<u>**For publication**</u>

<u>**INTERNAL AUDIT CONSORTIUM ANNUAL REPORT 2016/2017**</u>

Meeting:	Standards and Audit Committee
Date:	24th May 2017
Cabinet portfolio:	Governance
Report by:	Internal Audit Consortium Manager

For publication

1.0   Purpose of report

1.1   The purpose of this report is to:-

- Present a summary of the internal work undertaken during 2016/17 from which the opinion on the internal control environment is derived.
- Provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.
- Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement.
- Compare work actually undertaken with that which was planned and summarise performance.
- Comment on compliance with the Public Sector Internal Audit Standards (PSIAS).
- Confirm progress against the Internal Audit action plan that was developed following an external review of internal audit.
- Comment on the results of the internal quality assurance programme.
- Confirm the organisational independence of internal audit

- Review the performance of the Internal Audit Consortium against the current Internal Audit Charter.

2.0   Recommendations

2.1   That the Internal Audit Consortium Annual Report for 2016/17 be accepted.

2.2   That the progress made in respect of implementing the action plan arising from the external review be noted.

3.0   Report details

SUMMARY OF WORK UNDERTAKEN

3.1   Appendix A details the audit reports issued in respect of audits included in the 2016/17 internal audit plan. The appendix shows for each report the overall opinion on the reliability of the internal controls and the opinion given at the last audit. The report opinions can be summarised as follows:

Control Level	Number of Reports	Percentage 2016/17	Percentage 2015/16
Good	8	28	28
Satisfactory	12	41	56
Marginal	4	14	10
Unsatisfactory	5	17	6
Unsound	0	0	0
	29	**100**	**100.0**

3.2   A definition of the above control levels is shown in Appendix A.

3.3   There were no issues relating to fraud arising from the reports detailed in Appendix A.

3.4   The following table summarises the performance indicators for the Internal Audit Consortium as detailed in the Internal Audit Service Plan:

Description	2016/17		2017/18
	Plan	Actual	Plan
Cost per Audit Day	£286	£256 **Note 1**	£280
Percentage of Plan Completed (CBC)	96%	91% **Note 2**	96%
Sickness Absence (Average Days per Employee)	8.0 (Corporate Trigger)	2.4	8.0
Customer Satisfaction Score (CBC)	85%	95%	85%
To issue internal audit reports within 10 days of the close out meeting (CBC)	90%	100%	90%
Number/proportion of audits completed within time allocation (CBC)	80%	76% **Note 3**	80%
% 2016/17 Agreed recommendations implemented (CBC)	80%	82%	80%
Quarterly reporting to Standards and Audit Committee	100%	100%	100%

3.5   **Note 1 -** This is due mainly to the 0.5 vacant post within the Consortium structure not being filled and an underspend on the training budget. A decision has been taken not to fill the vacant post however the budget for this has now been used to fund a full time Senior Auditor post (as opposed to 0.9 FTE of the retiring Senior Auditor) and also to pay a market supplement on this post which has enabled another qualified Officer to be appointed.

Note 2 - 3 audits from the 2016/17 plan had not been completed at the time of writing this report.
1) The planned audit in respect of the new system review (Mentor replacement) has not taken place as the system has not yet been replaced, this has therefore been included within the 2017/18 internal audit plan.

2) The review of safeguarding has been carried forward to the 2017/18 plan.
3) The Choice Based lettings audit is near conclusion at the time of writing this report and will be issued shortly.

The 2016/17 internal audit plan has not been completed in full for several reasons, firstly there have been a larger number then usual of unsatisfactory and marginal reports issued and so the time taken to complete these audits was greater than anticipated. Secondly, internal audit resources were diverted in March 2017 at the request of the Director of Finance and Resources to review the controls in place in relation to the processing of British Gas invoices following a legal dispute with British Gas.

Note 3 – There have been more marginal and unsatisfactory audit reports issued this year. Where there are a lot of issues identified the audit generally takes longer leading to an over run on the original time budget allocation.

OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT

3.6   In respect of the main financial systems, Appendix A demonstrates that internal controls were generally found to be operating satisfactorily or well giving an overall confidence in the internal control system operating in relation to these systems. However, 3 of the main financial systems – payroll, accounts payable and housing Repairs were given a marginal opinion (a number of areas have been identified for improvement). It is important that the recommendations made in respect of these systems are implemented promptly in order to enhance the control environment.

3.7   Overall, 69% of the areas audited received a good or satisfactory opinion, last year this figure was 84% indicating that there has been a weakening of the overall control environment.

3.8   There have been 5 unsatisfactory reports issued during the year (Data Protection, Non housing property repairs, Section 106/CIL, ICT network security and health and safety) and

these areas have been raised as significant issues within the Annual Governance Statement. In these areas unacceptable risks have been identified and it is critical that the Corporate Management Team work together and with other officers to reduce the risks identified and improve the effectiveness of the control environment.

3.9 The audit recommendations in respect of the above areas have been agreed and are in the process of being implemented.

3.10 Part of the reason for a weakening of controls could be related to the restructure of the Corporate Management Team which led to some key staff leaving or retiring and there being a gap of knowledge/capacity whilst the new structure was being recruited to. The Corporate Management Team is now fully staffed and the new structure is in the process of embedding.

3.11 Performance management procedures are in place to ensure that CMT receive regular reports in relation to outstanding audit recommendations in order that appropriate action can be taken.

3.12 The Standards and Audit Committee also now receive a 6 monthly report in relation to outstanding audit recommendations. Where an unsatisfactory audit report is issued, managers are also required to attend the Standards and Audit Committee to discuss progress and to provide assurance that recommendations are being implemented in a timely fashion.

3.13 In addition to the issues highlighted by internal audit Members should also be aware of other high risk areas that are highlighted within the Council's Corporate Risk Register. In particular:-
- Budget – the general fund and the housing revenue account are both under increasing pressure;
- Devolution – Plans to become a full member of the Sheffield City Region Combined Authority have been delayed;
- Transformation – the ability to deliver key projects

- Workforce – ensuring the council has the right skills and capacity
- Procurement – delivering value for money
- Provision of social housing
- Safeguarding children and vulnerable adults

The full impact of BREXIT is also unknown and may lead to further risks for the Council.

ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

3.14 The internal control issues arising from audits completed in the year have been considered during the preparation of the Annual Governance Statement. The issues surrounding data protection, non-housing property repairs, information security and health and safety have all been raised as significant governance issues within the annual governance statement.

COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

3.15 The Internal Audit Plan for 2016/17 was approved by the Standards and Audit Committee on the 6th April 2016. The majority of the plan has been completed. The planned audit in respect of the new system review (Mentor replacement) has not taken place as the system has not yet been replaced, this has therefore been included within the 2017/18 internal audit plan. In addition to this, the review of safeguarding has been carried forward to the 2017/18 plan and the choice based lettings audit is in the process of being completed. The reasons for the plan not being fully completed are stated in paragraph 3.5 (Note 2).

COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND OTHER QUALITY ASSURANCE RESULTS

3.16 During 2016/17 a self- assessment was undertaken to review compliance with the Public Sector Internal Audit Standards.

The review confirmed that there were no significant areas of non- compliance

3.17 In October 2016 the internal audit consortium was subject to an external review to ensure compliance with Public Sector Internal Audit Standards. The review concluded that the Consortium was compliant with and in places exceeded the requirements of the PSIAS but a number of recommendations were made to further enhance the service provided by the Consortium. The progress made against that action plan so far is detailed at Appendix B.

3.18 It can also be confirmed that the internal audit activity is organisationally independent. Internal audit reports directly to the Director of Finance and Resources but has a direct and unrestricted access to the Corporate Leadership Team and the Standards and Audit Committee.

3.19 Quality control procedures have been established within the internal audit consortium as follows:

- Individual Audit Reviews – Working papers and reports are all subject to independent review to ensure that the audit tests undertaken are appropriate, evidenced and the correct conclusions drawn. All reports are reviewed to ensure that they are consistent with working papers and in layout. Whilst these reviews may identify issues for clarification, the overall conclusion of the quality assurance checks is that work is being completed and documented thoroughly.

- Customer Satisfaction – A Customer Satisfaction Survey form is issued with each report. This form seeks the views of the recipient on how the audit was conducted, the report and recommendations made.

- Client Officer Views – A survey form has been issued to the client officer seeking his views on the overall performance of the Internal Audit Consortium for the year in achieving the objectives set out in the Internal Audit Charter.

- All staff have been provided with a copy of the Public Sector Internal Audit Standards and the Internal Audit Manual has been updated to reflect the requirements of the standards and issued to all staff. A further review of the audit manual is scheduled for the summer of 2017.

3.20 The above quality control procedures have ensured conformance with the PSIAS.

3.21 Based on the customer satisfaction survey forms returned, the average score was 95% for customer satisfaction during 2016/17 (2015/16 result 89%).

3.22 The results of the Client Officer survey for Chesterfield was a score of 97% (34 out of a maximum of 35) for the seven areas reviewed this represented 7 'very good' scores).

REVIEW OF PERFORMANCE OF THE INTERNAL AUDIT CONSORTIUM AGAINST THE CURRENT INTERNAL AUDIT CHARTER

3.23 The Audit Charter was last reported to and approved by the Audit and Standards Committee in June 2016.

3.24 Based on the information provided in this report on the completion of the 2016/17 internal audit plan, it is considered that the requirements of the Charter were met during the year.

4 Human resources/people management implications

4.1 There are no human resources implications.

5 Financial implications

5.1 There are no financial implications

6 Legal and data protection implications

6.1 There are no legal or data protection implications.

7 Consultation

7.1   Not Applicable.

8 Risk management

8.1   This report ensures that Members are aware of the work undertaken by internal audit during 2016/17 and their opinion on the adequacy and effectiveness of the systems in place at Chesterfield Borough Council.

9 Equalities Impact Assessment (EIA)

9.1   Not Applicable.

10 Alternative options and reasons for rejection

10.1 Not Applicable.

11 Recommendations

11.1 That the Internal Audit Consortium Annual Report for 2016/17 be accepted.

11.2 That the progress made in respect of implementing the action plan arising from the external review be noted.

12   Reasons for recommendations

12.1 To present to Members the annual report for the Internal Audit Consortium in respect of Chesterfield Borough Council for 2016/17.

12.2 To ensure compliance with the Public Sector Internal Audit Standards.

12.3 To provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.

Decision information

Key decision number	
Wards affected	
Links to Council Plan priorities	Internal audit work aids in the Council's priority to provide value for money.

Document information

Report author	Contact number/email
Jenny Williams Internal Audit Consortium Manager	01246 345468 Jenny.williams@chesterfield.gov.uk
Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
Appendices to the report	
Appendix A	Internal Audit Reports Issued 2016/17
Appendix B	Internal Audit Consortium external review action plan update

Chesterfield Borough Council – Internal Audit Reports Issued 2016/17

Ref	Report Title	Overall Opinion	
		2016/17	**Previous Audit**
1	Data Protection	Unsatisfactory	Unsatisfactory
2	Non Housing Property Repairs	Unsatisfactory	Unsatisfactory
3	Planning Fees	Good	Satisfactory
4	Crematorium	Satisfactory	Satisfactory
5	Council Tax	Satisfactory	Marginal
6	Queens Park Sports Centre	Marginal	Marginal
7	Non Domestic Rates	Good	Good
8	Healthy Living Centre	Satisfactory	Marginal
9	Bank Reconciliation	Satisfactory	Satisfactory
10	Risk Management	Satisfactory	Satisfactory
11	Housing Repairs - Capital	Good	Good
12	Section 106/CIL	Unsatisfactory	Satisfactory
13	Housing Benefits and Council Tax Support	Good	Good
14	ICT Network Security/Cyber Risk	Unsatisfactory	Satisfactory
15	Cash and Banking	Good	Good
16	Collection and Deposit Book checks	Satisfactory	Satisfactory
17	Treasury Management	Satisfactory	Good
18	Accounts Receivable	Good	Good
19	Health and Safety	Unsatisfactory	N/A
20	Car Park Income	Satisfactory	Marginal
21	Homelessness	Satisfactory	Good
22	BACS System	Satisfactory	N/A
23	Housing Rents	Satisfactory	Satisfactory
24	Markets Income	Satisfactory	Satisfactory
25	Payroll	Marginal	Satisfactory
26	Accounts Payable	Marginal	Satisfactory
27	Commercial Waste	Good	Good
28	Agresso FMS & Budgetary Control	Good	Good
29	Housing Repairs Responsive	Marginal	Satisfactory

Internal Audit Report Opinion Definitions

Control Level	Definition
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.

Report Title:	External Review of Internal Audit (October 2016).	Update April 2017	

Issue Identified	Recommended Action by External Reviewer	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	**Date**	
RESOURCES **Supervision** Supervision of an internal audit assignment is not always evidenced within internal audit files. A formal file review document is completed by a supervisor following exit meetings or production of a draft report, with supervision during an audit being conducted through discussion and monthly 121 meetings.	The nominated supervisor should ensure and evidence that active supervision is maintained and documented throughout the assignment process through recording involvement and instructions on the review form. A suggested format for diarising supervision which is used within peer providers is attached as Appendix 1 File review forms should be introduced at DDDC as part of a standard approach.	Part Y	IAC Manager/ Senior Auditors IAC Manager	Ongoing Immediate	**Complete** – review documentation is completed at the end of an audit with any significant issues arising during the audit also being recorded. **Complete** – forms introduced
COMPETENCY **Governance and standards** The Internal Audit Manual is a	The Internal Audit Manual could be beneficially improved by referring directly to those PSIAS	Y	IAC Manager	August 2017	**Not Started** - IAC Manager to review and update audit manual to include more detail in respect of specific PSIAS standards.

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comprehensive document which refers to the PSIAS but does not sufficiently reference the processes that audit staff should follow in conducting assignments to the various standards. We feel that this would help to elevate the understanding and status of internal audit if the key standards within the PSIAS were fully documented within the document.	standards that **must** be followed and providing detailed advice regarding expectations, particularly in respect of each area.				Internal audit staff all have a copy of the standards however a copy of the PSIAS Standards will be appended in the audit manual
COMPETENCY **Internal Audit Planning** Whilst planning is based upon a risk model as required by the PSIAS, the process largely depends on an assessment devised by internal audit; this shows a financial bias and the use of different definitions of risk impact to those approved within	a) Audit Plans should be constructed to achieve the objectives of the department as set out in the Internal Audit Charter and the audit planning process designed to reflect the same through transparent alignment with the Council wide approach to risk management.	Y	IAC Manager	For 17/18 IA Plan	**Complete** – Audit plans devised following thorough risk analysis and discussion with client officers. The plan details the key risk element and links to the strategic/corporate risk registers.

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the Council risk management strategy; rather than reflecting the wider and accepted risk issues being recognised by the Council. There should be a direct and identified link between the internal audit plan content discussed with Audit Committees which aligns with the Council's risk management systems; beneficially reflecting both identified controls and assurances available. The risk based reasoning for inclusion of the assignment in the audit plan should be evident (why is there a need for independent assurance?) and in turn this should drive the preparation of the terms of reference for each assignment as recorded within the Audit Brief.	b)The internal audit planning process should further identify other sources of assurance that are available and upon which Councils can place reliance.	Y	IAC Manager	August 2017	**Not Started** - IAC Manager to meet with Directors/Heads of Service/ raise at CMT/quarterly Directorate meetings to identify and document other sources of assurance that are available upon which the Council can place reliance. The results of this exercise can then be used to further inform the basis for the internal audit plan.
	c) The starting point for the development of the Audit Brief should be a preliminary discussion with management regarding the inherent and residual risks relevant to the audit area under review. It may aid assignment planning if the management objectives for the area under review were also identified. This should result in the formation of a direct link with the Authority's risk register and	Y	IAC Manager/ Senior Auditors	April 2017	**Complete** – Audit Brief updated to record potential risks. Preliminary discussion with management identifies risks and mitigation factors.

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	the key mitigating controls highlighted, thereby aiding the understanding and ability of members of the Audit Committee to contribute to the assurance agenda.				
COMPETENCY **Training** The department has an experienced team of internal audit staff whose training needs are assessed through regular 121 meetings and appraisal and development meetings. Most staff have a relevant qualification, although only the IACM and one other member of staff have a recognised CCAB or IIA certification. The team attend routine meetings of various groups locally and regionally and use is made of dedicated cost effective	a) Consideration should be given to those areas within the training matrix which reflect greatest need for routine mandatory training of a professional or technical nature. These may relate to areas such as Data Protection or health and Safety where it is important for all staff to have a firm understanding or specific training relating to internal audit such as risk based internal audit or reporting.	Y	IAC Manager	Ongoing	**On-going** - all audit staff have regular data protection, information security and safeguarding training and undertake corporate training as available/required. Health and safety modules are soon to be added to CBC's learning pool of training modules. Consideration will continue to be given to the provision of other training in relation to technical and professional areas within the confines of the budget available. Consideration will be given to further risk training for the audit team. The Nottinghamshire Audit

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training that is available. The IACM ensures that available budgets are used to best effect. Whilst the IA team have identified technology related issues given the nature of cyber risk it is felt that this is a weakness that should be addressed.					Group is currently investigating the provision of risk management training for staff.
	b) There is a need for the Consortium to be able to provide assurance relating to IT risks given the increasing complexity of technology and associated controls. It is therefore essential that appropriate professional training is supported for a member of the team or that the service is acquired externally in order to deliver on the assurance needs of the consortium members.	Y	IAC Manager	As required	**On- going** A discussion has been held with the Head of IT and it is evident that a great deal of assurance can be gained from the external assessment and requirements to meet PSN. The Internal Audit Consortium will continue to review elements of IT during every audit and to conduct specific IT audits. The possibility of utilising external specialist support e.g. DCC or Derby City IT internal auditors will be kept under review.

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COMPETENCY **Control evaluation** The IAC uses the following gradings for the assessment of controls included within the testing schedule. **Good** – A few minor recommendations (if any) **Satisfactory** – minimal risk; a few changes identified where changes would be beneficial **Marginal** – a number of areas have been identified for improvement **Unsatisfactory** – Unacceptable	The Consortium should consider the merits of moving to expression of the control in environment in the form of:- a) The appropriateness of the control environment having regard to the significance of the risks involved – adequate/inadequate, and b) Whether the control is being consistently applied – effective/ineffective	Y	IAC Manager	April 17	**Complete** - the audit opinion from 2017/18 will be based on levels of assurance.

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risks identified, changes should be made **Unsound** – Major risks identified; fundamental improvements are required Our view would be that this represents an overly complex structure for expression of an opinion on the control environment and the nature of the issue identified against which a recommendation will be made. Standard practice is for each control to be assessed in terms of its adequacy and effectiveness, with the subsequent recommendation being graded as risk based (see Delivery 3b/c)					
DELIVERY **Focus on pre-identified controls** Assignments are dominated by	Internal audit working papers should focus on major risks to the Council that have been identified and discussed with the	Part	IAC Manager/ Senior Auditors	Ongoing	**On-going** – test schedules are reviewed before the commencement of each audit to ensure that they are still relevant and concentrate on the key risk

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previously identified controls emanating from CIPFA control matrices which are then tested to specified testing levels rather than provide focus on significant risk and associated key controls identified and evaluated as part of the documentation process. Benefits would be achieved through increased focus on agreed "local" key controls relating to the business critical risks and then tested according to the materiality of their contribution to the Council's risk management framework. Whilst the current testing is robust, documented and well evidenced it may not provide assurance relating to the most significant risks to which the service is exposed.	auditee. Assignment briefs should therefore reflect assessment of risks as defined within the Councils risk impact definitions and then consider the controls that are required to mitigate that risk within the risk appetite of the Council. An example risk based Assignment Brief is included as Appendix 2.				areas. The audit brief has been updated to record the key risks identified at the commencement of the audit

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DELIVERY **Methodology and use of walk-through tests** For core financial systems, systems documentation exists and is we understand supported by flowcharts, in accordance with para 8.1.1 of the Internal Audit Manual. For other audits whilst it is accepted the system notes exist mostly in the form of notes within the evidence collected, files do not contain an outline of the system as specified in the	a.　Auditors should complete at least a system note at the start of each audit in order to outline an overview of the processes being reviewed in order to aid understanding and the structure of the audit and provide an understanding of the system to aid supervision and the efficient conduct of future audits.	Part	All audit staff	April 17	**Complete** - permanent files are now being set up as each audit is undertaken. Sample documentation and system, notes are already routinely placed on file to evidence the processes in place whilst undertaking sample testing.

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internal audit manual as stage 4 of the above and there is therefore a reliance on previously constructed testing schedules to define the scope of the audit. As the risk environment, service provision, staff in post and therefore systems change it is considered important that each audit commences with providing a documented oversight of the component parts of the system in which key controls that are to be relied upon for the purposes of providing an opinion are documented and tested using a walk through test.	b. The internal audit manual should specify the minimum standards requirements for file structure and content for electronic files in order to aid supervision. These may be planning and communication, systems documentation and identified procedures, fieldwork (control summaries supported by testing and evidence) and reporting. (Refers to section 9.3.3 of the internal audit manual)	Y	IAC Manager	August 17	**Not started** - The structure of the electronic files for each audit review will be developed to ensure a consistency of approach amongst the Consortium members.

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DELIVERY **Audit Opinions -** *Recommendations* These are currently developed and assessed by each internal auditor, and reviewed by the Audit Manager prior to release of the draft report (sometimes subsequent to discussion of findings at an 'exit meeting' at which the grading of recommendations may have been discussed). This system relies on personal judgement	a)Audit supervisors should formally agree the grading of recommendations prior to the conduct of exit meetings.	Y	IAC Manager/ Senior Auditors	Ongoing	**Complete** – this is already done as a matter of routine during the file review stage.

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related to 'Priority' for which no definition exists to articulate the meaning of High, Medium or Low. The definitions used by internal audit to support opinions therefore lack clarity and should be more closely linked with each Authority's risk appetite and the definitions of impact risk being used to embed risk management thinking within the organisation. The basis for grading of recommendations should as a result influence the overall	b)Risk definitions used by internal audit should be developed to reflect the risk appetite within each organisation, and the definitions of impact and likelihood used by the Council. These should be used by each internal auditor to grade the recommendation and discuss the level of risk to which the organisation is exposed with each auditee at the exit meeting	Y	IAC Manager	April 17	**Complete** - Definitions have been developed for High, Medium and Low internal audit recommendations linked to risk. This will aid in reducing subjectivity and increase consistency.

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opinion for each audit directly, for example if a risk falling into a definition of the highest category is identified (potential for death, loss greater than £500k) then the assurance level given is reduced. Any risk of this nature should automatically trigger a negative audit opinion of 'limited assurance'.	c) Consideration should be given to removing the need to include 'low' rated recommendations in formal audit reports; alternatively reflecting on these in a side letter to the manager. This would aid the profile of internal audit through concentrating on things that really matter in relation to significant risk as defined within risk management policies.	N			This approach would lead to the risk that low priority recommendations are not even considered by managers. Managers can already disagree recommendations if they feel the risk is too low given the resource available etc. It is up to managers to set the risk appetite of the Council.

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DELIVERY *Audit Opinions - Overall opinions* These are currently based upon the personal judgement of each auditor, within the definitions specified as relating and subject to review by the supervisor and IACM of the draft report prior to release. The overall opinion also appears to be loosely based on the aggregate number of recommendations made and not the level of risk identified. The current is for the opinion to reflect the reliability of the internal controls operating in the system / area reviewed was assessed as good* / satisfactory* / marginal* / unsatisfactory* / unsound*.	a) The grading of recommendations should be based upon the level of risk exposure identified within the review and reflect the highest ranked recommendation being reported upon. Best practice would reflect: - Where a fundamental risk (red) is identified that no/limited assurance is given. - Where significant risks (amber) are identified then adequate assurance is given, and - Where 'merits attention' (green) risks are identified these are not referred to in the report and substantial assurance is given	Part	IAC Manager	April 17	**Complete** - Definitions have been developed for the use of High, Medium and Low when grading recommendations. This will help to ensure consistency based on levels of risk.

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Wider best practice provides for three levels of opinion being substantial, adequate or limited as this provides a clearer indication to stakeholders of the level of assurance that can be gained. This opinion can then be aligned directly with the nature of the risks being identified and the grading of those recommendations being made.	b) Reducing the levels of opinion to three would provide a clearer indication of the assurance being provided and represent a more straight-forward approach for internal audit staff to administer.	Part	IAC Manager	April 17	**Complete** – The levels of opinion have been considered by the Internal Audit Consortium Manger, Client Officers and each Audit Committee and reduced to four. This will be implemented from 2017/18.
DELIVERY **Report format** The Consortium currently provides a detailed report which is then summarised appropriately to inform other meetings within the Council at Officer and Member levels. It would not be appropriate to	The Consortium should consider whether focusing on risk as a basis for reporting would allow movement towards an 'executive summary' approach which highlights only significant risks. This may help further build the profile of internal audit	N			Managers have not liked this approach in the past as reports were seen as focusing purely on the negative. Current feedback from customer satisfaction surveys on the current reporting style is positive. Where a marginal or worse

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comment negatively on this approach particularly as positive feedback regarding internal audit performance can be seen in the return of satisfaction surveys during 2016/17 and was gained in meetings with officers as part of the EQA. However, internal audit reports are 'lengthy' and in developing an increasingly risk based approach consideration could be given to moving to an exceptions based executive summary highlighting significant risks.	and allow greater efficiency within the team through reducing the time consumed in report production and clearance.				conclusion is reached the main issues / risks will be summarised in a paragraph under the conclusion. The majority of reports are already short.
DELIVERY **Auditee feedback** At the time of the review feedback questionnaires had been received in respect of 24 audits undertaken during 2016/17, all received scores in excess of 80% with the only areas showing as requiring	The IACM should continue to monitor feedback as it moves towards an increasingly risk focused so that as changes are made to internal audit practices; these can be aligned with improvements in the way internal audit value is perceived.	Y	IAC Manager	March 18	**On-going** - All customer satisfaction surveys are reviewed with a view to taking on board any learning points. Surveys are also used as a discussion point with Auditors at EPD's and 1:1's As the Consortium further

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improvement relating to:- - Were recommendations practical and useful, and - Sufficient to remedy weaknesses identified in the report					develops risk based auditing the customer satisfaction survey will be reviewed to ensure that it is still collecting relevant feedback.
DELIVERY **Annual Report** The IACM produces an Annual Audit report which summarises the years' work and includes analysis of performance. The opinion reflects '*In respect of the main financial systems, Appendix 1 shows that internal controls were found to be operating satisfactorily or well, giving an overall confidence in the internal control system operating in relation to these systems'* . The form required by the PSIAS requires a wider statement which '*must also include significant risk exposures and control issues,*	In alignment with recommendations made earlier the internal audit plan should be constructed so that the IACM is able to provide a wider assurance to each Authority in support of the governance statement. Best practice is that the Annual Report should also contain reference to all significant risks and therefore co-ordination with and an understanding of issues being raised the range of assurances available is essential in order to meet this broader	Y	IAC Manager	2016/17 audit opinion	**In progress** – the 2016/17 internal audit opinion is in the process of being drafted. The internal audit work during the year is used as the basis upon which to formulate the annual audit opinion. The audit plan is risk based and devised to cover a broad range of the Council's activities and functions. This enables the IAC Manager to produce an opinion on the control environment as a whole. However, the annual internal audit opinion will be developed to take in to account other significant risks that may not have been covered by the audit plan in a particular year. The Annual Governance

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including fraud risks, governance issues, and other matters needed or requested by senior management and the board'.	scope. In this way the Annual report can be used to support the Council's Governance Statement.				Statement and strategic risk register will be utilised to do this.
DELIVERY **Reports produced by the IACM** It is considered good practice that the IACM is involved in conducting assignments particularly in relation to high risk areas but in such circumstances appropriate arrangements should be made for 'supervision' and clearance of reports.	In circumstances where the IACM undertakes a review personally arrangements should be made for a second person review of the file.	Y	Senior Auditors	Immediate	**Complete –** A senior Auditor now reviews any audits undertaken by the IACM
DELIVERY **Derbyshire Dales DC** Whilst it is recognised that arrangements for this Council are outside of the core Consortium arrangements. It would be	Standardised procedures should be implemented regarding: - The use of Audit Briefs, - Working paper review, and	Y	IAC Manager and Senior Auditor	Immediate	**Complete** – standardised procedures are in use

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beneficial for the established internal audit processes contained within the Internal Audit Manual to be applied as this will aid consistency of approach, training and supervision.	- The approach to IT audit				