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

INTERNAL AUDIT CONSORTIUM – ANNUAL REPORT 2016/17

Meeting:	Joint Board
Date:	12th September 2017
Cabinet portfolio:	Governance
Report by:	Internal Audit Consortium Manager

For publication

1.0 **Purpose of report**

1.1 To report on the performance of the Internal Audit Consortium during 2016/17.

2.0 **Recommendations**

2.1 That the annual report of the Internal Audit Consortium be approved.

3.0 **Report details**

BACKGROUND

3.1 The Internal Audit Consortium came into operation on 1 April 2007. Chesterfield Borough Council, Bolsover District Council and North East Derbyshire District Council are full members of the Internal Audit Consortium. In addition to this the Internal Audit Consortium provides a management role in respect of Derbyshire Dales District Council's internal audit function.

3.2 The Public Sector Internal Audit Standards, require that a detailed annual report should be prepared. Detailed reports on the performance against the Audit Plans for each constituent authority have already been presented to each council's respective Audit Committee.

PERFORMANCE IN 2016/17

Internal Audit Plans

3.3 Internal Audit Plans were established and agreed for each authority before the start of the financial year. The plans were substantially completed for 2016/17 and this was reported to each audit committee in May 2017.

3.4 Regular progress reports were submitted to each Audit Committee summarising internal audit reports issued.

Working Procedures / Improvement plan

3.5 Progress has continued in addressing a number of service improvements, for example:

- All staff now have laptops

- Testing schedules are continually being reviewed and updated as each audit is undertaken to ensure that key controls and risks are addressed.

- The Internal Audit manual has been updated

- A self-assessment of compliance with the Public Sector Internal Audit Standards was completed in May 2016 and the review did not identify any significant areas of non- compliance. This was supported by the findings of the external review of internal audit undertaken in October 2016.

- The external review did recommend some improvements and the resulting action plan is in the process of being implemented. The action plan at Appendix C details progress against the action plan to date.

Performance Targets

3.6 The results of the performance targets measured in 2016/17 are shown in the table below.

Description	2015/16	2016/17	
	Actual	Plan	Actual
Cost per Audit Day	£237	£286	£256 (Note 1)
Percentage of Plan Completed	100%	96%	92%

Sickness Absence (Average Days per Employee)	11	8.5 (Corporate Target)	2.4
Customer Satisfaction Score	92%	80%	93%
To issue internal audit reports within 10 days of close out meeting	99%	90%	98%
Number/proportion of audits completed within time allocation	75%	80%	76%
% 2015/16 Agreed recommendations implemented by due date	68%	80%	77%
Quarterly reporting to Audit Committee's	100%	100%	100%

3.7 **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.

FINANCIAL PERFORMANCE

3.8 The original budgets and charges for 2016/17 were agreed by the Joint Board on the 14th March 2016 and subsequently revised on the 13th March 2017. The revised budget for 2016/17 showed an estimated surplus for the year of £40,730 plus a brought forward balance of £20,000.

3.9 The outturn for the year shows a surplus of £52,610 plus a brought forward balance of £20,000. **Appendix A** provides a comparison of the budget and outturn figures. The main reason for the surplus is detailed in paragraph 3.7.

3.10 At its meeting on 13 March 2017, Joint Board agreed that:

- The accumulated surplus less £20,000 be distributed to the partner authorities

- That £20,000 be held as a working balance

3.11 This has resulted in the following distribution:

	£
Surplus at 31st March 2017	72,610
Less Balance carried forward	20,000
	52,610
Distribution:	
Chesterfield (36.6%)	19,255
North East Derbyshire DC (31.8%)	16,730
Bolsover DC (31.6%)	16,625
	52,610

Staffing

3.12 The Senior Internal Auditor based at NEDDC retired in April 2017. A new Senior Auditor has been appointed and started on 8 June 2017. The new Senior Auditor is fully qualified which has added resilience to the service in terms of compliance with the Public Sector Internal Audit Standards.

3.13 The Auditor seconded to Accountancy has now joined the Accountancy team at CBC on a permanent basis and the temporary Auditor covering that post has now been appointed to a permanent Auditor position.

Training

3.14 Training needs are discussed and assessed with each staff member during employee Personal Development Reviews.

3.15 Training consists of a combination of formal qualifications; CPD activities/courses; internal courses; team meeting updates/information sharing; reading relevant articles; and on the job training.

RISK REGISTER

3.16 The Internal Audit Consortium risk register has been updated and is shown as **Appendix B**.

4 Human resources/people management implications

4.1 Not Applicable.

5 Financial implications

5.1 The Internal Audit Consortium operated under budget during 2016/17 which has resulted in a repayment to each of the partner authorities.

6   Legal and data protection implications

6.1   None.

7   Consultation

7.1   Not Applicable.

8   Risk management

8.1   The production of an annual report enables Joint Board to assess if the Internal Audit Consortium is providing an effective value-for-money service.

8.2   The provision of an effective Internal Audit service helps to ensure that the internal controls and governance arrangements of the involved organisations are appropriately assessed in terms of their adequacy and effectiveness.

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 annual report of the Internal Audit Consortium be approved.

12   Reasons for recommendations

12.1 To enable the Joint Board to consider and approve the 2016/17 Annual Report of the Internal Audit Consortium.

Decision information

Key decision number	N/A
Wards affected	All
Links to Council Plan priorities	An effective internal audit service helps towards the Council's priority of providing VFM

Document information

Report author	Contact number/email
Jenny Williams – Internal Audit Consortium Manager	01246 345468
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 Consortium Budget and Actual - 2016/17 and Estimate 2017/18
Appendix B	Internal Audit Consortium Risk Register
Appendix C	Internal Audit Consortium Progress on External Review Action Plan

INTERNAL AUDIT CONSORTIUM BUDGET & ACTUAL - 2016/17 AND ESTIMATE 2017/18

	2016/17			2017/18
	Original **£**	**Revised** **£**	**Actual** **£**	**Estimate** **£**
Expenditure:				
Employees	355,760	338,820	331,677	365,690
Transport	3,150	3,150	2,688	3,150
Supplies	26,540	10,130	5,319	6,540
Support Services	52,420	51,740	52,176	52,470
Total Expenditure	**437,870**	**403,840**	**391,860**	**427,850**
Income:				
Charges to CBC	154,180	154,180	154,180	152,800
Charges to NEDDC	134,600	134,600	134,600	132,740
Charges to Bolsover	133,790	133,790	133,790	131,910
Charges – other	500	500	400	500
Charges to DDDC	14,800	10,700	10,700	9,900
Total Income	**437,870**	**433,770**	**433,670**	**427,850**
Transfer in from Earmarked Reserve	0	10,800	10,800	0
Net surplus/(deficit) in year	**0**	**40,730**	**52,610**	**0**
Net surplus/(deficit) b/fwd	20,000	20,000	20,000	20,000
Net surplus/(deficit) c/fwd.	**20,000**	**60,730**	**72,610**	**20,000**
Less surplus to be distributed	0	40,730	52,610	0
Working Balance Carried Forward	20,000	20,000	20,000	20,000

Internal Audit Consortium Risk Register

Total Risk Score: Likelihood x Impact. Rating Key:

0-4 Green	5-14 Amber	15+ Red

CAUSE	EFFECT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	CURRENT RISK RATING LIKELIHOOD /RISK IMPACT	FURTHER ACTION REQUIRED/DATE	TARGET RISK RATING LIKELIHOOD /RISK IMPACT/DATE	RISK LEAD
Failure to substantially complete the agreed audit plans	The Internal Audit Consortium Manager can't give an opinion on the controls in place which may lead to external audit undertaking more work or qualified accounts	Quarterly monitoring and reporting of progress to client officers and Audit Committees. £20,000 working balance retained which could be used to fund additional resource if required.	**Unlikely/High** **2 x 4 = 8** **Amber**	None	**Unlikely/High** **2*4 = 8** **Amber**	Internal Audit Consortium Manager

IA -Failure to undertake work to a satisfactory standard	External audit and section 151 officers can't place reliance on work	All work subject to quality reviews by senior staff. Regular review of compliance with PSIAS. External review of internal audit undertaken October 2016 concludes that the Consortium is compliant with the PSIAS	**Highly Unlikely/Medium** **1 x 3 = 3** **Green**	Implementation of the action plan arising out of the external review of Internal audit will further enhance the service provided.	**Highly Unlikely/Medium** **1 x 3 = 3** **Green**	Internal Audit Consortium Manager
IA - Insufficient financial resources to fund consortium	Cannot achieve plans	Joint Board approved the Consortiums budget March 17 for 2017/18	**Unlikely/High** **2 x 4 = 8** **Amber**	None	**Unlikely/High** **2 x 4 = 8** **Amber**	Internal Audit Consortium Manager
Loss of data through IT failure	Loss of work	Data stored on each Councils network and subject to their back up and security procedures.	**Unlikely/Medium** **2 x 3 = 6** **Amber**	None	**Unlikely/Medium** **2 x 3 = 6** **Amber**	Internal Audit Consortium Manager

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

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end August 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	Part	IAC Manager/ Senior Auditors	On-going	**Complete** – review documentation is completed at the end of an audit with any significant issues arising during the audit also being recorded.
	File review forms should be introduced at DDDC as part of a standard approach.	Y	IAC Manager	Immediate	**Complete** – forms introduced
COMPETENCY **Governance and standards** The Internal Audit Manual is a comprehensive document which refers to the PSIAS but does not	The Internal Audit Manual could be beneficially improved by referring directly to those PSIAS standards that **must** be followed and providing	Y	IAC Manager	August 2017	**Complete** – the audit manual has been reviewed and updated and redistributed to staff

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end August 2017
			Officer	Date	
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.	detailed advice regarding expectations, particularly in respect of each area.				
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 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	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.
	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	**In progress** - 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.

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end August 2017
			Officer	**Date**	
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.	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 the key mitigating controls highlighted, thereby aiding the understanding and ability of members of the Audit Committee to contribute to the assurance agenda.	Y	IAC Manager/ Senior Auditors	April 2017	**Complete** – Audit Brief updated to record potential risks. Preliminary discussion with management identifies risks and mitigation factors.

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end August 2017
			Officer	Date	
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 has 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 training that is available.	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	On-going	**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. A risk based internal audit training day has been organised for all internal audit staff on the 17th November 2017.
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.	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	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

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end August 2017
			Officer	**Date**	
	order to deliver on the assurance needs of the consortium members.				specialist support e.g. DCC or Derby City IT internal auditors will be kept under review. June 2017 - Senior Auditors attended a Data Protection and Cyber Security training day
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 risks identified, changes should be made **Unsound** – Major risks identified; fundamental improvements are	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.

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end August 2017
			Officer	**Date**	
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 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	Internal audit working papers should focus on major risks to the Council that have been identified and discussed with the 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	Part	IAC Manager/ Senior Auditors	On-going	**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 areas. The audit brief has been updated to record the key risks identified at the commencement of the audit

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end August 2017
			Officer	**Date**	
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.	of the Council. An example risk based Assignment Brief is included as Appendix 2.				
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.

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end August 2017
			Officer	**Date**	
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	**Complete –** file structures have been established

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end August 2017
			Officer	Date	
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 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	a)Audit supervisors should formally agree the grading of recommendations prior to the conduct of exit meetings.	Y	IAC Manager/ Senior Auditors	On-going	**Complete** – this is already done as a matter of routine during the file review stage.
	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.

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end August 2017
			Officer	**Date**	
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.

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end August 2017
			Officer	Date	
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*. 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	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.

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end August 2017
			Officer	Date	
grading of those recommendations being made.					

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end August 2017
			Officer	**Date**	
	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 comment negatively on this approach particularly as positive feedback regarding internal audit performance can be seen in the return of satisfaction surveys	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 and allow greater efficiency within the team through reducing the time consumed in report production and clearance.	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 conclusion is reached the main issues / risks will be summarised in a paragraph under the conclusion. The majority of reports are already short.

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end August 2017
			Officer	**Date**	
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.					
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 improvement relating to:- - Were recommendations practical and useful, and - Sufficient to remedy weaknesses identified in the report	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 develops risk based auditing the customer satisfaction survey will be reviewed to ensure that it is still collecting relevant feedback.

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end August 2017
			Officer	**Date**	
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, including fraud risks, governance issues, and other matters needed or requested by senior management and the board'.*	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 scope. In this way the Annual report can be used to support the Council's Governance Statement.	Y	IAC Manager	2016/17 audit opinion	**Complete** - the 2016/17 audit opinion refers to other significant risks as detailed in strategic risk registers.
DELIVERY **Reports produced by the IACM** It is considered good practice that the IACM is involved in	In circumstances where the IACM undertakes a review personally arrangements should be made for a second person review of the	Y	Senior Auditors	Immediate	**Complete –** A senior Auditor now reviews any audits undertaken by the IACM

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end August 2017
			Officer	**Date**	
conducting assignments particularly in relation to high risk areas but in such circumstances appropriate arrangements should be made for 'supervision' and clearance of reports.	file.				
DELIVERY **Derbyshire Dales DC** Whilst it is recognised that arrangements for this Council are outside of the core Consortium arrangements. It would be 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.	Standardised procedures should be implemented regarding: - The use of Audit Briefs, - Working paper review, and - The approach to IT audit	Y	IAC Manager and Senior Auditor	Immediate	**Complete** – standardised procedures are in use