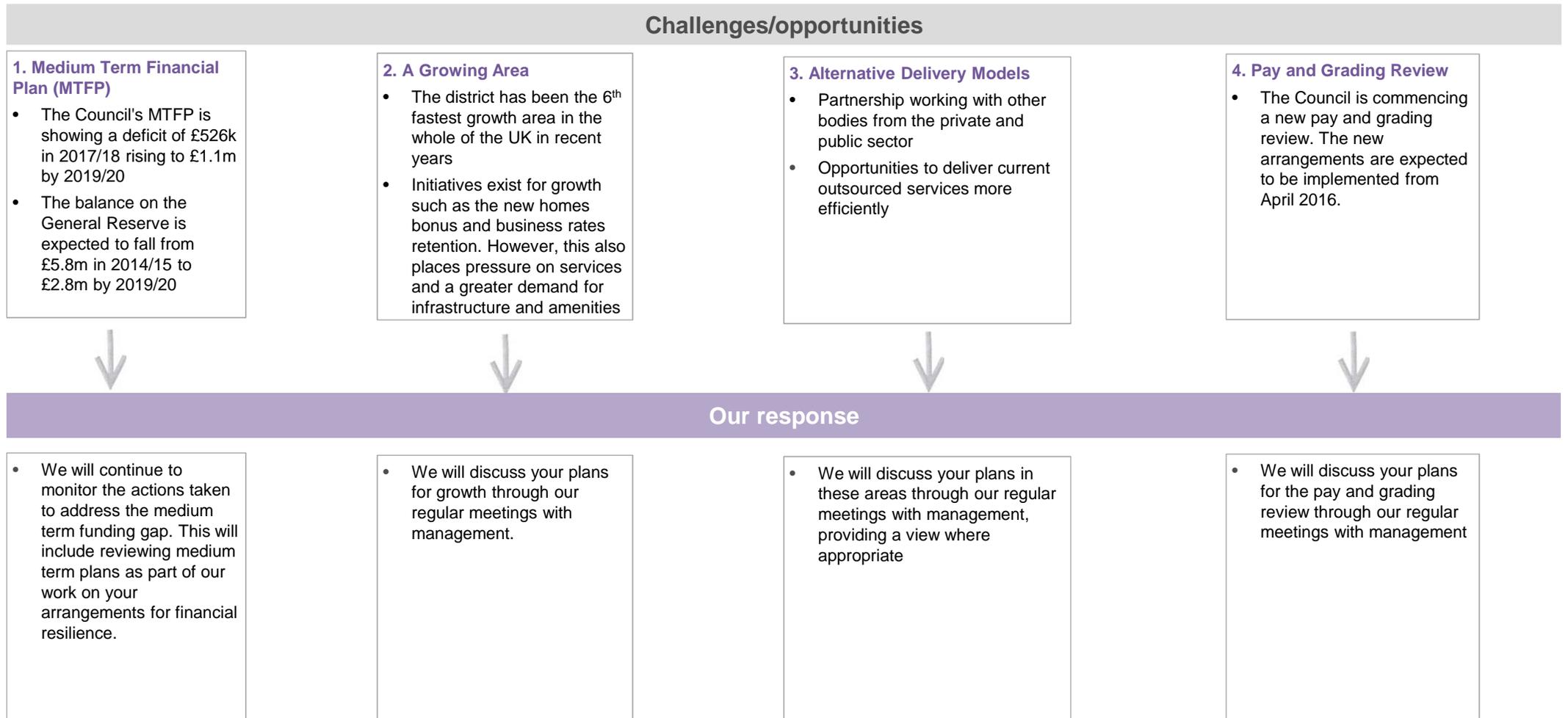
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- A. Action plan

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements

1. Financial reporting

- Changes to the CIPFA Code of Practice

2. Legislation

- Local Government Finance settlement

3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

4. Financial Pressures

- Managing service provision with less resource
- Progress against savings plans

5. Other requirements

- The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion
- The Council completes grant claims and returns on which audit certification is required

Our response

- We will ensure that the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing

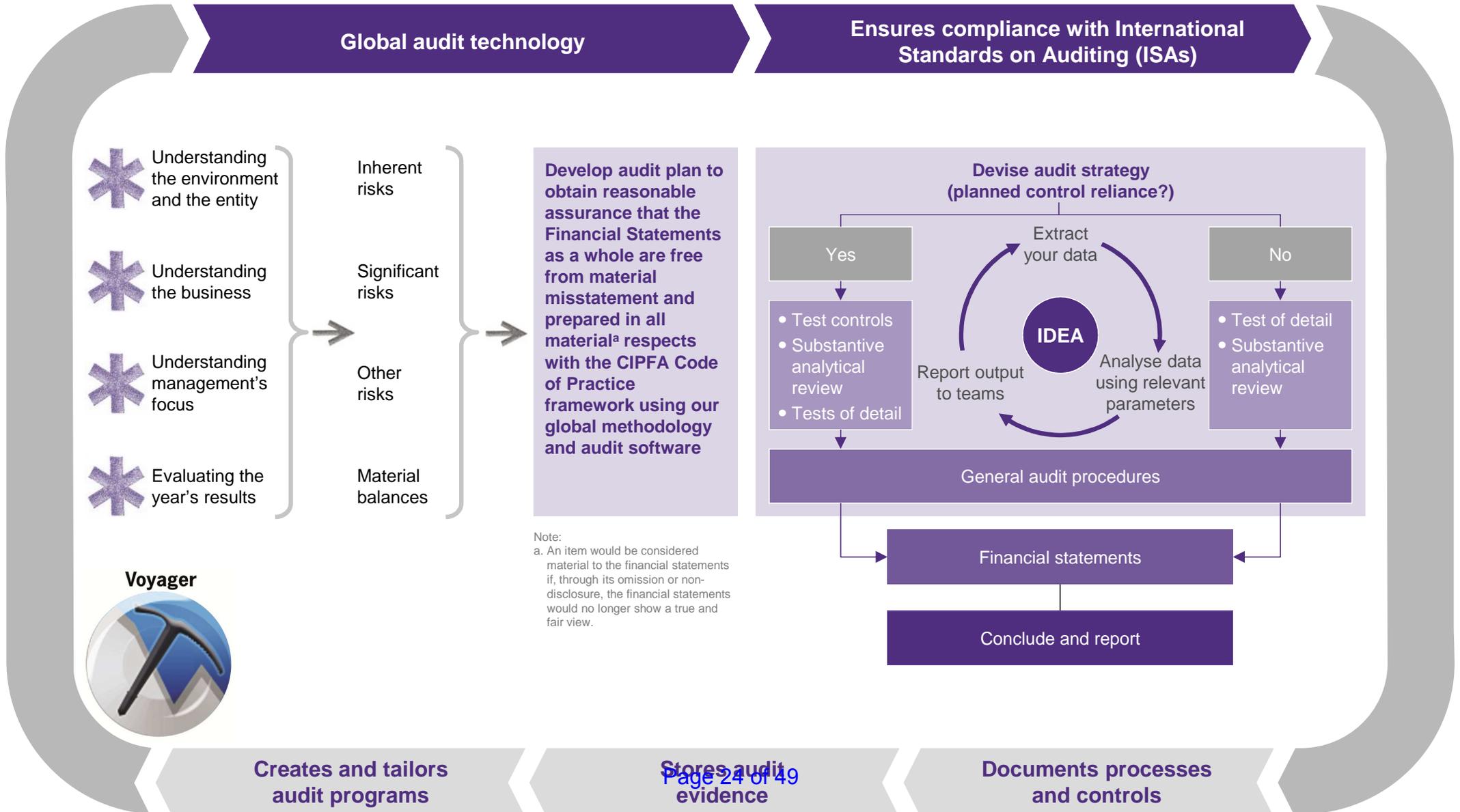
- We will discuss the impact of the legislative changes with the Council through our regular meetings with management providing a view where appropriate

- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge

- We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan
- We will undertake a review of Financial Resilience as part of our VfM conclusion

- We will carry out work on the WGA pack in accordance with requirements
- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.

Our audit approach



Significant risks identified

'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 outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at South Derbyshire District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including South Derbyshire District Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.	<p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses (completeness)	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have completed our documentation of the system and performed a walkthrough of the identified controls <p>Further work planned:</p> <ul style="list-style-type: none"> We will complete our detailed substantive testing of the expenditure balances included in the financial statements We will carry out specific work around the completeness of balances
Employee remuneration (completeness)	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have completed our documentation of the system and performed a walkthrough of the identified controls <p>Further work planned:</p> <ul style="list-style-type: none"> We will complete our detailed substantive testing of employee remuneration balances included in the financial statements We will carry out specific work around the completeness of balances.

Other risks identified continued

Other risks	Description	Audit Approach
Welfare Expenditure (valuation gross)	Welfare benefit expenditure improperly computed	<p>Work completed to date:</p> <ul style="list-style-type: none">• We have completed our documentation of the system and performed a walkthrough of the identified controls <p>Further work planned:</p> <ul style="list-style-type: none">• We will review the benefits system reconciliation to ensure that information from the benefits system can be agreed to the ledger and financial statements• We will carry out procedures in accordance with the HBCount methodology required to certify the housing benefit subsidy claim

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

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

We will undertake a risk assessment to identify areas of risk to our VfM conclusion.

The main risk identified to-date relates to the medium term financial position. The Council's MTFP is showing a deficit of £526k in 2017/18 rising to £1.1m by 2019/20. Consequently, the base budget is being reduced and a number of cost saving initiatives implemented so that a sustainable position is achieved.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

Results of interim audit work

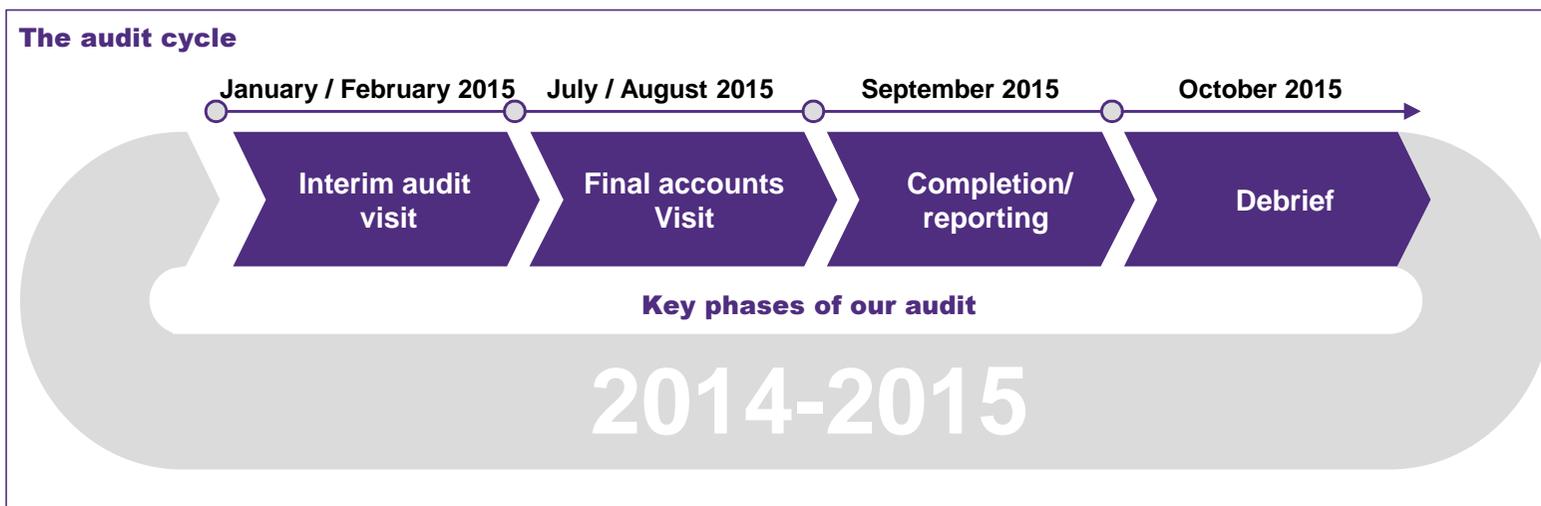
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work which was completed in February 2015 identified that that some monthly reconciliations were not being completed in a timely manner. The benefits reconciliation was last completed in August 2014 and the payroll reconciliation was last completed in September 2014.</p>	<p>The Council should ensure that the monthly reconciliations are completed in a timely manner.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

Results of interim audit work cont'd

	Work performed	Conclusion
Review of information technology controls	<p>We have performed a high level review of the general IT (information technology) control environment, as part of the overall review of the internal controls system. We have also performed a follow up of the issues that were raised last year.</p> <p>IT controls were observed to have been implemented in accordance with our documented understanding.</p>	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
Early substantive testing	We have completed early substantive testing for the period up to and including month 10 on operating expenses.	No issues have been noted during the testing performed that would impact on our audit approach. Substantive testing of these balances for months 11 and 12 will be completed at the year end.

Key dates



Date	Activity
January 2015	Planning
January / February 2015	Interim site visit
1 April 2015	Presentation of audit plan to Audit Committee
July / August 2015	Year end fieldwork
September 2015	Audit findings clearance meeting with Director of Finance and Corporate Services
September 2015	Report audit findings to those charged with governance
September 2015	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	65,700
Grant certification	24,440
Total fees (excluding VAT)	90,140

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

Fees for other services

Service	Fees £
Benchmarking in connection with the existing service contracts	10,000

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

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.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

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

Communication of audit matters with those charged with governance

International Standards 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.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan 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.

Our communication plan	Audit plan	Audit findings
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 issue 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		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Our work identified that that some monthly reconciliations were not being completed in a timely manner. The benefits reconciliation was last completed in August 2014 and the payroll reconciliation was last completed in September 2014.</p> <p>The Council should ensure that the monthly reconciliations are completed in a timely manner.</p>	High	The reconciliations have already been brought up to date. The two particular systems slipped due to staff absences.	Done



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REPORT TO:	AUDIT SUB COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	1st APRIL 2015	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/derby city/annual plans/covering report
SUBJECT:	INTERNAL AUDIT PLAN 2015-16	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: AS 02

1.0 Recommendations

- 1.1 That the proposed Internal Audit Plan for 2015-16 is considered and approved for implementation, subject to any changes agreed by the Audit Sub-Committee.

2.0 Purpose of Report

- 2.1 To consider the proposed Audit Plan for 2015/16. This is in accordance with the Code of Practice for Internal Audit which governs local authorities.

3.0 Detail

- 3.1 The Plan has been drawn up by the Audit Manager, in consultation with the Director of Finance. The attached Plan details where audit are proposing to allocate their resources over the coming financial year 2015-16.
- 3.2 This includes an assessment of the Council's risk areas which helps to inform how audit will allocate resources. The allocation is also based on regulatory requirements to review key financial systems each year.
- 3.3 The Plan also details the audit approach and coverage that the Council can expect from the Internal Audit Service. The Audit Sub Committee are requested to consider priorities and the proposed allocation of audit resources for 2015/16.

4.0 Financial Implications

- 4.1 The Plan will be delivered within the budget allocated for Internal Audit.

5.0 Corporate Implications

5.1 Approximately 60% of the proposed plan relates to corporate activities in order that the key financial, IT, HR, procurement and governance systems, etc. that underpin service delivery are covered. These areas are subject to audit each year, although the focus of each annual review may be different.

5.2 Direct service areas are covered on a cyclical basis to ensure that all activities are subject to some degree of audit over a 5-year period. Although some areas will have an inherent higher risk rating, they may not be audited each and every year unless special circumstances exist.

5.3 It is proposed to undertake detailed audits in the following service areas during 2015/16:

- Development Control
- Rosliston Forestry Centre
- Tenancy Management
- Supported Housing
- Grounds Maintenance
- Street Cleansing
- Community Wardens

5.4 Contingencies are also included for special investigations and to provide advice on emerging issues that may arise during the year.

6.0 Community Implications

6.1 None directly.

7.0 Background Papers

7.1 None

South Derbyshire District Council – Audit Plan 2015-16

Audit Sub Committee: 1st April 2015



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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Introduction

Reasons for an Audit Plan

The Public Sector Internal Audit Standards (PSIAS) state that annually the Head of Audit is responsible for developing a risk-based plan.

A fundamental role of Internal Audit is to provide members and senior management with independent assurance on South Derbyshire District Council's overall control environment, comprising the systems of governance, risk management, and internal control and to highlight control weaknesses together with recommendations for improvement. The annual Audit Plan sets out proposals on how this will be achieved in the year ahead.

The Audit Plan must incorporate sufficient work to enable the Head of Audit to give an opinion on the adequacy of South Derbyshire District Council's overall control environment. Internal Audit must therefore have sufficient resources to deliver the Audit Plan.

The audit work planned for 2015/16 will inform the Head of Audit's opinion on the internal control environment that exists within South Derbyshire District Council. The Head of Audit reports his overall opinion to the Audit Sub-Committee on an annual basis.

This report provides Committee with an opportunity to challenge and approve the planned work of the Internal Audit service. As well as satisfying themselves that the methodology and arrangements for preparing the annual Audit Plan are robust.

Approach to Audit Planning

The Audit Manager is responsible for delivering the audit service. To ensure that this can be achieved there are appropriate arrangements for audit planning and ensuring that the plan is adequately resourced with the necessary level of skilled and experienced staff.

The Head of Audit takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the Head of Audit uses his own judgment of risks after consideration of input from senior management and the Audit Sub Committee. The Head of Audit must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.



As such, the service will be delivered on the principle of a risk based audit plan compiled by the Audit Manager in consultation with South Derbyshire District Council's Management, using a risk assessment model which allocates a risk factor of high, medium or low to all the areas for audit review to be undertaken.

South Derbyshire District Council – Audit Plan 2015-16

We will also consider South Derbyshire District Council's risk management arrangements to inform our risk assessment. We will endeavour to meet with relevant managers to further understand the risk areas where internal audit assurance will be appropriate. The Audit Plan sets out the number of days required for Internal Audit to adequately review the areas involved and indicates the priority level for each planned audit assignment. The overriding objective of this approach is to ensure that the Head of the Audit Partnership is able to present an annual opinion on the organisation's overall control environment by directing adequate resources based on the relative risks of operations, resources and services involved.

The Audit Plan balances the following requirements:

- The need to ensure the plan is completed in line with the agreed performance targets.
- The need to ensure the core financial systems are adequately reviewed to provide assurance that management has in place proper arrangements for financial control.
- The need to appropriately review both strategic risk and operational risk areas.
- The need to have a sufficient contingency element to deal with unplanned issues and investigations that arise during the year.
- To enable positive, timely input to assist corporate and service developments.
- To meet the requirements of the managed audit arrangements with the external auditors to ensure that they can comply with the International Auditing Standard, including system documentation and evaluation for all business critical systems and validation of performance indicator outturns.

Progress in completing the audit plan, as well as achieving its performance targets will be submitted to the Audit Sub-Committee as part of regular Internal Audit Progress reports.

Aims of Audit Coverage

The objectives of Internal Audit's planned coverage are as follows:

- Provide an assurance on the organisation's internal control system, and hence there is need to audit areas of financial and non-financial risk as this will encompass some of the key governance systems.
- Audit the main financial systems and other systems related to possible material mis-statements, regardless of comparative risk.
- Deliver risk based assurance on those controls that manage significant risks.
- Fully conforms to the Public Sector Internal Audit Standards (PSIAS) which came into force on 1st April 2013.
- Better integrate the outcomes and other information gathered as part, of the internal audit process, with the organisation's risk management process.
- Maintain on-going effective relationships with the External Auditors and deliver complementary plans of work so as to deliver an efficient audit service collectively.
- Ensure that appropriate resources, suitably experienced, and with skills to deliver the whole plan of work are maintained within Internal Audit.
- Improve the efficiency and effectiveness of operations of the service.
- Promote good corporate governance and control practices and contribute to a good governance culture.
- Work in a positive manner alongside clients, supporting them in the effective management of risk and service delivery.
- Contribute to embedding risk management throughout the organisation's processes.
- Contribute to the development and maintenance of an effective counter fraud culture within the organisation.

Content of the Audit Plan

Audit Resources

It is anticipated that the Central Midlands Audit Partnership will provide South Derbyshire District Council with a sustainable service, with comprehensive coverage and an enhanced quality of service. It is envisaged that as the Partnership grows, greater efficiencies may be achieved which could result in further cost reductions to Partner organisations over time.

The Partnership uses a modern risk-based approach to internal audit, which focuses audit reviews on the key risks faced by South Derbyshire District Council. We will utilise our bespoke database systems and automated working papers package that greatly assist with the conduct of audits and the audit management process. These systems cover audit working papers and reports, job control and progress tracking, time recording, recommendation tracking and automated follow-ups, together with performance monitoring and management reporting.

This approach will result in more efficient ways of undertaking, documenting and managing the audit services. This will lead to greater efficiencies in the delivery of the required assurances to management, as more audit work will be achieved within a given resource allocation than would have been the case in previous years.

South Derbyshire District Council's planned audit coverage should not experience reductions or additional costs through long-term absences or vacancies, etc. and will benefit from the specialist audit skills and experience already contained within the Partnership (e.g. computer auditing) which was previously only available at a premium.

The general management and administrative overheads associated with the internal audit service will not be detailed in this report as they relate to the Partnership as a whole and are typically not directly attributable to any single organisation. This report will only detail the resource allocations to 'productive' audit work which can be attributed to this organisation.

Plan Contingencies

The Audit Plan is a flexible document and it is inevitably subject to some changes during the year as a result of emerging issues deemed as a high risk, the need to divert audit resources to investigation work and changes in staffing resources available for audit work.

To ensure changes to the Plan are minimised, within the Plan there are a number of days set aside as "contingencies". These are split as follows:

- **Emerging Issues** - Not all audit work can be planned one year in advance. Accordingly, a contingency of days has been built into the Plan to address issues that occur during the year which Audit need to be aware of and assess the risk implications for South Derbyshire District Council
- **Advice** - On an ad-hoc basis, Audit is called upon to provide risk and control advice on issues throughout South Derbyshire District Council. This consultancy work is a very important service and requests for Audit input are considered to be a good measure of the quality of the Audit service and of the satisfaction of our customers.
- **Investigations** - Internal Audit may be involved in the investigation of suspected internal fraud, theft or major irregularity (where there is some form of alleged financial irregularity, which may have resulted in financial loss to South Derbyshire District Council). Under the Code of Practice this is deemed a non-assurance function, and therefore such work will only be undertaken if the availability of resources allows it. The level of investigation work cannot easily be predicted, but given the level of coverage in recent years we would normally set the contingency of days to approx. 5% of days available.
- **Follow-up Audits** - Internal Audit is committed towards ensuring that control improvements are achieved and all agreed actions are acted upon. To this end, audit time has been allocated to develop our system for ensuring that agreed actions to audit recommendations are implemented. We have developed a recommendation tracking

South Derbyshire District Council – Audit Plan 2015-16

database, which allows us to monitor, follow-up and report upon the status of all management's actions in respect of agreed audit recommendations.

- **Brought Forward Jobs** - A number of incomplete audits from the 2014/15 Plan will need to be concluded in 2015/16. It has been assumed that brought forward and carry forward figures will remain fairly consistent from year to year. As such, related days will no longer be included in the Plan.

Types of Audit Work

Key Financial Systems Audit - The main area for internal audit work is the reviews of South Derbyshire District Council's fundamental financial systems, which are the key to the running of the organisation. Hence the majority of audits planned in the department are reviews of the central control elements and associated risks of the fundamental financial systems. External Audit will review the work on the fundamental financial systems to assist them when determining their opinion on South Derbyshire District Council's annual accounts. The Plan covers the key financial systems including the Main Accounting System, Budgetary Control, Reconciliations, Asset Management, Creditors, Debtors and Payroll. The consequences of these system processes going wrong could lead to service failure and wasted resources.

Systems / Risk Based Audits - The auditor's prime role is to review the internal control system and report upon the adequacy of controls. An organisation's overall internal control system is the product of all of those systems and processes that the organisation has created to deliver its business objectives, both financial and non-financial. It follows that one of the main ways that auditors will form a view on the overall control system is by carrying out reviews of the component systems and processes. These are commonly known as systems-based audits. They enable auditors to:

- Assess how internal controls are operating in a system to manage risk, thereby forming a view on whether reliance can be placed upon the system.

- Provide management with assurances that systems are adequately meeting the purposes for which they were designed.
- Provide constructive and practical recommendations to strengthen systems and address identified risks.
- Use findings to feed into an overall opinion on the control framework.
- Provide evidence for external audit and other review agencies.

IT Audit – Typically our IT auditing coverage focuses on the following:

- **Infrastructure** - Infrastructure audits cover perimeter defences, authentication, management and monitoring, and devices. Broken down further, IT Infrastructure Audits typically address Anti-Virus, Intrusion Detection Systems, Firewalls, Routers, Switches, Operating Systems, Directory Services (Active Directory), Group Policy, Virtual Private Networks, Database Platforms, Web Server Platforms, Application Server Platforms, Network Management, Network Design, Networking Hardware, Centralised Storage, Virtualization, Telecommunications and IT Telephony, Remote Access Solutions (Citrix) amongst others. Infrastructure audits help provide assurance that the Company's private network is protected from internet attacks, unauthorised or inappropriate access via local or remote attacks, and also ensure South Derbyshire District Council has the necessary monitoring and incident analysis to maintain and analyse the Network.
- **Applications**: Application audits cover thin and fat client applications, and both internal (Intranet) or external (Web) applications. Applications audits typically focus on CIAA (confidentiality, integrity, availability and accountability risks). This can be broken down to look at application deployment and use, to ensure the applications and hosting servers are protected, and design and configuration ensure attackers cannot exploit vulnerabilities to gain unauthorised access to sensitive corporate data.

Governance Reviews - The governance framework comprises the systems and processes, and culture and values, by which South

South Derbyshire District Council – Audit Plan 2015-16

Derbyshire District Council is directed and controlled, and by which it accounts to, engages with and leads the community. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether this has led to the delivery of appropriate, cost-effective services. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. Internal Audit undertakes reviews of key aspects of South Derbyshire District Council's governance framework by looking at corporate systems such as Risk Management, Health & Safety, Data Quality, Anti –Fraud etc.

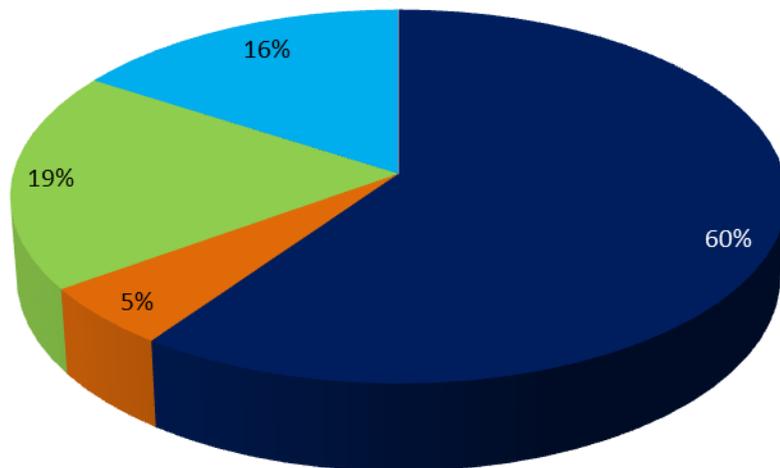
Procurement/Contract Audit - Procurement involves the process of acquisition from such third parties, and spans the whole life cycle from the initial concept (determining the need), through buying and delivery, to the end of a service contract. The audit approach to procurement should primarily concern South Derbyshire District Council's corporate procurement strategy and associated management structures and processes, including contract procedure rules and detailed procurement guidance. Internal Audit should focus resources on those areas perceived on an annual basis to be of highest risk. To identify such areas, it will be necessary to have information regarding the current spending on procurement by each area within the authority, together with its plans for the future (including any major service contracts that are due for re-letting).



Overview Charts of Planned Coverage

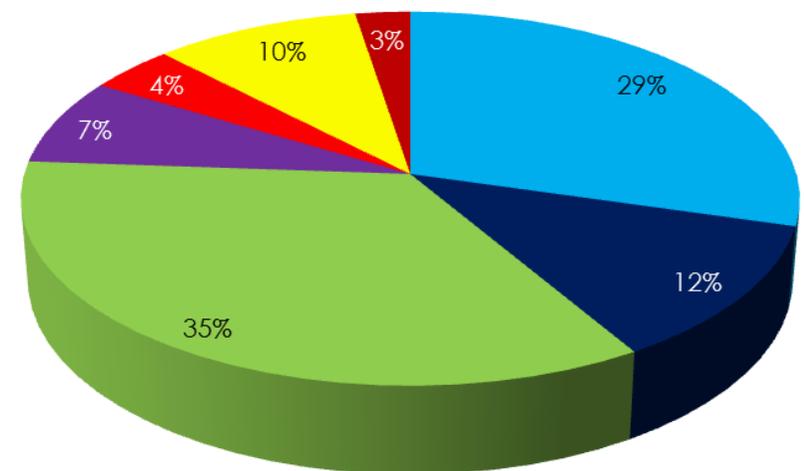
Audit Plan 2015-16 Time Allocated to Each Department

- Corporate Services
- Community & Planning Services
- Housing & Environmental Services
- Contingencies



Audit Plan 2015-16 Time Allocation per Type of Audit

- Key Financial System
- Governance Review
- Systems/Risk Audit
- IT Audit
- Procurement/Contract Audit
- Investigation
- Advice/Emerging Issues
- Follow-up



South Derbyshire District Council – Audit Plan 2015-16

Detailed Audit Plan Proposal

Plan 2012-13	Plan 2013-14	Plan 2014-15	South Derbyshire District Council – Audit Plan 2015-16	Risk Score	Risk Rating	Plan Days	Type of Audit
Corporate Services							
Financial Services							
✓	✓	✓	Main Accounting System / Budgetary Control / Bank Reconciliation	59	High	20	Key Financial System
✓	✓	✓	Treasury Management / Insurance	58	High	15	Key Financial System
	✓		Capital Programme	49	Medium		
			Grant Certification	35	Medium		
	✓		Banking Services / VAT	54	Medium	15	Systems/Risk Audit
Client Services							
✓	✓	✓	Council Tax / NNDR / Cashiering	55	High	25	Key Financial System
✓	✓	✓	Housing & Council Tax Benefit	60	High	20	Key Financial System
✓	✓	✓	Payroll / Officers Expenses & Allowances	64	High	15	Key Financial System
✓	✓	✓	Creditors / Debtors	56	High	20	Key Financial System
✓	✓	✓	Procurement (Contracts Register)	53	Medium		
✓	✓	✓	People Management	52	Medium	13	Systems/Risk Audit
✓		✓	PCI Compliance	50	Medium		
✓	✓	✓	IT Applications	67	High	17	IT Audit
✓	✓	✓	IT Infrastructure	73	High	20	IT Audit
	✓		Client Monitoring - Corporate Services Contract	56	High		
Corporate Services Admin							
	✓		Data Protection & Freedom of Information	50	Medium		
	✓		Records Management	50	Medium		
		✓	Partnership Governance	48	Medium		
✓		✓	Risk Management	61	High		
	✓		Corporate Governance	51	Medium	13	Governance Review
			Declarations of Interest	41	Medium	13	Governance Review
			Petty Cash & Inventories	38	Medium	13	Systems/Risk Audit
✓	✓	✓	Data Quality & Performance Management	55	High	20	Governance Review
	✓		Business Continuity & Emergency Planning	50	Medium		
✓			Anti-Fraud & Corruption	45	Medium		

South Derbyshire District Council – Audit Plan 2015-16

✓	✓	Safeguarding	55	High		
		Corporate Assets				
✓	✓	Fixed Assets	52	Medium	15	Key Financial System
		Commercial Rents	38	Medium	13	Systems/Risk Audit
		Land Sales	41	Medium	13	Systems/Risk Audit
		Legal & Democratic Services				
		Council House Sales	45	Medium		
	✓	Electoral Services	44	Medium		
		Members' Allowances	38	Medium	13	Systems/Risk Audit
		Land Charges	29	Low		
Corporate Services Total Days					293	
Community & Planning Services						
		Culture & Safer Communities				
	✓	Bereavement Services	45	Medium		
	✓	Community Safety Partnership	48	Medium		
		Economic Development				
	✓	Economic Development	48	Medium		
		Planning, Development & Building Control				
	✓	Planning & Building Control Fees	44	Medium		
	✓	Section 106 Agreements	47	Medium		
		Development Control	48	Medium	13	Systems/Risk Audit
		Sport & Health Development				
	✓	Leisure Centres	49	Medium		
		Rosliston Forestry Centre	45	Medium	13	Systems/Risk Audit
Community & Planning Services Total Days					26	
Housing & Environmental Services						
		Repairs & Improvements				
✓	✓	Housing Repairs (Planned & Responsive Maintenance)	55	High		
	✓	Service Contracts	56	High		
		Cleaning Services	34	Low		
		Performance & Business				
		Rechargeable Repairs	38	Medium	13	Systems/Risk Audit
	✓	Rent Accounting	55	High	15	Systems/Risk Audit

South Derbyshire District Council – Audit Plan 2015-16

✓		Tenants Arrears	49	Medium		
		Housing Operations				
✓	✓	Allocations & Homelessness	48	Medium		
		Income & Tenancy Management	41	Medium	13	Systems/Risk Audit
		Sheltered Housing	38	Medium	13	Systems/Risk Audit
		Direct Services				
		Parks & Open Spaces	37	Medium		
		Grounds Maintenance	43	Medium	13	Systems/Risk Audit
✓	✓	Waste Management (Collection, Trade, Recycling)	55	High		
	✓	Fleet Management	47	Medium		
		Street Cleansing	39	Medium	13	Systems/Risk Audit
		Gypsy Sites	37	Medium		
		Strategic Housing				
	✓	Improvement Grants (Energy, Disabled Facilities etc.)	46	Medium		
		Environmental Health Enforcement				
	✓	Pollution Control	47	Medium		
	✓	Food Safety	47	Medium		
	✓	Licensing	46	Medium		
		Pest Control	37	Medium		
✓		Warden Controlled Services	38	Medium	13	Systems/Risk Audit
✓	✓	Health & Safety	47	Medium		

Housing & Environmental Services Total Days

93

Contingencies

Other Audit Work

Partnership Re-allocation	16	Advice/Emerging Issues
Investigations	20	Investigation
Advice & Emerging Issues	21	Advice/Emerging Issues
Audit Sub Committee	10	Advice/Emerging Issues
Follow-ups	14	Follow-up

Contingencies Total Days

81

South Derbyshire District Council Total Days

493