

DERBYSHIRE COUNTY COUNCIL
AUDIT COMMITTEE MEETING

21 July 2016

Report of the Assistant Director of Finance (Audit)

ANNUAL AUDIT REPORT 2015-16

1. Purpose of Report

To inform Members of the work undertaken by the Audit Services Unit for the financial year 2015-16 and to update Members on the overall performance against the Audit Plan.

2. Information & Analysis

The Audit Services Unit discharges the Authority's statutory responsibilities under Regulation 5, Accounts & Audit Regulations 2015 and significant aspects of the Director of Finance's statutory duties under Section 151, Local Government Act 1972. The Unit also works with the County Council's appointed auditors KPMG.

The role and responsibilities of the Unit are further clarified and reinforced in the County Council's Financial Regulations, Standing Orders, Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan and the requirements of the Confidential Reporting Code. The Authority has approved an Audit Charter in compliance with the Public Sector Internal Audit Standards (PSIAS).

The Annual Audit Report contains:-

- an analysis of planned and actual audit activity for 2015-16,
- an analysis of reports issued, assurance levels and recommendations made and agreed,
- productivity statistics,
- areas of good practice identified and areas for improvement in the current year,
- client satisfaction indicators for the Unit,
- the Assistant Director of Finance (Audit)'s formal controls assurance statement and opinion which contributes to the Authority's Annual Governance Statement.

The PSIAS requires that the "chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control".

The annual report must incorporate:

- the opinion;
- a summary of the work which supports the opinion; and
- a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

The Opinion is as follows:

“I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the Council’s internal control framework.

In my opinion the Council’s framework of governance, risk management and control is basically sound whilst some critical/high priority recommendations have been made to address potentially significant or serious weaknesses identified. Audit Services’ staff have worked with Senior Management to agree appropriate corrective actions and a timescale for improvement which are incorporated into relevant action plans. Should these weaknesses remain unaddressed they may expose the Authority to reputational risk or significant control failure.

As of this date I am satisfied that there are no matters which would cause the External Auditor to consider any qualification of his certification of the Council’s Annual Accounts.”

3. Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

4. Officer’s Recommendation

That the Committee:-

- considers the detailed Annual Audit Report for 2015-16; and
- notes the overall quality of the performance of the Audit Services Unit during the period.

Carl Hardman
Assistant Director of Finance (Audit)

DERBYSHIRE COUNTY COUNCIL
AUDIT SERVICES ANNUAL REPORT
2015/16

CARL HARDMAN
Assistant Director of Finance (Audit)

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The Mission of Audit Services

Audit Services aspires to enhance and protect organisational value by providing objective, risk based assurance, advice and insight.

Purpose of the Annual Report

The Annual Report provides Members with the outcome of Audit activity within the County Council throughout the financial year, highlighting the achievement of the 2015-16 Plan, which was approved by the Audit Committee on 25th March 2015, key issues identified within the year and actions arising from our work.

The Public Sector Internal Audit Standards (PSIAS) requires that the “chief audit executive (Assistant Director of Finance (Audit)) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control”.

The PSIAS also requires that the “annual report must incorporate:

- the opinion;
- a summary of the work which supports the opinion; and
- a statement on compliance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.”

Principle 2 of the published statement on the Role of the Head of Internal Audit issued by the Chartered Institute of Public Finance and Accountancy (Cipfa) as a best practice requirement states “The annual HIA opinion is the most important output from the HIA. This is one of the main sources of objective assurance that Chief Executives have for their annual governance report”. The Council produces an Annual Governance Statement as part of its Statement of Accounts.

Audit Services’ Memoranda and Reports are issued throughout the year on completion of Audit work and addressed to appropriate Senior Managers including the Chief Executive and Strategic Directors/Directors in accordance with the requirements of the PSIAS. Follow up actions taken to implement our recommendations are routinely monitored as part of on-going Audit work.

Executive Summary

The Unit has established practices to formulate the Audit Plan which reflects the key issues identified in the Authority's Strategic and Departmental risk registers. The Plan is discussed and agreed by key stakeholders including the Chief Executive, Director of Finance (Section 151 Officer), individual Strategic Directors and provided to the Council's External Auditor for comment prior to submission to, and approval by the Audit Committee. The Assistant Director of Finance (Audit) meets regularly with the Corporate Management Team, Chief Executive and individual Strategic Directors to discuss progress against the Plan and any emerging issues. The Plan is subject to on-going review and is flexed to meet changing risks with regular updates of Audit activity reported to the Audit Committee.

Our work to support Management in implementing robust IT systems continues with IT security assessments being undertaken of external suppliers' systems, procedures, network security and operational controls.

In addition to our programme of Audits the Unit assists Management with the provision of on-going support, advice, attendance at various meetings including those with Departmental staff, project boards, governors and school based staff. Audit Services continues to disseminate intelligence received from the National Anti-Fraud Network to Members, Strategic Directors and Directors in order to ensure that the Council is protected against known fraud risks. The Unit also produces the 'Audit Matters' newsletter targeted at schools.

Detailed analysis of Audit work is given at Appendix 1 to this Report and key results for the Unit are shown at pages 14 to 19. Detailed responses to questionnaires are given at Appendix 2. 196 Memoranda were issued in 2015-16 of which 87% achieved "qualified assurance" or above.

In total 96% of Audit recommendations made were accepted by Management which demonstrates a commitment to improvement. However, it is essential that agreed recommendations are promptly implemented to improve overall governance, control and reduce the level of risk.

My opinion is that the Council's framework of governance, risk management and control is basically sound whilst some critical/high priority recommendations have been made to address potentially significant or serious weaknesses identified.

In formulating my opinion I have assessed the work undertaken by the Unit during the year and the outputs from that work, the results of follow up work to ensure the effective implementation of recommendations previously made, the results of work of other review bodies, where appropriate, the extent of resources available to deliver the audit work, the quality and performance of

the Unit and its compliance with the Public Sector Internal Audit Standards, and the proportion of the Council's audit need that has been covered. No limitations have been placed on the scope of Audit Services during the year.

Examples of Good Practice and Opportunities for Improvement Identified During the Year

Each report produced reflects areas of good practice identified by the Audit Services' review and includes a prioritised Action Plan detailing recommendations for improvements. The following are examples of those areas of good practice and improvements identified from our work:-

Good Practice Identified

- **Budgetary Control and Production of the Statement of Accounts** are subject to effective procedures which ensure that statutory timescales are met. Financial pressures on the Council continue and robust controls are in place to monitor spending whilst External Audit are able to provide an unqualified opinion on the Statement of Accounts.
- **Information Governance and Compliance with ISO Standards** has become more embedded and established. Staff generally demonstrated knowledge of key policies and procedures which form part of the requirements of ISO27001. Staff also had a good understanding of the need to correctly handle confidential information. In the majority of cases premises, data and documents were secured and documentation had been correctly referenced in accordance with ISO labelling and handling standards.
- **Purchasing and Procurement** continues to be a focus of attention in driving efficiencies. Financial Regulations provide clear, detailed guidance with regard to a range of procurement scenarios. Audit testing confirmed that in general these requirements are complied with in practice.
- **Management and Administration** procedures are subject to on-going Audit review which identified that schemes of delegation and approved operational procedures are in place with clear communication channels.

Opportunities for Improvement Identified

- **Effective management and challenge at schools** continues to threaten the provision of a sound governance framework and proper financial management. Although a significant number of schools operate with robust challenge between the governing body and head teacher there are a number where this is not effective which adversely affects the school. The importance of ensuring that these key roles work in a complimentary way whilst providing effective challenge is essential to ensure robust control systems are in place.
- **Sound governance arrangements** are essential to the effective management of organizations. The Council's framework of Corporate governance is reviewed as part of on-going Audit work and appropriate recommendations made to Senior Management as part of established reporting arrangements. During the year the Council has directed attention to the outcomes of the Report of Inspection of Rotherham Metropolitan Borough Council (Casey Report). As part of its role the Governance Group is producing a detailed analysis of the Action Plan produced by Rotherham MBC to assess the arrangements which the Council has in place which will be used as a catalyst to identify any necessary improvements.
- **IT Security arrangements at Third Party Suppliers** remains a significant concern and poses a real threat to the security of the Council's and its schools' sensitive data. Recent Audit reviews undertaken at suppliers' offices and data hosting locations continue to identify weaknesses within basic information security controls. Whilst the external supplier would ultimately be the primary focus of any investigation by the Information Commissioner's Office (ICO), in the event of data breach, questions may be raised with the Council and/or school in respect of the level of due diligence undertaken regarding the Data Protection Act. Whilst the Authority has a clear procedure in place for such reviews, which are reported to the Director of Finance, this is not as defined within schools. To address this area of risk, Audit Services continue to engage with schools to identify the use of external suppliers with access to sensitive data and, where appropriate, undertake a review of their information security control procedures.
- **Implementation of agreed Audit recommendations** is essential to improve the effectiveness of the overall governance and control environment and minimise risk. Audit Services Memoranda incorporate an Action Plan which is agreed with the appropriate level of Management as part of the formal exit meeting at the conclusion of the Audit. These Action Plans report the findings of Audit work and include prioritized recommendations and an implementation timetable which is monitored as a key part of subsequent reviews to ensure that appropriate, agreed action has been taken. Whilst the increasing pressure on resources

within the Council continues our work has again confirmed that a number of agreed recommendations remained outstanding, although the deadline for their implementation had passed. The level of agreed recommendations not implemented during the year clearly impacts on the level of assurance which I am able to give in relation to the Authority's overall governance and control framework. During the current year Audit Services will seek to develop its IT systems to assist in the tracking of progress on agreed recommendations.

Staffing of the Audit Services Unit

The Unit provides a full range of audit services using only in-house staff, including the specialist areas of investigative and IT Audit work. The Team delivered 124 additional productive days compared to the approved Audit Plan and was able to retain a particularly stable staffing base. PwC undertook an independent review, on behalf of the County Council, of the adequacy and effectiveness of Audit Services and our compliance with the Cipfa Code of Practice and the PSIAS which was reported to the Audit Committee in March 2014. PwC commented that the “team is very hard working and committed. The Team has a good mix of skills, experience and qualifications.”

Feedback received from our clients shows that overall 96.9% of responses rated the service as good or very good,

Statement by The Head Of Audit Services On The Authority's Framework of Governance, Risk Management and Control and Audit Opinion

Derbyshire County Council acknowledges its responsibility for ensuring that an effective system of internal control is maintained and operated in respect of the resources under its control.

The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorized and properly recorded, and that material errors or irregularities are either prevented or should be detected within a timely period.

The system of internal control is based upon a framework which embraces regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a structure of delegation and accountability. Managers within the Council undertake development and maintenance of the system. In particular, the system includes:

- Comprehensive budgeting systems;
- The preparation and regular review of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital expenditure guidelines;
- As appropriate, formal project management disciplines; and
- Clearly defined and adequately documented approved procedural and operational guidance.

The County Council's Audit Services is an assurance function which provides an independent and objective opinion to the Authority on its framework of governance, risk management and control. This framework is subject to regular review by the Unit who, through a structured plan of operational and financial reviews, provide management with assistance and guidance on systems, processes and risks and through this work form a view on the strength of individual aspects of control and the overall control environment.

Audit work encompasses both operational systems and those in development and through this work Audit Services:

- Facilitate good practice in managing risks;
- Contribute to ensuring sound resource management;
- Recommend improvements in control, performance and productivity;
- Provide reassurance and challenge to managers;

- Encourage development of consistent policies and high standards;
- Ensure the impartial investigation of irregularities and policy breaches;
- Support the achievement of statutory and best practice requirements.

Audit Services operates in compliance with the requirements of the Accounts and Audit Regulations. This requires that the Council must undertake an effective internal audit of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. These Regulations also require full assistance from officers and Members in the provision of access to documents and records and the supply of information and explanations to enable the proper fulfilment of those audit responsibilities.

The Unit's work conforms with the requirements of the Public Sector Internal Audit Standards and the findings of the independent PwC review which were reported to the Audit Committee on 25th March 2014 confirmed that "we found evidence that the AS (Audit Services) service has put in place appropriate measures to comply with the CIPFA Code of Practice and PSIAS". PwC as part of their work identified some areas for consideration/potential improvement which they termed "not significant issues". The vast majority of these action points are now embedded within Audit Services' working methodologies. Additionally the Unit complies with the policies, procedures, rules and regulations established by the Authority.

The Audit Services Unit has an audit strategy supported by an annual plan of areas to be examined. This is based upon an assessment of risks and a determination of critical areas for opinion and assurance purposes. The Audit Plan, which is approved by Audit Committee, is reported to Cabinet and Council and is managed throughout the year to ensure delivery of all key aspects of work. Where External Audit intends to rely on Audit Services' work aspects of that work will be subject to their review.

The Director of Finance is the nominated Section 151 Officer and also has line management responsibility for the Head of Audit Services. The Head of Audit Services has direct access to the Audit Committee, Chief Executive and other Strategic Directors and Directors and has well established reporting lines to Members. The constitution gives the Audit Committee overall responsibility for internal and external audit and Audit Services produce Annual Reports to that Committee outlining future planned work and reporting on delivery of the audit product. The Annual Report includes an opinion on the level of assurance which can be drawn from the work undertaken.

The assessment of the adequacy of the control environment rests upon the work of managers within the Council. It is informed by the work of Audit Services as described above and also by the work of External Audit as communicated in their annual audit letter and other reports.

During the year Audit Services have reviewed all key systems and their interfaces, both centrally and as part of Departmental, establishment and other reviews. Our work has led to the production of Memoranda, addressed to Senior Management, each of which includes an Audit Opinion and Assurance Statement. Audit opinions provided are categorized and based on the level of assurance which Management may draw on the adequacy and effectiveness of the internal control framework in operation in the area under review based on Audit's work. These assurance levels are detailed later in this Report at pages 14 and 15.

During the year we have produced 38 reports following reviews which cover Corporate Governance, Departmental Audits, major systems, Corporate and Departmental projects and key areas of probity and compliance. 28 of these areas were assessed as "qualified assurance" with 8 exceeding that level of assurance. This is broadly in line with the performance achieved in the previous year. We have, throughout our work, identified key recommendations which, when implemented, should significantly improve the control environment and the consequent level of assurance we are able to provide. In addition, in a significant number of areas reviewed Management had failed to fully implement previously agreed Audit recommendations.

The Public Sector Internal Audit Standards require that the "chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control."

The annual report must incorporate:

- the opinion;
- a summary of the work which supports the opinion; and
- a statement on compliance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

In giving this opinion it should be noted that assurance can never be absolute and therefore only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. I have based my opinion on:-

- Audit Services Memoranda and Reports completed during the year;
- the results of follow up work to ensure the effective implementation of recommendations in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- Management's response to findings and recommendations;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of Audit Services and the extent of compliance with the PSIAS;

- the proportion of the Authority's audit need that has been covered within the period.

No limitations have been placed on the scope of Audit Services during the year.

Opinion

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the Council's internal control framework.

In my opinion the Council's framework of governance, risk management and control is basically sound whilst some critical/high priority recommendations have been made to address potentially significant or serious weaknesses identified. Audit Services' staff have worked with Senior Management to agree appropriate corrective actions and a timescale for improvement which are incorporated into relevant action plans. Should these weaknesses remain unaddressed they may expose the Authority to reputational risk or significant control failure.

As of this date I am satisfied that there are no matters which would cause the External Auditor to consider any qualification of his certification of the Council's Annual Accounts.

C. HARDMAN
Assistant Director of Finance (Audit)
June 2016

Legislative/Regulatory Basis of Operation

The Audit Services Unit discharges the Council's statutory responsibilities under Regulation 5, Accounts & Audit Regulations 2015 and significant aspects of the Director of Finance's statutory duties under Section 151, Local Government Act 1972. The Unit also works with the Council's appointed auditors KPMG in accordance with the agreed Audit Protocol. The role and responsibilities of the Unit are further clarified and reinforced in the Council's Financial Regulations, Standing Orders, Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan and the requirements of the Confidential Reporting Code. The Council has approved an Audit Charter in compliance with the requirements of the PSIAS.

The PSIAS define the nature of internal auditing within the UK public sector, set basic principles for carrying out internal audit, establish a framework for providing internal audit services and set out the basis for the evaluation of internal audit performance.

The PSIAS requires that external assessments of internal audit "must be conducted at least once every five years by a qualified, independent assessor". PwC undertook an independent review, on behalf of the Council, of the adequacy and effectiveness of its internal audit service and compliance with the CIPFA Code of Practice and the PSIAS. The findings of the PwC review were reported to the Audit Committee on 25th March 2014 and confirmed that "we found evidence that the AS (Audit Services) service has put in place appropriate measures to comply with the CIPFA Code of Practice and PSIAS". PwC as part of their work identified some areas for consideration/potential improvement which they termed "not significant issues" and an action plan was produced to identify any improvements considered necessary. The vast majority of these action points are now embedded within Audit Services' working methodologies.

In addition the Director of Finance has carried out a review of the effectiveness of the system of internal control which concluded that he was "satisfied that Audit Services achieved adherence to the standards set out in the PSIAS, and that this provides a sound basis from which the Council rely on the assurances provided by Audit Services in respect of the effectiveness of the internal control system."

On-going monitoring of the performance and quality control of the work of Audit Services is achieved through day to day supervision, review and measurement of internal audit activity in accordance with practices established by the Assistant Director of Finance (Audit) and contained in the Audit Services Manual.

Key Results for Audit Services – 2015-16

a). Performance (see Appendix 1)

	Days
Approved Audit Plan	2,911
Actual Productive Days	<u>3,035</u>
Additional Productive Days Delivered	<u>124</u>

b). Analysis of Audit Assurance Levels

We provide an opinion giving the level of assurance which Management may draw from the adequacy and effectiveness of the overall control framework in operation in the area subject to Audit based on the results of that work. These levels of assurance are detailed in our Audit Opinion and a summary of audit assurance levels across all areas of activity is detailed below based on our work for 2015-16 and compared with the previous year.

Audit Area	Level of Assurance									
	Full		Substantial		Qualified		Limited		No Assurance	
	14-15	15-16	14-15	15-16	14-15	15-16	14-15	15-16	14-15	15-16
Corporate Activities ¹	-	-	1	-	-	1	-	-	-	-
Chief Executive & Corporate Resources ²	-	-	3	7	21	22	3	2	-	1
Children's Services (excluding schools)	-	-	3	-	19	6	1	-	-	-
Schools	-	-	9	-	77	109	17	15	-	3
Adult Care	-	-	1	2	14	19	6	3	-	-
Economy, Transport & Environment	-	-	-	-	2	3	-	1	-	-
Health & Communities	-	-	-	-	1	2	-	-	-	-
Total	-	-	17	9	134	162	27	21	-	4

196 Memoranda incorporating an assurance level were issued in 2015-16 (178 – 2014-15) of which 87% had “qualified assurance” or above (85% 2014-15). This included 38 Memoranda following reviews which cover Corporate Governance, Departmental Audits, major systems, Corporate and Departmental projects and key areas of probity and compliance. 28 of these areas were assessed as “qualified assurance” with 8 exceeding that level of assurance, which is broadly in line with the previous year.

Further information on assurance levels is given on the following page.

¹ This area of activity includes special investigations where assurance levels and recommendations are treated differently and not categorized in the same way. 13 Reports were produced during the year as a result of special investigations.

² This area of activity includes IT system evaluation work - 14 Reports were issued, 11 of which where assurance levels and recommendations are not categorized in this way.

Level of Assurance	Explanation and significance
Full Assurance	There is a sound system of control designed to achieve the system/audit area objectives and to identify and manage the risks to achieving those objectives.
Substantial Assurance	Whilst there is a sound system of control some minor weaknesses have been identified which may put some of the system/audit area objectives at risk.
Qualified Assurance	Whilst there is basically a sound system of control some critical/high priority recommendations have been made to address potentially significant or serious weaknesses identified. Should these weaknesses remain unaddressed they may expose the Council to reputational risk or significant control failure.
Limited Assurance	Significant weaknesses have been identified in key areas of the control system which expose the system/audit area to a high risk of failure and the Council to significant reputational risk.
No Assurance	Control has been judged to be weak as systems weaknesses have been identified in numerous key areas rendering the overall system of internal control ineffective and leaving the system/audit area open to a high risk of error or abuse.

c). Analysis of Audit Recommendations Made

A key objective of our work is to support Management by producing recommendations based on our findings which will, if implemented, improve effectiveness, efficiency and the adequacy of the internal control framework, and address any perceived weaknesses identified by the Audit review. These recommendations are prioritised and incorporated into an Action Plan. A summary of the recommendations made by Audit Services for 2015-16 and the previous year across all areas of activity, excluding investigations, is given below. The table also shows the number and percentage of recommendations which have been accepted by Management and the number and percentage rejected.

Category of Recommendation	No of Recs Made		No of Recs Accepted		% Accepted		No of Recs Not Accepted		% Not Accepted	
	14-15	15-16	14-15	15-16	14-15	15-16	14-15	15-16	14-15	15-16
Critical	9	18	9	18	100	100	0	0	0	0
High	1,150	1,332	1,109	1,281	96	96	41	51	4	4
Medium	1,821	1,782	1,749	1,691	96	95	72	88	4	5
Low	602	803	582	771	97	96	20	32	3	4
Total	3,582	3,935	3,449	3,761	96	96	133	171	4	4

All accepted recommendations should be implemented within the timescale agreed between Management and Audit Services, which are detailed in associated Action Plans issued on the completion of each project and are formally reviewed at the next Audit visit. The table below analyses those recommendations which were identified as having not been implemented.

Department	Critical	High	Medium	Low
Chief Executive & Corporate Resources	2	34	47	12
Children's Services (excluding schools)	-	19	18	2
Schools	1	554	642	52
Adult Care	1	43	84	8
Economy, Transport & Environment	-	8	5	-
Health & Communities	-	2	1	-
Total	4	660	797	74

Whilst it is noted that a high level of recommendations made are agreed by Management it is imperative that those agreed recommendations are promptly implemented in order to improve the overall governance and control environment and reduce the level of risk. The above analysis shows that 81% of recommendations not implemented relate to schools.

Further information on Audit recommendations and priority levels attached to them is given below.

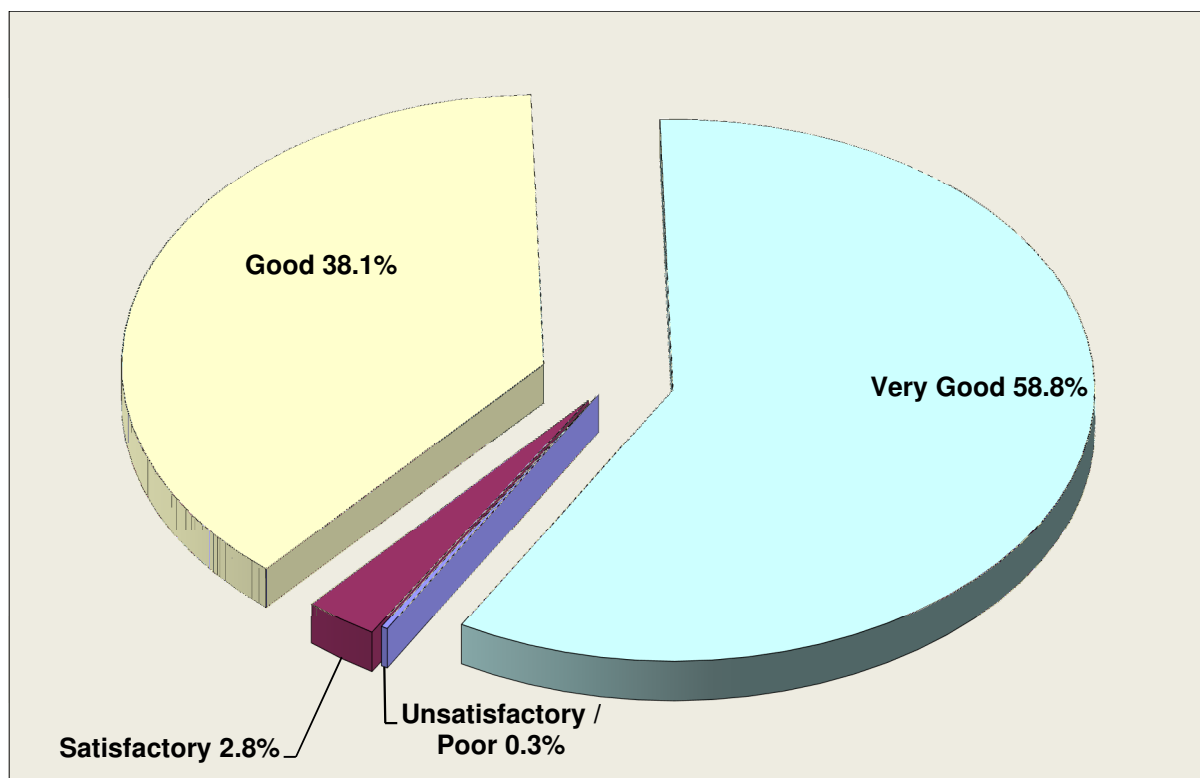
Category	Definition
Critical	Significant strategic, financial or reputational risks where immediate remedial action is considered essential.
High	The absence of, significant weaknesses in, or inadequate internal controls over the operation of key systems or processes which compromise the integrity/probity of the client's operations. These would result in a potential significant increase in the level of risk exposure which may be financial, reputational or take the form of an increased risk of litigation.
Medium	Findings which identify poor working practices or non-compliance with established systems or procedures which result in increased risk of loss/inefficient operation and which expose the client to an increased level of risk.
Low	General housekeeping issues which require consideration and a planned implementation date within the medium term.

d). Client Satisfaction

Questionnaires are issued to our clients on completion of Audit work. These questionnaires allow Audit Services to gather valuable information to enable us to improve our service to clients. The questionnaire seeks clients' views on the following key aspects of service provision:-

- Preparation for and administration of the Audit;
- Professionalism and relevance of the Audit product;
- Post Audit feedback and Management dialogue;
- Overall perception of value added and assurance provided by Audit.

Questionnaires are issued to our clients on completion of Audit work which allow Audit Services to gather information to enable us to improve our service. An analysis of client satisfaction for 2015-16 across all questions raised is given on the following page.

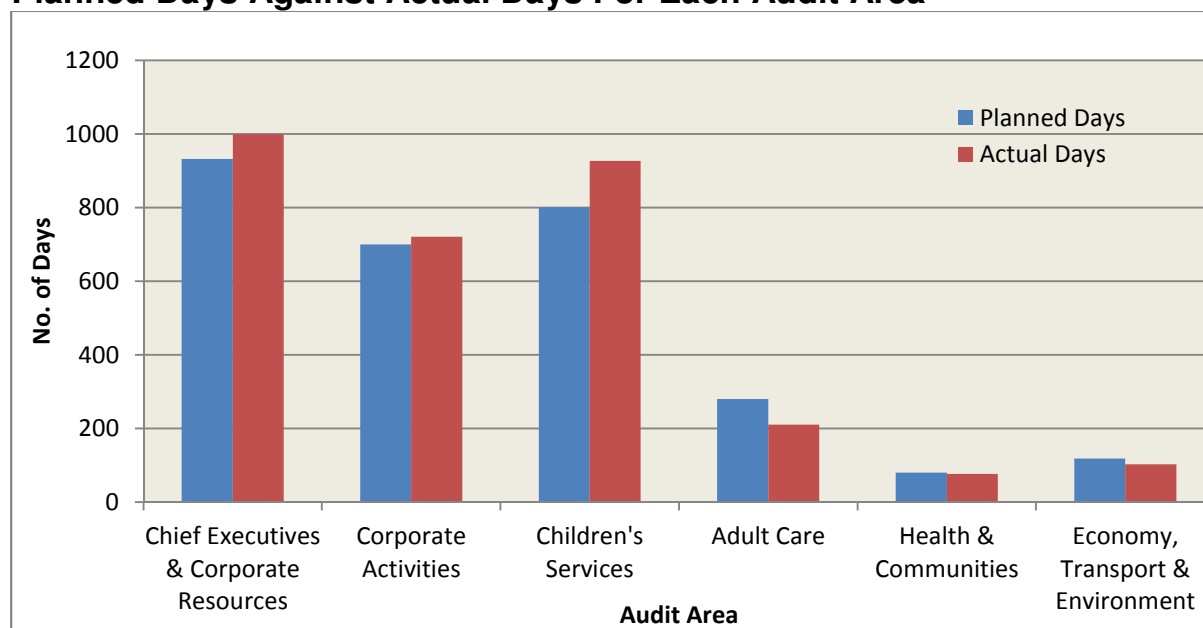


Detailed responses received from these questionnaires for the last six years are set out at Appendix 2 and provide an independent assurance that clients value the service being delivered and the Audit product. It is pleasing to note that the overall, high level of client satisfaction is being maintained.

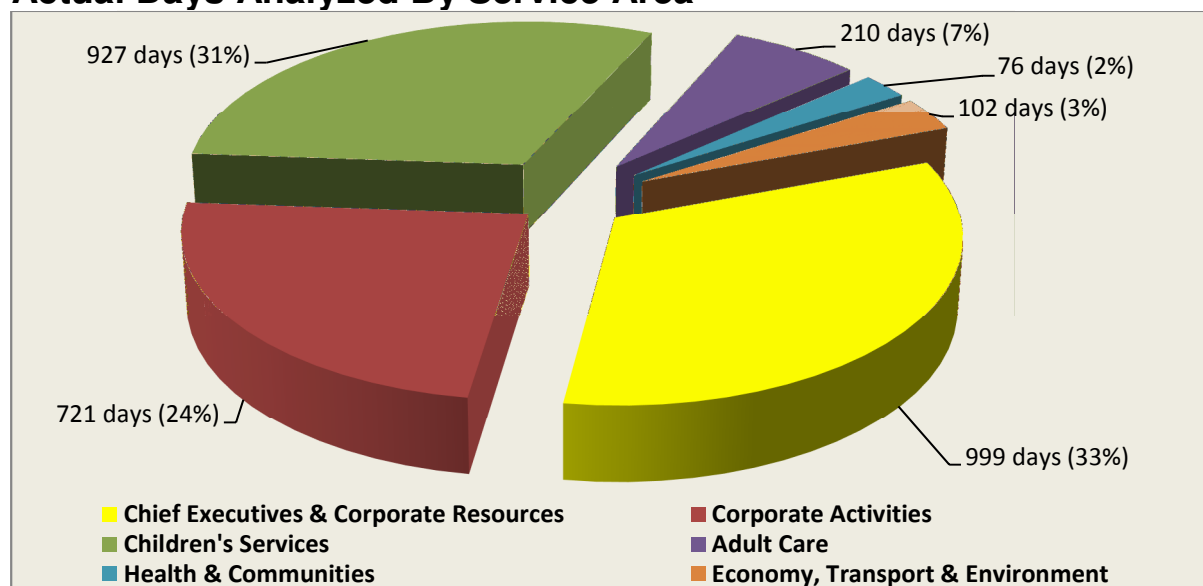
Achievement of the Annual Audit Plan

Members originally approved the Audit Plan for 2015-16 at their meeting on 25th March 2015. The Plan included wide ranging Audit work covering Corporate and Departmental projects, major systems, Departmental reviews, IT systems, school and establishment visits, probity and compliance reviews and fraud prevention. Regular reports on performance against the approved Audit Plan have been produced for Members throughout the year. The following charts summarize planned days against actual days, actual days delivered by Department/activity and the percentage of target days achieved by staff.

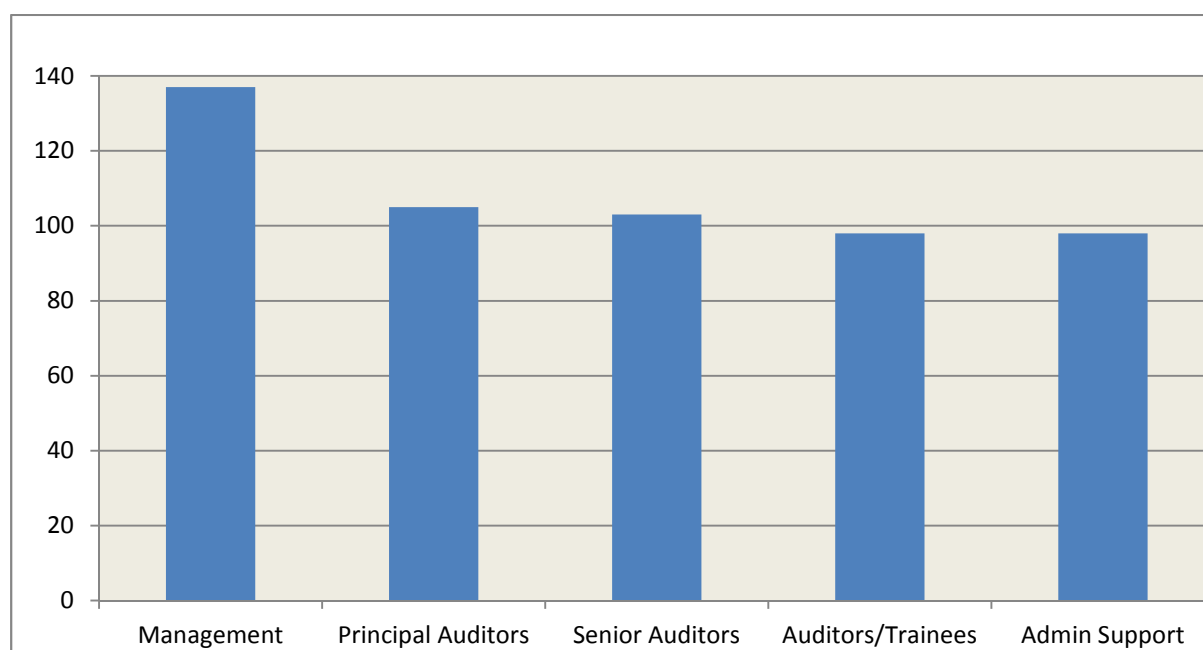
Planned Days Against Actual Days For Each Audit Area



Actual Days Analyzed By Service Area



Appendix 1 summarises actual performance against the approved Plan.

Average Percentage of Target Days Achieved For Each Staff Group

Audit Services' Methodology and Staffing

In assisting the Council to maintain and develop its control environment Audit Services' staff appraise and review the:

- completeness, reliability and integrity of information, both financial and operational;
- effectiveness of systems established to ensure compliance with policies, plans, procedures, laws and regulations, e.g. control/regulatory frameworks specified by the Members and Management of the Council, and externally by statute or regulatory bodies;
- means employed by the Council to safeguard its assets and recognize risks;
- effectiveness, efficiency and economy with which resources are employed;
- operations being carried out to determine whether planned objectives and goals are achieved.

The Audit Services Manual contains procedures and Professional Standards, the requirements of Professional Best Practice and guidance relevant to the work of the Unit. The Manual is held electronically and available to all members of the Unit's staff. During 2016-17 this document will be subject to a thorough revision to ensure its continued relevance as a source of on-going professional and operational guidance along with the Unit's Quality Assurance and Improvement Programme.

In accordance with the Unit's established practice the Audit Plan for 2015-16 was formulated to reflect those key risks identified in the Authority's Strategic and Departmental risk registers, and with the intention that it should be continuously reviewed to ensure that it remained aligned with significant risks whilst remaining responsive to changes in risk, operations, systems and controls. The Plan as initially presented for approval was an iteration based on then current information and assessment of known risks but it is a dynamic tool which can be flexed within the year to achieve optimization of the Authority's audit resource.

The Plan was extensively discussed with and agreed by key stakeholders including the Chief Executive, Director of Finance (Section 151 Officer), individual Strategic Directors and passed to the Council's External Auditor for comment prior to its submission to, and approval by the Audit Committee. Regular reports on actual activity against the Plan have been presented to the Audit Committee throughout the year. Regular updates on Audit activity have been provided to the Corporate Management Team and individual Strategic Directors.

Audit Services and External Audit have distinct and different duties but their aims and objectives are complimentary. This relationship is formalised in an agreed protocol which was presented to the Audit Committee on 3rd February

2015. External Audit regards Audit Services as part of the overall control framework established by the Authority. Where External Audit intends to rely on Audit Services' work in respect of key financial systems identified as part of their risk assessment, auditing standards require them to review aspects of Audit Services' work.

Staffing of the Audit Services Unit

The PwC review of Audit Services commented that the "team is very hard working and committed. The Team have a good mix of skills, experience and qualifications." The Unit currently has an establishment of 16.5 ftes although one post has been held as a vacancy since 1st November 2015. The full range of audit services, including the specialist areas of investigative and IT audit work, continue to be provided using only in-house staff.

The Assistant Director of Finance (Audit) post was filled on a temporary basis through internal promotion on 29th May 2014 which was made permanent with effect from 1st June 2015.

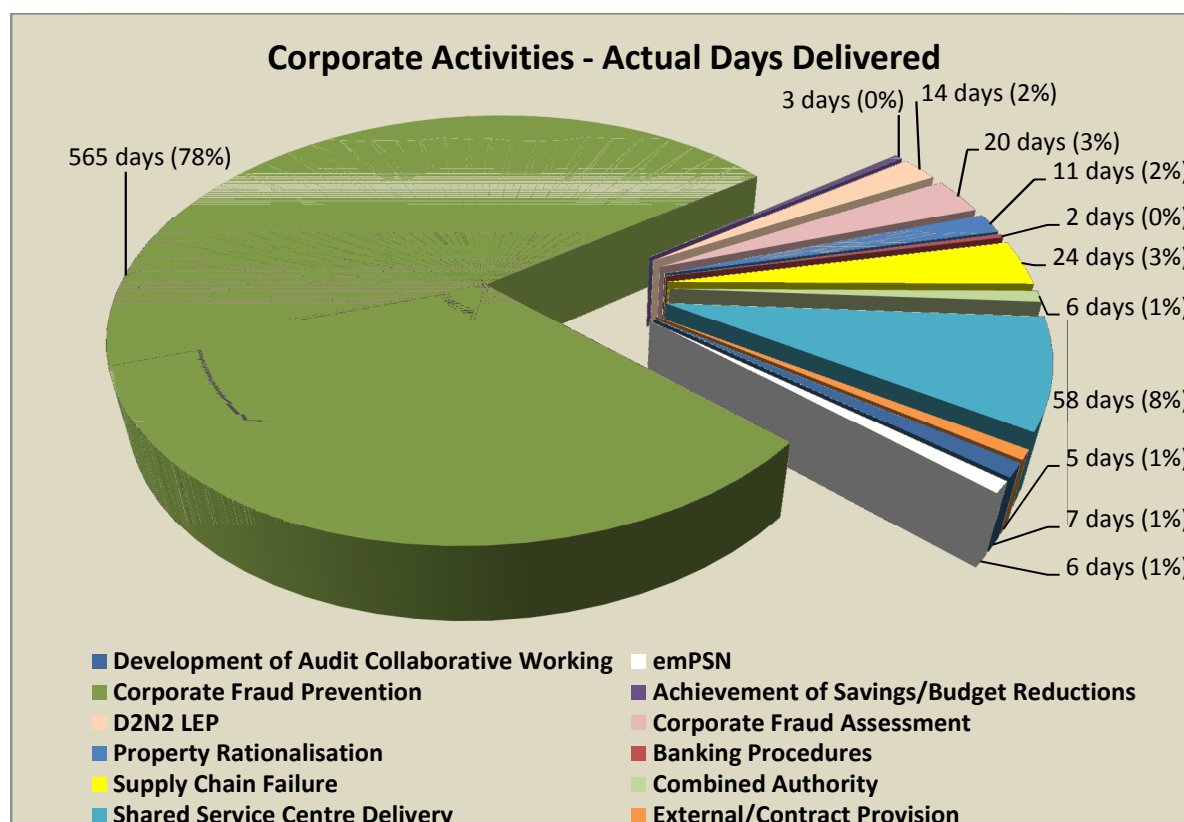
A Principal Auditor post which was vacated on 21st December 2014 was filled with effect from 1st October 2015.

Fortunately the Unit has been able to retain a particularly stable staffing base and has continued to develop its staff through internal, work based training. Although training resources are restricted the Unit continues to support professional accountancy training for its staff. In addition, staff have attended external training, seminars and conferences on IT, operational/legislative updates and governance related topics to ensure that they are competent in their roles. The Unit is also represented on both the County Chief Auditors and Midland Counties Heads of Internal Audit networks.

Two years ago the Unit's available staffing resources were significantly reduced by over 350 days from the level of previous years. Action was taken to minimize the effect of this reduced resource on the Audit Plan which was reported to the Audit Committee. Whilst staffing resources have remained at a similar level during the past two years the Unit continues to work to minimize the effects of reduced resources and increased demands on its services, particularly in relation to the assessment of IT systems. These measures include the increased automation of working procedures and redeployment of administrative support staff. In common with other Council functions the Unit's ability to respond within a reasonable timeframe to requests made of the service, including operational project related work, has been impacted upon during the year. I have, and will continue to monitor this situation to minimize the impact.

Detailed Analysis of Audit Activity

Service Area		Corporate Activities							
Overall achievement of Productive Days against Plan		103%							
Number of Reports/ Memoranda Issued ³		15							
Assurance Levels ⁴									
Full	0	Substantial	0	Qualified	1	Limited	0	No	0
Recommendations Made (items marked in red were rejected by Senior Management)									
Critical	0	High	10 (1)	Medium	1	Low	0		



Strategic Provision

During the year staff of the Unit worked on 12 key, Corporate areas which addressed significant risks facing the Authority. I would wish to draw attention to the following:-

³ Includes thirteen reports resulting from special investigations and one interim report.

⁴ This area of activity includes special investigations where assurance levels and recommendations are treated differently and not categorized in the same way.

Corporate Fraud Prevention

The Council continues to maintain its robust stance against fraud as reflected in its Anti-Fraud and Anti-Corruption Policy which has recently been reviewed and supplemented by the production of a Fraud Response Plan. Revised Financial Regulations took effect from 1st June 2014 and a further review is currently underway. The adequacy and effectiveness of these procedures will be subject to review as part of our on-going work on the Council's regulatory framework.

Fraud/irregularity reported to, and investigated by Audit Services continues to place demands on the Unit. In 2015-16 one case relating to a Secondary School was referred to the Derbyshire Constabulary for further investigation and potential prosecution. Although the level of reported activity in this area has reduced from that of the previous year it is essential that the Council remains vigilant and the control environment is not compromised.

Staff of the Unit worked on 22 investigations of potential fraud, misconduct or irregularity during the year, a significant number of which required the deployment of the Unit's specialist IT forensic resource. Staff also actively participated in the National Fraud Initiative 2014 and investigated data matches reported as part of that process. The Unit continues working with the National Anti-Fraud Network (NAFN) which provides valuable intelligence on potential frauds. Relevant information received from NAFN is investigated by the Unit and disseminated to Members, Strategic Directors and Directors in order to ensure that the Council is protected against known fraud risks.

In common with other public sector bodies the fraud environment remains a major risk to the Council based on the investigative work completed by the Unit. Some of the reasons for this are beyond the Council's control and include the general economic climate and its effect on personal incomes. Continuing budget reductions have reduced the Council's staff and the level of management and supervision provided. To strengthen the overall internal control and governance frameworks the Council should make those improvements which it can to mitigate these risks including the implementation of Audit recommendations.

During the year the Unit undertook a review of fraud assessment and mitigation arrangements which identified that the Council's Members and Senior Management recognise the importance of establishing policies and a culture which is resilient to the threat of fraud and corruption. The Council takes a robust stance in respect of counter fraud measures and is fully committed to effective anti-fraud arrangements. The Council has developed a suite of policies which are intended to encourage the prevention of fraud, promote its detection and identify a clear protocol and methodology for undertaking investigations.

Whilst the Council participates in the National Fraud Initiative (NFI) and subscribes to the National Anti-Fraud Network (NAFN) and is proactive in detecting fraud, there is scope to improve deterrent measures. For example, it was evident during the Audit review that staff knowledge of confidential reporting/whistleblowing and other related policies was limited and that the outcomes of investigations and the related disciplinary action and sanctions are not publicised. The Council should, therefore, consider holding fraud workshops in order to raise awareness amongst staff as recommended by Cipfa.

Staff who are responsible for investigating fraud are sufficiently qualified and experienced and have unrestricted access to employees, information and resources to enable investigations to take place. The Cipfa Code of Practice states that councils should undertake an annual assessment of whether the level of resource to counter fraud and corruption is proportionate for the level of risk.

The Assistant Director of Finance (Audit) is the Council's RIPA Monitoring Officer, responsible for the oversight and monitoring of powers exercised under the Regulation of Investigatory Powers Act (RIPA) in accordance with the Council's RIPA Policy. The acquisition of communications data and provision of scrutiny regarding applications is provided by NAFN through their Single Point of Contact service.

Local authorities may only exercise RIPA powers to prevent and detect crime. The level of activity relating to the exercise of RIPA powers has reduced significantly over recent years.

D2N2 Local Enterprise Partnership (LEP)

The Council has been appointed as accountable body for the LEP and the Unit undertook an initial review and risk assessment of the developing procedures and processes that are being put in place to fulfil that role. This will represent an on-going area of work for Audit Services.

Supply Chain Failure

Supply chain failure is identified on the Strategic Risk Register and was included as an area for review in the Audit Plan. The Audit assessed the systems and controls in place around supply chain management and the processes in place to effectively manage and mitigate the risk of supply chain failure across all Departments.

Whilst the inclusion of supply chain failure within the Strategic Risk Register ensures that these arrangements continue to be monitored, the Council has not been significantly affected by supply chain failure in recent years with only two janitorial contracts failing in the past thirteen years. However, the impact of increasingly complex supply chain arrangements and continuing cost

pressures mean that this risk remains important and should, therefore, be reflected not only in the Strategic Risk Register but also in all Departmental risk registers.

Shared Services Centre (SSC) Delivery

The Audit focused on the recruitment and selection procedures operated by the SSC and supporting processes including interactions with Departments. Discussions were held with Departmental recruiting managers, key performance data was examined and data flows were documented and reviewed.

Opportunities to streamline processes were identified and it is important that supporting IT systems are integrated. Corporate and Departmental responsibilities should be reviewed and clarified. Cabinet recently approved arrangements for the supply of a replacement recruitment system.

Property Rationalisation

This review built on an earlier Audit in 2013 and reflects the significant recent changes in property management arising from a number of initiatives including the Derbyshire Challenge, One Public Estate Programme, devolution of powers and financial incentives from retention of business rates and income generation.

The Council established the Corporate Landlord function in 2015 to be responsible for the Authority's over-arching strategic asset management and ensure a co-ordinated approach to asset management across the Authority. It has also approved in principle the establishment of a development company which is likely to have a key role in managing and developing the Council's assets.

Development of Audit Collaborative Working

In 2014 Baker Tilly were commissioned to undertake a review of a potential Derbyshire wide Internal Audit Shared Service. This exercise did not lead to a County wide service but prompted Derby City, Bolsover and North East Derbyshire Districts, Chesterfield Borough and the County Council to consider enhanced, collaborative internal audit working arrangements. It is anticipated that some work in this area will continue in the current year.

emPSN

emPSN is a regional partnership of local authorities providing a range of connectivity options and services to schools and the wider public sector. The Council remains a major stakeholder in emPSN which comprises two distinct companies viz. emPSN Services and emPSN Infrastructure. The Assistant Director of Finance (Audit) continues to represent the Council as Vice Chair of

the Audit Committee which liaises with the companies' internal and external auditors to ensure compliance with regulatory and governance requirements.

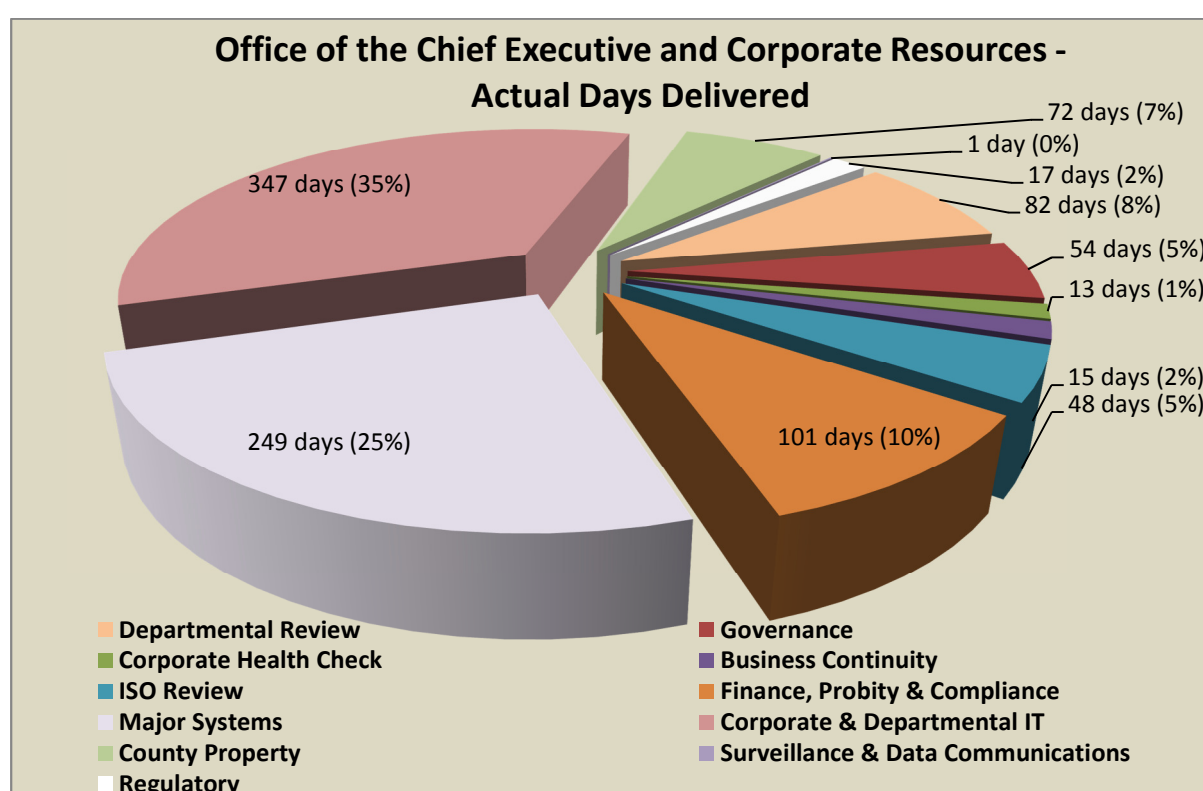
Departmental Reviews

These key reviews assess the adequacy and effectiveness of controls operating within Departments relating to the interfaces with major systems and to ensure compliance with County Council Policies, Procedures, Financial Regulations and Professional Best Practice. Coverage of the requirements necessary to ensure compliance with ISO27001 is also included in our work. The Unit continues to carry out and adapt its programme of Departmental reviews to ensure that our work covers key control requirements. Such work also forms an integral part of Audit's overall assessment of the effectiveness of the governance arrangements operating within the Council and can inform future Corporate/Departmental Audit projects. Departmental reviews are also vital in demonstrating a continuous Audit presence.

Human Resources processes must be effective to manage a large, diverse workforce. Audit Services carries out a wide range of work in this area. Although the Director of HR revised the Council's induction arrangements and the updated Policy was published in June 2015 induction and absence monitoring remain areas where deficiencies were noted. Agency staff were employed in accordance with service requirements and replaced by permanent/fixed term contracts where appropriate.

Despite the Council continuing to face severe financial pressures budget monitoring arrangements are generally sound with budget holders reviewing allocated budgets.

Service Area		Office of the Chief Executive and Corporate Resources									
Overall achievement of Productive Days against Plan									107%		
Number of Reports/ Memoranda Issued									43		
Assurance Levels ⁵											
Full	0	Substantial	7	Qualified	22	Limited	2	No	1	Other	11
Recommendations Made (items marked in red were rejected by Senior Management)											
Critical	7	High	134	Medium	221	Low	67				
			(7)		(26)		(7)				
Previous Recommendations Not Implemented											
Critical	2	High	34	Medium	47	Low	12				



Strategic Provision

Key/Core System Reviews

SAP applications are fundamental in supporting the Council's key financial processes and Audit Services undertakes work on major systems, and their interfaces operating in Departments and establishments as a key feature of our assurance work. The Unit routinely, independently and confidentially interrogates system data to support our reviews. Audit staff are also active in supporting key SAP developments through participation in project groups and software testing.

⁵ This area of activity includes IT system evaluation work - 14 Reports were issued, 11 of which where assurance levels and recommendations are not categorized in this way.

During the year significant work was undertaken on the Authority's key systems and reports were issued on:-

- human resources,
- accountancy and budgetary control,
- accounts payable,
- accounts receivable,
- funds management,
- procurement.

The vast majority of schools also use SAP which offers significant advantages from the use of common systems across the Authority and all Audit staff routinely use SAP as part of school reviews.

IT Systems and Application Reviews

The Council continues to be at the forefront of assurance work undertaken on external suppliers who deliver IT solutions and services to the Authority and its schools. The Council takes a robust stance and requires the implementation of effective information security procedures within third party suppliers' operations. In common with previous years, a high proportion of potential suppliers continue to have significant information security weaknesses including lack of encryption, ineffective disposal procedures and no independent assurance of their network security (external penetration testing).

During 2015-16 Audit Services encountered its first instance where a supplier's controls were so weak that the review had to be suspended due to the complete lack of effective information security procedures and potential breaches of the Data Protection Act 1998. It is of concern that this supplier, and others with identified IT security control deficiencies, have live contracts with other local authorities, schools and establishments. From feedback received from suppliers it is clear that they consider the assurance work undertaken by the Council to be extremely robust and a valuable independent review of their internal procedures, although frequently state that other organisations do not appear to value their information security as highly.

The threat posed by malicious software and other cyber-attacks continues to be a growing area, which is having a greater impact within the public sector. During 2015-16, the effect of a cyber-attack was brought into stark contrast with the IT network at a nearby county council encountering significant problems due to such an attack. Derbyshire has not been immune from such threats with the Authority seeing an increasing level of viruses and malware being detected and schools being aggressively targeted, a small number of which have experienced significant disruption to their networks.

Whilst the Council continues to face a variety of challenges to maintain the integrity of its information, it is evident that progress has been made regarding the identification of key information security processes and adopting appropriate controls to minimize the opportunity for unauthorized data access.

However it is important to note that the investment in higher specification software and hardware cannot stop all threats as one of the biggest risks to information security remains the Authority's Members, employees and contractors who have authorized access to the Council's network. It is essential that continuing education and training is provided to these groups to ensure that all individuals are clear regarding their personal responsibilities and the action to be taken in the event of a security incident.

Information Governance Group

Audit staff continue to play a pivotal role in assisting the Council to maintain its ISO27001:2013 information security certification by conducting Audits in accordance with the Standard. The Unit's staff attend monthly meetings of the Information Governance Group to discuss the findings from recent Audit reviews and also raise emerging issues that could adversely affect the Council's information security landscape. Throughout this period the Unit has provided constructive feedback and suggested areas for improvement regarding the information security policies which are scheduled for review throughout the year. Since August 2015 Audit staff have been a key stakeholder in the development of the Supplier Information Security Policy, which aims to provide enhanced transparency within the procurement process and clearly defined the Authority's information security requirements in respect of third party contracts.

During the external audit surveillance review in November 2015 the auditor commented that he was able to take full assurance from the audit work undertaken by the Unit's staff having reviewed a sample of working papers. *"The audit contained a detailed narrative of the area covered, the findings and the supporting evidence"**. In terms of the overall effectiveness of the Audit Services Unit in conducting Information Security reviews to the ISO27001 standard, the following comments were included within the external audit report *"The internal audit team provide a comprehensive internal audit service for all of the County Council function. Whilst the audit process is primarily a financial and compliance audit Information security is now fully implemented into the process. The audit team work very closely with information security group to schedule the internal audits based on a number of factors"*.*

***Source: ISO27001 External Auditor, ACS Registrars Limited - November 2015 Surveillance Report,**

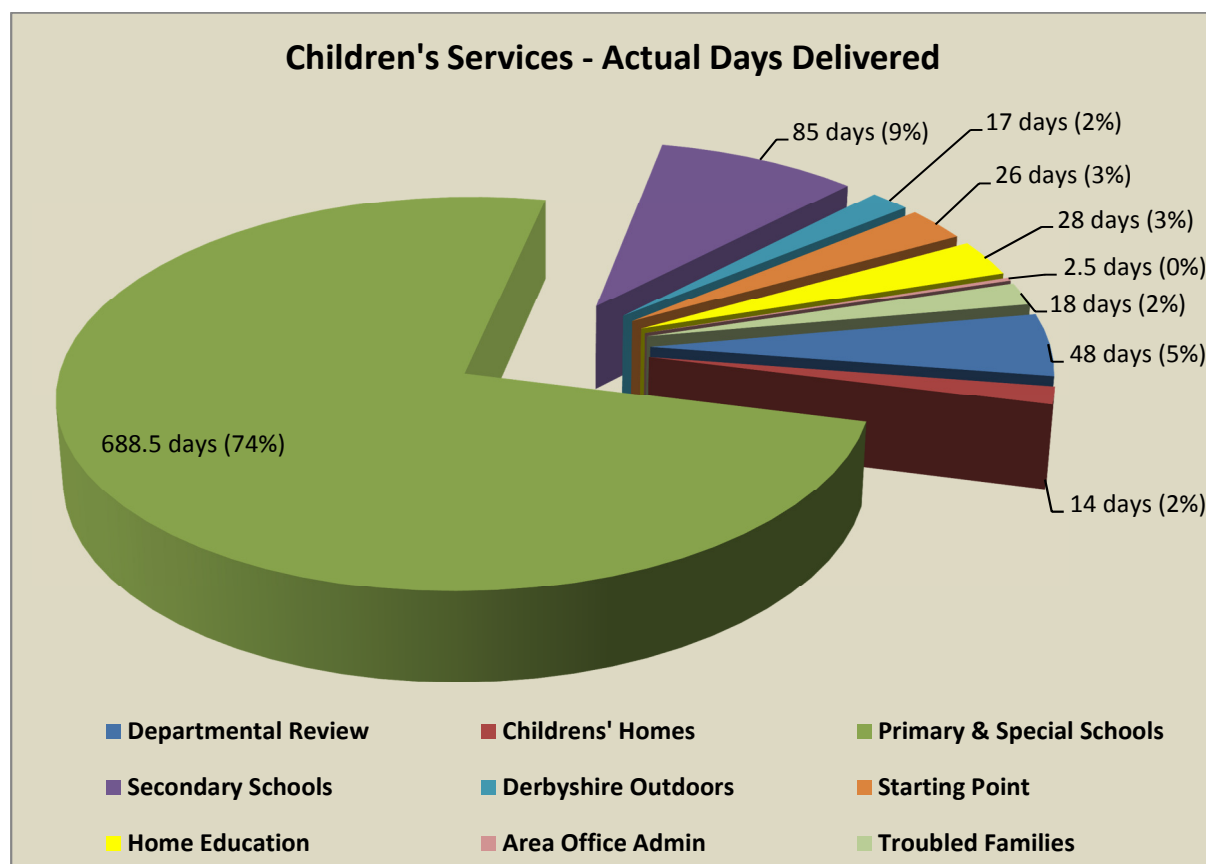
As part of Unit's drive to improve awareness of information security controls and employee responsibilities Audit staff continue to provide associated advice and guidance. During May 2015 Audit Services, together with colleagues from the Transformation Service, provided three interactive training sessions regarding the Council's ISO27001 accreditation and control environment. Feedback from the attendees indicated that the training was well-received and provided valuable guidance concerning how information security could be improved across the Authority.

Probity and Compliance

During the year Audit Services carried out work on insurance and risk management and pensions administration. The Unit also undertook a number of probity and ISO27001 compliance visits across a range of establishments and provided grant claim certifications.

Audit Services continues to play a significant part in the review and revision of the Authority's Financial Regulations and Standing Orders which form an essential part of the Council's regulatory framework. The latest revisions took effect from 1st June 2014 and a further review is currently in progress. Compliance with Financial Regulations, Standing Orders and other elements of the Council's regulatory framework will continue to be assessed as part on-going Audit work.

Service Area	Children's Services				
Overall achievement of Productive Days against Plan				116%	
Number of Reports/ Memoranda Issued ⁶				136	
Assurance Levels					
	Full	Substantial	Qualified	Limited	No Assurance
Non Schools	0	0	6	0	0
Schools	0	0	109	15	3
Total	0	0	115	15	3
Recommendations Made (items marked in red were rejected by Senior Management)					
	Critical	High	Medium	Low	
Non Schools	0	40 (3)	67 (5)	24	
Schools	10	998 (29)	1,264 (41)	619 (22)	
Total	10	1,038	1,331	643	
Previous Recommendations Not Implemented					
	Critical	High	Medium	Low	
Non Schools	0	19	18	2	
Schools	1	554	642	52	
Total	1	573	660	54	



⁶ Includes three returns required by the Troubled Families Initiative.

Strategic Provision

The Unit undertook work on Departmental systems and procedures and four Departmental projects.

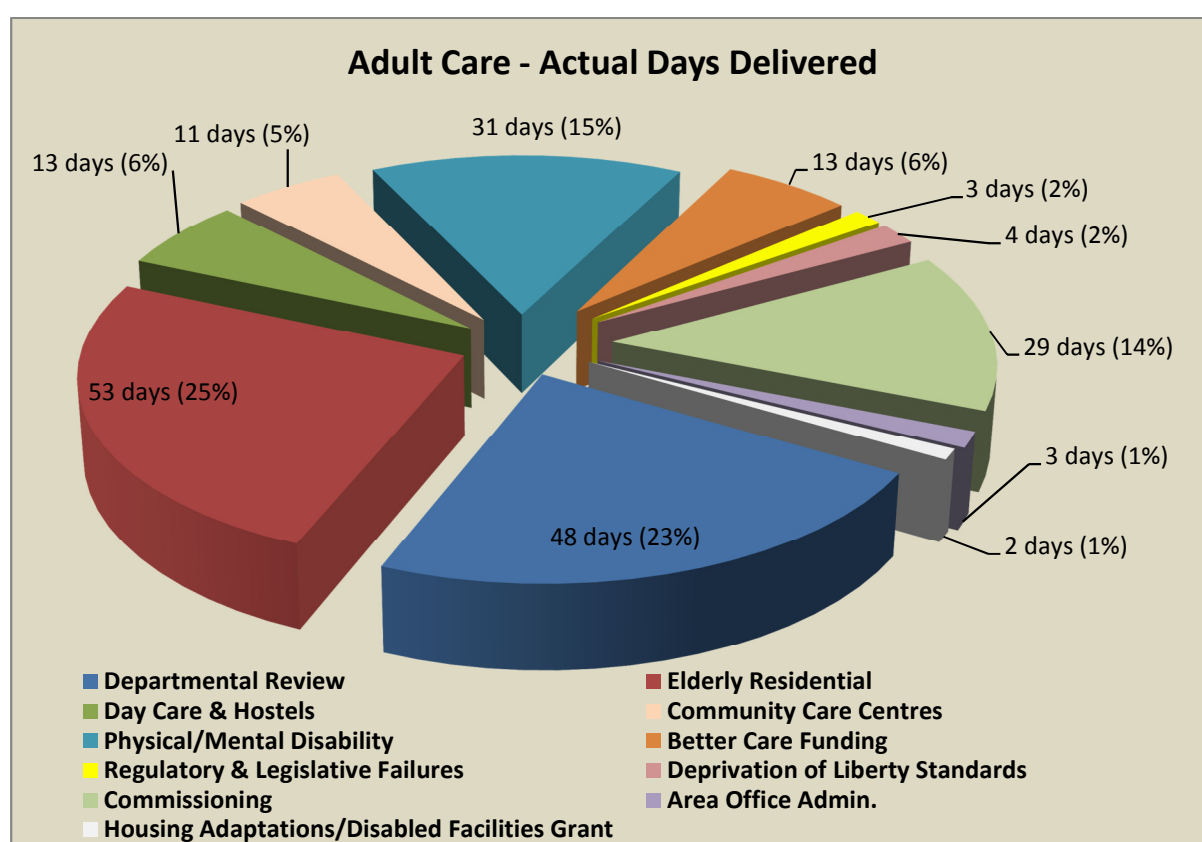
In addition Audit Services continued its programme of school audits and provision of support in respect of the Schools Financial Value Standard and the promotion of good governance through discussions, training and meetings with governors, Children's Services support and school based staff. In order to ensure its continued relevance in evaluating the adequacy and effectiveness of governance frameworks within schools and in discharging the Section 151 Officer's responsibilities, on behalf of the Director of Finance, our testing methodology is subject to on-going review and refocussing.

Audit Services produced reports on 117 primary and special schools, 10 secondary schools, 3 children's homes and 1 outdoor centre during the year. At the end of each Audit visit recommendations are discussed at the exit meeting involving school and Audit staff, and all schools are provided with an Action Plan following each visit which includes prioritised recommendations for improvement.

The Unit continues to produce the 'Audit Matters' electronic newsletter specifically aimed at schools and uses the Learning in Derbyshire website to provide information and best practice advice.

Significant investigative work was carried out in the year in relation to the operation of control frameworks in schools and in one instance this also involved working closely with the National College for Teaching and Leadership. One investigation at a secondary school led to a referral to the Police. This work and our on-going programme of school visits has reinforced the necessity for governing bodies and head teachers to work together to ensure that robust governance and control systems are implemented and maintained.

Service Area		Adult Care							
Overall achievement of Productive Days against Plan							75%		
Number of Reports/ Memoranda Issued							24		
Assurance Levels									
Full	0	Substantial	2	Qualified	19	Limited	3	No	0
Recommendations Made (items marked in red were rejected by Senior Management)									
Critical	1	High	125 (8)	Medium	191 (11)	Low	77 (1)		
Previous Recommendations Not Implemented									
Critical	1	High	43	Medium	84	Low	8		



Strategic Provision

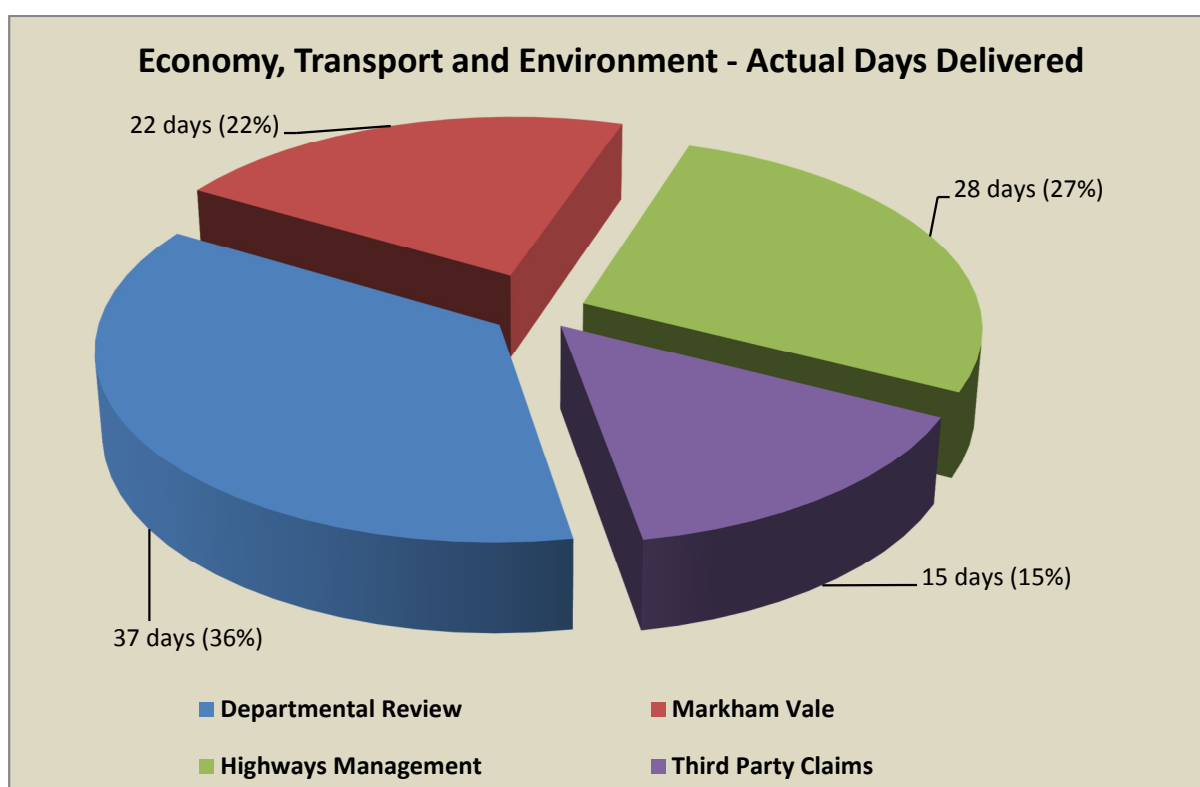
During the year work has been carried out on Departmental systems and procedures and six Departmental projects within Adult Care, some of this work will be completed and reported in the current year. Our work on better care funding involved liaison with NHS internal auditors and it is expected that this area will require on-going Audit input. The Unit is represented on two Project Boards which oversee the current procurement processes for a replacement of the Department's Framework-i system and staff planning and scheduling applications.

Establishment Visits

During the year the Unit reported the findings of our work at 22 establishments covering a range of both day and residential care provision. At the end of each Audit visit recommendations are discussed with the management of each establishment at an exit meeting. Each establishment is then provided with an Action Plan detailing prioritised recommendations for improvement.

As all establishments are covered by the Authority's ISO27001 accreditation testing of information security procedures are completed by Audit Services' staff as part of establishment reviews.

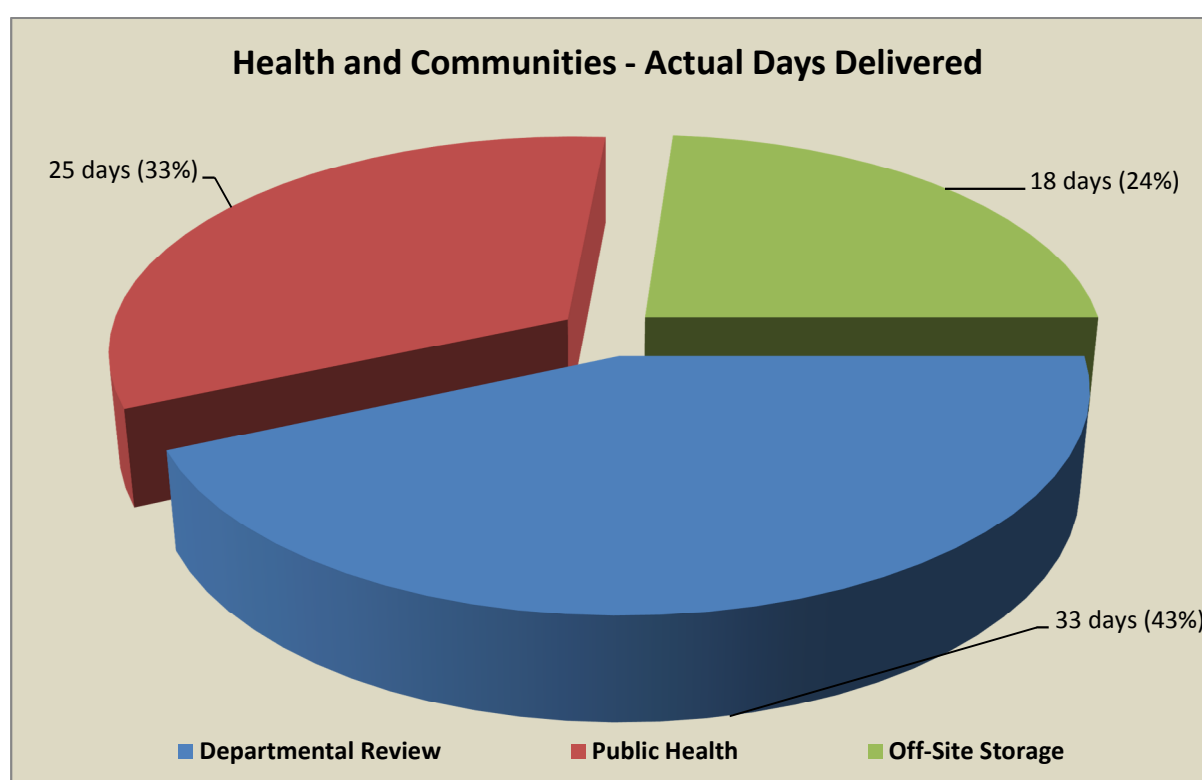
Service Area		Economy, Transport and Environment							
Overall achievement of Productive Days against Plan							86%		
Number of Reports/ Memoranda Issued							4		
Assurance Levels									
Full	0	Substantial	0	Qualified	3	Limited	1	No	0
Recommendations Made (items marked in red were rejected by Senior Management)									
Critical	0	High	23 (3)	Medium	27 (4)	Low	10		
Previous Recommendations Not Implemented									
Critical	0	High	8	Medium	5	Low	0		



Strategic Provision

During the year work was completed and reported on Departmental systems and procedures and two Departmental projects. In addition the Unit completed the review of Highways Management which was in progress at the end of the previous year.

Service Area		Health and Communities							
Overall achievement of Productive Days against Plan							95%		
Number of Reports/ Memoranda Issued							2		
Assurance Levels									
Full	0	Substantial	0	Qualified	2	Limited	0	No	0
Recommendations Made (items marked in red were rejected by Senior Management)									
Critical	0	High	2	Medium	11 (1)	Low	6 (2)		
Previous Recommendations Not Implemented									
Critical	0	High	2	Medium	1	Low	0		



Strategic Provision

During the year Audit Services completed and reported on a review of key systems and procedures operating in the Department and undertook work on two Departmental projects.

Internal Audit Plan for 1 April 2016 to 31 March 2017

The Audit Plan for 2016-17 was reported to and approved by Audit Committee on 29th March 2016 and requires the deployment of 2,857 days. The Plan was formulated from our risk assessment drawn from a wide range of sources including the Council's strategic risk register, Departmental risk registers, service plans and meetings with the Chief Executive, Strategic Directors and the Director of Finance. As part of this process Audit projects have been identified which will be developed specifically to address key Corporate and Departmental risks and build on those areas where frauds/control weaknesses have previously been identified.

The Audit Plan will, as in previous years, be continually reviewed to ensure that it remains aligned with significant risks whilst remaining responsive to changes in risk, operations, systems and controls. Any amendments will be identified through Audit Services' on-going liaison and discussions with the Audit Committee, Chief Executive, Strategic Directors, Directors and Senior Managers. Progress against the approved Audit Plan will be monitored and regularly reported to the Audit Committee. Regular updates on Audit activity will also be provided to the Corporate Management Team and individual Strategic Directors.

Resource requirements are considered each year as part of the audit planning process. The Audit Plan for 2016-17 is based on a staffing structure which provides for the deployment of approximately 15.5 full time equivalents. The Unit is currently carrying a vacant Auditor post which, due to a number of operational factors, has not been filled; this situation will continue to be subject to on-going review. The Unit provides a full range of audit services using only in-house staff, including the specialist areas of investigative and IT Audit work.

DERBYSHIRE AUDIT SERVICES
INTERNAL AUDIT PLAN 2015/16

The information summarized below by Service Department identifies the work approved and actual time spent for the period ending 31st March 2016.

Chief Executive's and Corporate Resources

It is intended to spend 885 days on the Audit of the Chief Executive's and Corporate Resources Departments which will be allocated over the following areas:-

Audit Area	Plan Days	Actual Days 14-15 15-16		No of Reports	Level of Assurance	Analysis of Recommendations C H M L				Recs Not Acceptd	Recs Not Implmtd	Comments
Departmental Review - Management & Administration <i>Medium Risk</i>	40	43	39	1	Qualified	-	8	10	6	2M,1L	7H,3M,3L	Memo relates to 2014/15. Work ongoing at year end.
Governance <i>High Risk</i> including:- <ul style="list-style-type: none">• Corporate Governance• Corporate Health Check• Business Continuity Planning• ISO27001 Review• Surveillance & Data Communications Compliance	*110	-	54	-	-	-	-	-	-	-	-	Work to support Governance Group, production of Annual Governance Statement and preparatory work on revised Governance Matrices. *20 days transferred from contingency.
		-	13	1	Substantial	-	-	2	-	-	1M	
		-	15	1	Qualified	-	1	2	5	-	1H,2M,2L	
		-	48	-	-	-	-	-	-	-	-	
		-	1	-	-	-	-	-	-	-	-	
External Grants & Certifications <i>Medium/High Risk</i>	20	-	-	-	-	-	-	-	-	-	-	Work to support the Information Governance Group and review of IT security policies.
Policy, Performance & Innovations Leadership <i>Medium/High Risk</i>	15	-	-	-	-	-	-	-	-	-	-	
Divisional Activity												
Corporate Finance												
Probity and Compliance <i>Medium/High Risk</i>	*95	-	101	18	5 Substantial 12 Qualified 1 No Assurance	-	37	76	20	1H,11M,2L	7M,2L	*10 days transferred from contingency.
Major Systems <i>High Risk</i>	270	69	180	6	1 Substantial 5 Qualified	2	37	73	16	6H,10M,4L	1C,13H,25M,4L	Due to the nature of these key reviews they are routinely work in progress at the year end. Work on Accounts Payable, Human Resources, Accountancy and Budgetary Control, Procurement, Funds Management and Accounts Receivable were reported in current year.

Audit Area	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
		14-15	15-16			C	H	M	L			
Corporate/Departmental IT Services <i>Medium/High Risk</i>	*322	185	162	14	2 Qualified 1 Limited 11 Other	4	31	43	13	3M	5H,3M	Work includes planned IT reviews, reviews of new systems and system enhancements, site visits to assess suppliers' head office and data centre procedures and involvement in project teams. *17 days transferred from contingency.
County Property <i>Medium/High Risk</i>	45	-	72	2	1 Qualified 1 Limited	1	20	15	7	-	1C,8H,6M,1L	
Regulatory Coroner's Service <i>Medium/Low Risk</i>	15	-	17	-	-	-	-	-	-	-	-	
TOTAL	932	297	702	43		7	134	221	67	40	95	

Corporate Activities

It is intended to spend 850 days on the Audit of Corporate Activities which will be allocated over the following areas:-

Audit Area	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
		14-15	15-16			C	H	M	L			
Corporate Projects												
• Corporate Fraud Assessment/ Mitigation Review <i>High Risk</i>	10	-	20	-	-	-	-	-	-	-	-	
• Achievement of Savings/Budget Reductions <i>High Risk</i>	30	-	3	-	-	-	-	-	-	-	-	
• Supply Chain Failure <i>High Risk</i>	20	-	24	-	-	-	-	-	-	-	-	
• Combined Authority <i>High Risk</i>	20	-	6	-	-	-	-	-	-	-	-	
• Shared Service Centre Delivery <i>Medium/High Risk</i>	20	-	58	-	-	-	-	-	-	-	-	
• D2N2 LEP <i>Medium Risk</i>	20	-	14	1	Interim Review	-	5	-	-	1H	-	
• Property Rationalisation <i>Medium Risk</i>	10	-	11	1	Qualified	-	5	1	-	-	-	
• Banking Procedures <i>Medium Risk</i>	5	-	2	-	-	-	-	-	-	-	-	
• Development of Audit Collaborative Working <i>Medium Risk</i>	25	-	7	-	-	-	-	-	-	-	-	
• emPSN (SCo & ICo) <i>Medium Risk</i>	5	-	6	-	-	-	-	-	-	-	-	

Key to Recommendations: C – Critical, H – High, M – Medium, L - Low

Audit Area	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Acceptd	Recs Not Implmtd	Comments
		14-15	15-16			C	H	M	L			
Corporate Fraud Prevention <i>High Risk</i>	*530	110	455	13	-	-	-	-	-	-	-	This includes work on NFI, publication of NAFN alerts, surveillance and data communications compliance, liaison with external audit, work on 22 investigations 10 of which relate to previous years including liaison with the Police. Special Investigation Report recommendations are not categorized. *25 days transferred from contingency.
External/Contract Provision	*5	-	5	-	Not applicable	-	-	-	-	-	-	IT forensic review for another council. *5 days transferred from contingency.
Audit Contingency	-	-	-	-	-	-	-	-	-	-	-	*Original contingency was 180 days.
TOTAL	700	110	611	15		-	10	1	-	1	-	

Children's Services

It is intended to spend 741 days on the Audit of the Children's Services Department which will be allocated over the following areas:-

Audit Area	Plan Days	Actual Days 14-15 15-16		No of Reports	Level of Assurance	Analysis of Recommendations C H M L				Recs Not Acceptd	Recs Not Implmtd	Comments
Departmental Review - Management & Administration <i>Medium Risk</i>	40	5	43	1	Qualified	-	6	25	2	4M	6H,7M	Memo relates to 2014/15.
Schools Primary/Special <i>Medium/High Risk</i>	*581	23	665½	117	103 Qualified 13 Limited 1 No Assurance	6	869	1,169	588	22H,38M, 21L	1C,490H, 596M, 50L	It should be noted that Audit opinions and recommendations made relating to schools are categorized in relation to the school and not the Authority. Additional time has been incurred training new staff. *60 days transferred from contingency.
Secondary <i>Medium/High Risk</i>	89	7	78	10	6 Qualified 2 Limited 2 No Assurance	4	129	95	31	7H,3M, 1L	64H,46M, 2L	
Children's Centres & Children's Homes <i>Medium/High Risk</i>	16	-	14	3	Qualified	-	23	14	7	3H,1M,	9H,8M	
Derbyshire Outdoors <i>Medium/Low Risk</i>	10	-	17	1	Qualified	-	5	12	11	-	4H,3M, 2L	
Themed & Operational • Starting Point <i>High Risk</i> • Home Education <i>Medium Risk</i> • CAYA Area Office Administration <i>Medium Risk</i> • Troubled Families <i>Medium Risk</i>	30 20 15 -	- - - -	26 28 2½ 18	1 - - 3	Qualified - - Not applicable	- - - -	6 - - -	16 - - -	4 - - -	- - - -	- - - -	Audit grant certification required on this work.
TOTAL	801	35	892	136		10	1,038	1,331	643	100	1,288	

Adult Care

It is intended to spend 265 days on the Audit of the Adult Care Department which will be allocated over the following areas:-

Audit Area	Plan Days	Actual Days		No of Reports	Level of Assurance	Analysis of Recommendations				Recs Not Accepted	Recs Not Implmtd	Comments
		14-15	15-16			C	H	M	L			
Departmental Reviews - Management & Administration <i>Medium Risk</i>	40	10	38	1	Qualified	-	2	19	9	1L	3H,14M,1L	Memo relates to 2014/15.
Social Care Elderly Residential <i>Medium/High Risk</i>	*62	-	53	10	Qualified	-	50	81	33	1H,5M	1C,20H,45M,3L	It should be noted that Audit opinions and recommendations made relating to establishments are categorized in relation to the establishment and not the Authority. Additional time has been incurred training new staff. *10 days transferred from contingency.
Physical/Mental Disability <i>Medium/High Risk</i>	32	-	31	7	5 Qualified 2 Limited	1	48	49	17	5H,3M	13H,14M,2L	
Day Care & Hostels <i>Medium/High Risk</i>	12	-	13	3	1 Substantial 2 Qualified	-	8	20	14	1M	1H,3M,1L	
Community Care Centres <i>Medium/High Risk</i>	24	-	11	2	1 Qualified 1 Limited	-	17	20	3	2H,2M	6H,8M,1L	
Themed & Operational												*5 days transferred from contingency
• Better Care Funding <i>High Risk</i>	30	-	13	-	-	-	-	-	-	-	-	
• Regulatory & Legislative Failures <i>High Risk</i>	20	-	3	-	-	-	-	-	-	-	-	
• Impact of Deprivation of Liberty Standards <i>Medium/High Risk</i>	20	-	4	-	-	-	-	-	-	-	-	
• Review of Commissioning Arrangements <i>Medium/High Risk</i>	*25	-	29	1	Substantial	-	-	2	1	-	-	
• Adult Care Area Office Administration Medium Risk	15	-	3	-	-	-	-	-	-	-	-	
• Management of Housing Adaptations, Disabled Facilities Grant	-	-	2	-	-	-	-	-	-	-	-	2016/17 Audit
TOTAL	280	10	200	24		1	125	191	77	20	136	

Key to Recommendations: C – Critical, H – High, M – Medium, L - Low

Economy, Transport and Environment

It is intended to spend 90 days on the Audit of the Economy, Transport and Environment Department which will be allocated over the following areas:-

Audit Area	Plan Days	Actual Days 14-15 15-16		No of Reports	Level of Assurance	Analysis of Recommendations C H M L				Recs Not Acceptd	Recs Not Implmtd	Comments
Departmental Review - Management & Administration <i>Medium Risk</i>	40	-	37	1	Qualified	-	1	12	3	2M	3H,4M	
Themed & Operational • Markham Vale <i>Medium/High Risk</i>	20	-	22	1	Qualified	-	7	5	2	-	-	Completion of 2014/15 work. <i>*28 days transferred from contingency.</i>
• Digital Derbyshire <i>Medium/High Risk</i>	15	-	-	-	-	-	-	-	-	-	-	
• Third Party Claims <i>Medium Risk</i>	15	-	15	1	Qualified	-	2	2	2	-	-	
• Highways Managmnt <i>Medium/High Risk</i>	<i>*28</i>	28	-	1	Limited	-	13	8	3	3H,2M	5H,1M	
TOTAL	118	28	74	4		-	23	27	10	7	13	

Health and Communities

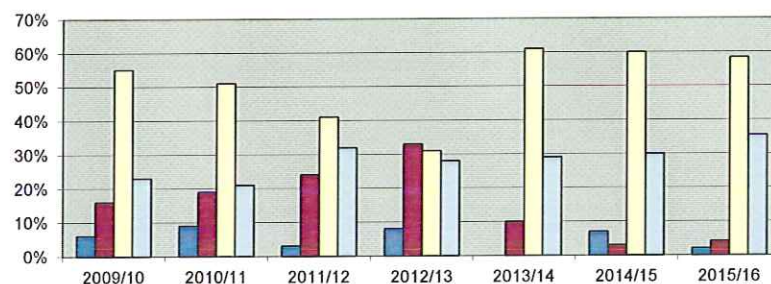
It is intended to spend 80 days on the Audit of the Health and Communities Department which will be allocated over the following areas:-

Audit Area	Plan Days	Actual Days 14-15 15-16		No of Reports	Level of Assurance	Analysis of Recommendations C H M L				Recs Not Acceptd	Recs Not Implmtd	Comments
Departmental Review - Management & Administration <i>Medium Risk</i>	40	-	33	1	Qualified	-	1	4	4	1M,1L	2H,1M	
Themed & Operational • Public Health <i>High Risk</i>	30	-	25	-	-	-	-	-	-	-	-	
• Off-Site Storage <i>Medium/High Risk</i>	10	-	18	1	Qualified	-	1	7	2	1L	-	
TOTAL	80	-	76	2		-	2	11	6	3	3	

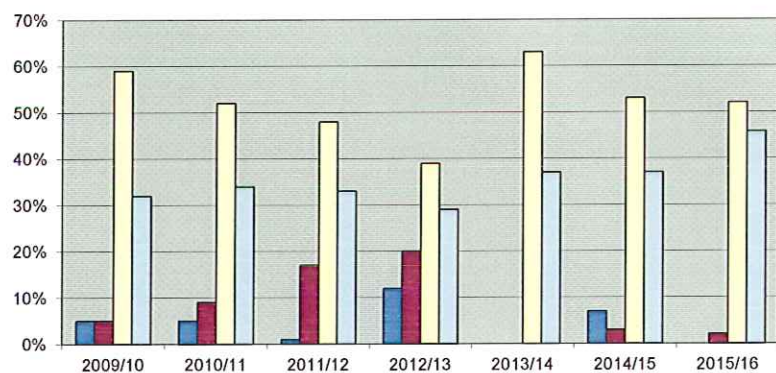
Overall Perception of Value Added and Assurance Provided by the Audit Outcome

Appendix 2

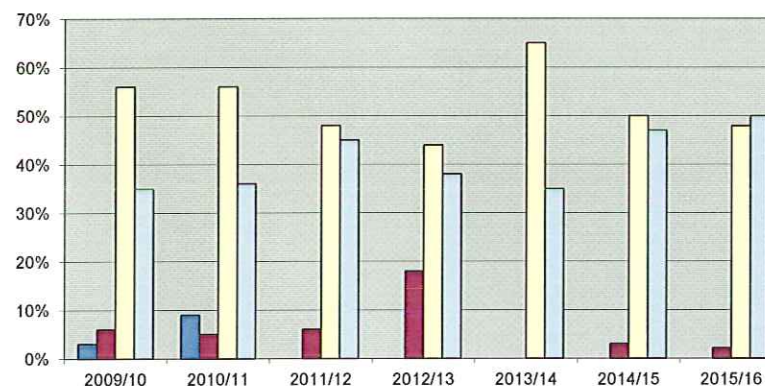
Q21. Comparison of respondents' ratings of the value, significance and practicality of findings in the Audit Memorandum



Q22. Comparison of respondents' ratings of the audit Memorandum in providing assurance of the overall level / adequacy of controls in operation and the proper administration of the areas reviewed by the Audit



Q24. Ease of reading, understanding and following the report format

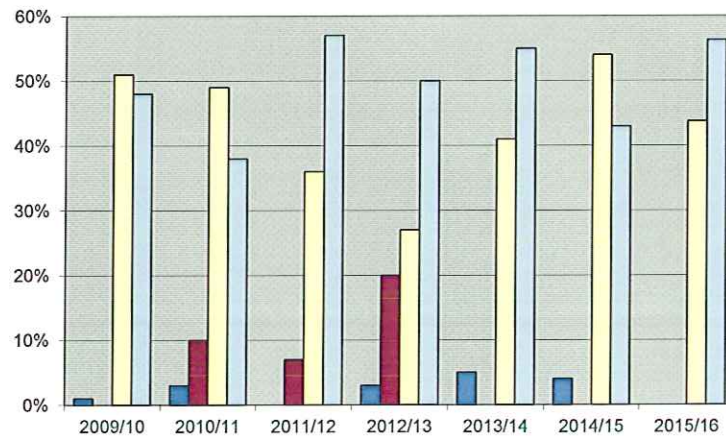


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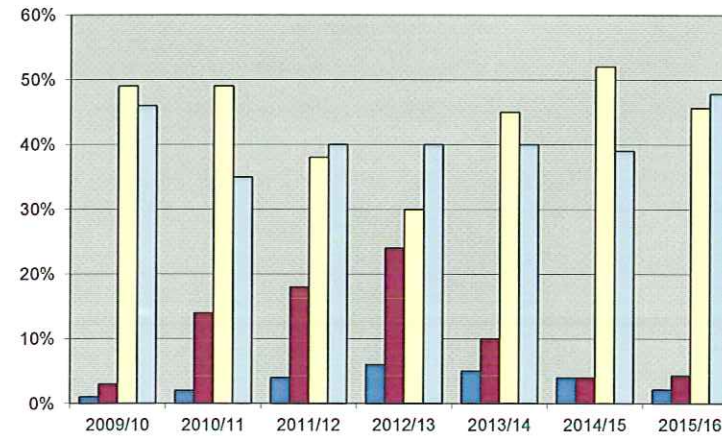
Preparation for and Administration of the Audit Process

Appendix 2

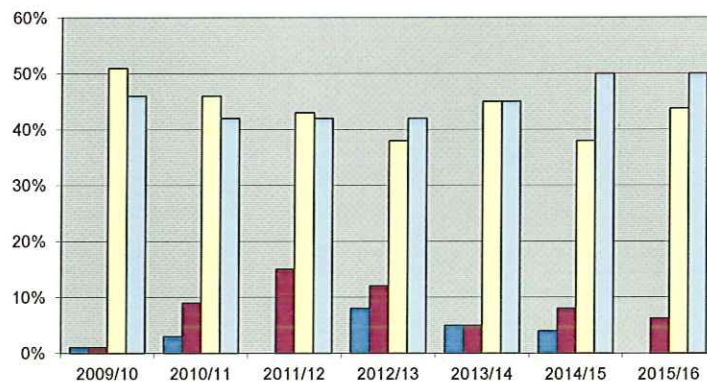
Q7. Comparison of repondents' ratings of the value of the pre-audit meeting in raising awareness of the reasons for audit and communicating the intended areas to be covered



Q8. Comparison of repondents' ratings of the value of the pre-audit meeting as an opportunity to identify specific areas which would benefit from a more detailed examination



Q9. Comparison of repondents' ratings of the value of the pre-audit meeting as an opportunity to raise any areas of concern with Derbyshire Audit Services staff, either to seek advice or gain assurance on those matters

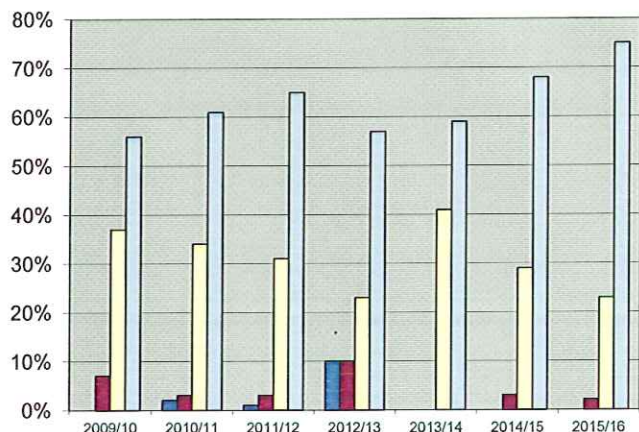


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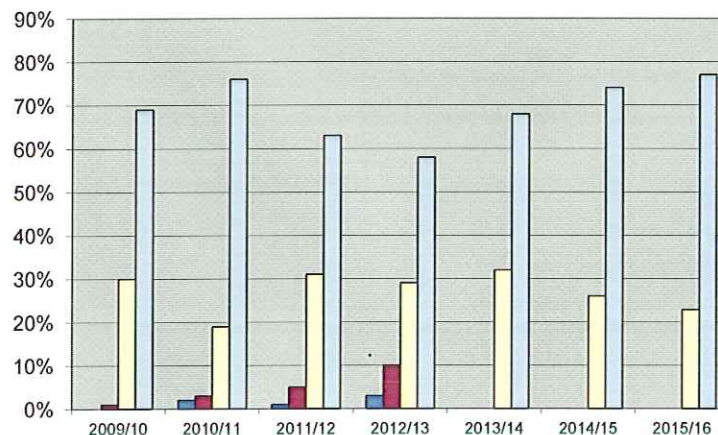
Immediate Post Audit Feedback and Management Dialogue

Appendix 2

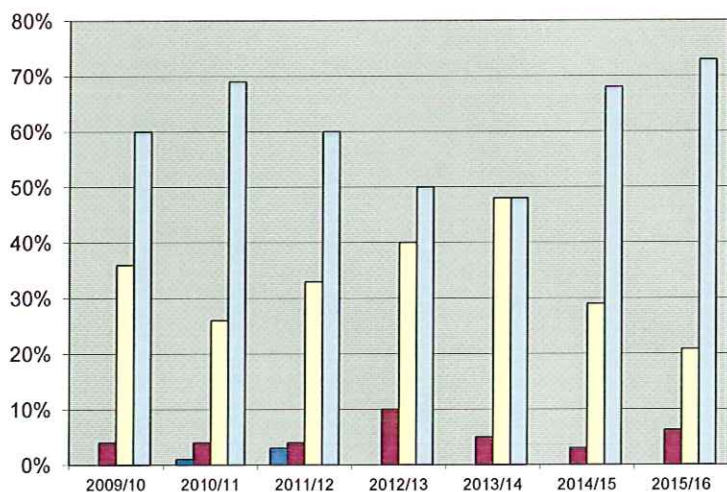
Q10. Rating of post audit discussion in terms of sufficient detail in communicating the findings of the review and their importance



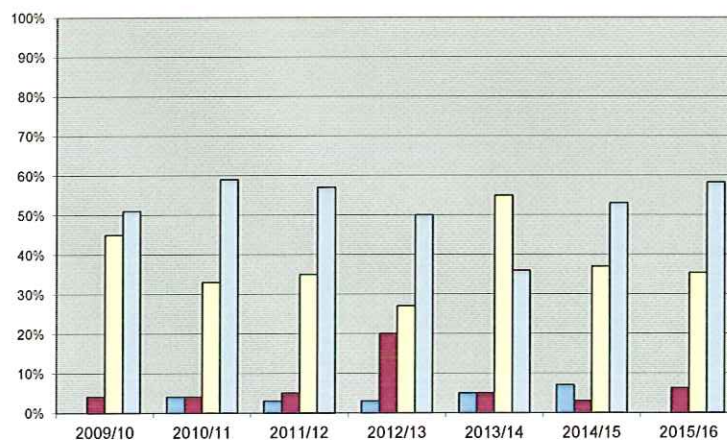
Q11. Rating of post audit discussion in terms of the overall professionalism of the auditors in holding the closing meeting



Q12. Rating of post audit discussion in terms of sufficient time spent in communicating the findings and answering any further questions relating to the review



Q13. Rating of post audit discussion in terms of adequate detail in providing information as to the timeframe the audit memorandum could be expected and any further information that may be required to finalise the audit

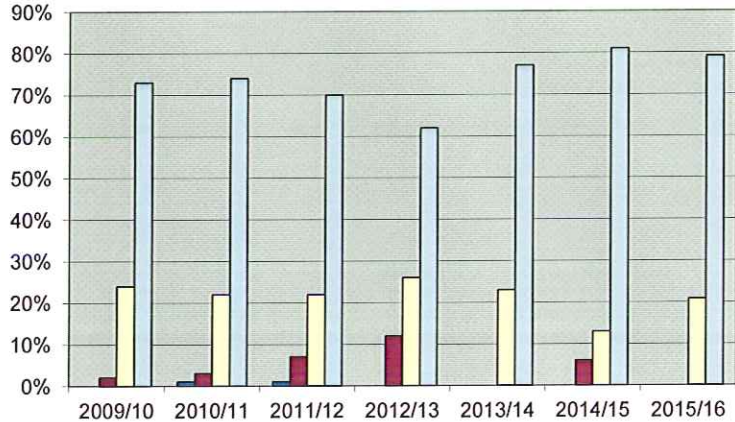


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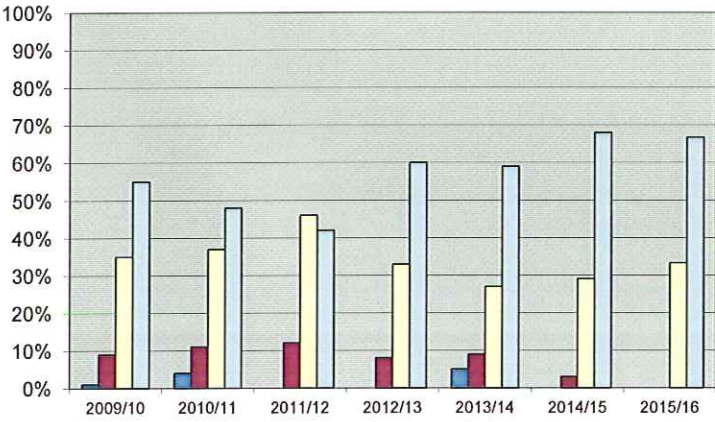
Professionalism and Relevance of the Audit Product

Appendix 2

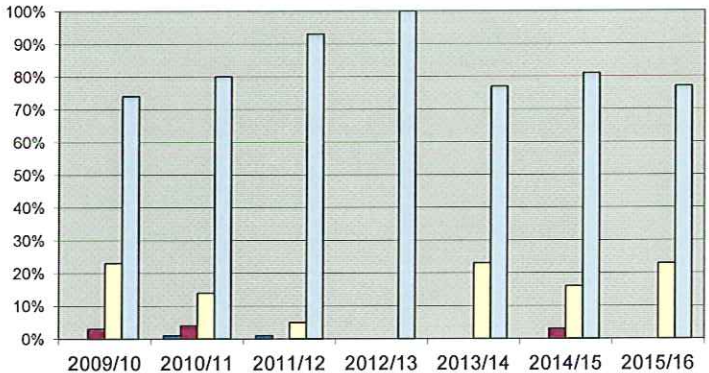
Q15. Comparison of respondents' ratings of auditor professionalism



Q16. Comparison of respondents' ratings of auditor conduct in terms of minimisation of disruption



Q17. Comparison of respondents' ratings of the auditors' manner of approach to Managers and staff



Q18. Comparison of respondents' rating of auditors' listening and communication skills

