



CHESTERFIELD  
BOROUGH COUNCIL



North East  
Derbyshire  
District Council

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The Chair and Members of Joint  
Board

21 March 2023

Dear Councillor,

Please attend a meeting of the JOINT BOARD to be held on WEDNESDAY, 29 MARCH 2023 at 2.00 pm in Committee Room 2, Town Hall, Chesterfield Borough Council, Rose Hill, Chesterfield S40 1LP, the agenda for which is set out below.

AGENDA

Part 1(Public Information)

1. Declarations of Members' and Officers' Interests relating to items on the Agenda
2. Apologies for Absence
3. Minutes (Pages 3 - 6)
4. Internal Audit Progress Report 2022/23 and Draft Business Plan 2023/24 (Pages 7 - 22)
5. Date and Time of the Next Meeting

Yours sincerely,

A handwritten signature in black ink, appearing to be "Graham Ibberson".

Chesterfield Borough Council, Town Hall, Rose Hill, Chesterfield S40 1LP

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Head of Regulatory Law and Monitoring Officer

# Agenda Item 3

The Internal Audit Consortium Manager submitted a report to inform the Joint Board of the Consortium's performance during 2021/22.

The report gave a summary of the progress made with regard to:

- The preparation of Internal Audit Plans for the three Councils
- Changes made to Working Procedures / Improvement Plans
- The Consortium's financial performance
- Staffing, training and development

It was noted that the progress of the plans had been impacted by the pandemic, however, enough of the internal audit plans had been completed to be able to give an unlimited audit opinion and any areas that were incomplete would be rolled forward to the following year. Plans would be prioritised according to risk and focus would be given to areas of concern.

An external review had taken place with positive results and an action plan had been implemented based on the recommendations.

Discussion took place around the difficulties encountered when recruiting to audit positions and it was acknowledged that this was a problem across the region and financial sector. The Risk Register had been updated to reflect the issue and this was attached to the report as Appendix 2.

As agreed at the meeting of the Joint Board on 29th March, 2022 the surplus from 2021/22 was retained and carried forward to cover any agency fees relating to unfilled vacancies, or for increased staffing costs pending the outcome of a salary benchmarking exercise / structure review.

**RESOLVED:**

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

The Internal Audit Consortium Manager presented an update to the Joint Board in relation to the recruitment challenges faced by the Internal Audit Consortium.

It was acknowledged that over the last few years the recruitment and retention of qualified experienced internal auditors had become increasingly difficult. This issue had been noted by CIPFA, the Local Authorities Chief Auditors Network (LACAN) and the Midlands and Nottinghamshire Audit Groups.

Staffing levels significantly affected the Consortium's ability to complete the agreed internal audit plans. Following the failure to recruit to vacant positions a salary benchmarking exercise had been undertaken. All of the Consortium's job descriptions and person specifications had been reviewed and updated.

Agency staff had been considered as a possible option, but due to the high fees charged, these would only provide a short-term solution. Recruitment agencies may generate larger fields of applicants and conversations had taken place to determine potential barriers to recruitment. The establishment of apprenticeships had been considered to improve staff retention and this idea was under development.

## **RESOLVED –**

1. That the recruitment difficulties faced by the Consortium and the actions taken / being taken to try and fill the vacant Senior Auditor post was noted.
2. That the situation in respect of DDDC was noted.
3. That the Joint Board delegate the authority to the Service Director Finance, Section 151 Officers at BDC and NEDDC and the Head of the Internal Audit Consortium to continue to review the Internal Audit Consortium's staffing structure and salaries and to look at other alternatives including the use of market supplements for recruitment and retention.
4. That authority be delegated to the Service Director Finance, Section 151 Officers at BDC and NEDDC and the Head of the Internal Audit Consortium to increase the Consortium's budget if required to implement any agreed changes.

5. That the brought forward balance from 2021/22 as previously agreed be utilised to fund the Senior Auditor salary increase and any potential agency costs.

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## For publication

### Internal Audit Consortium Progress Report 2022/23 and Draft Business Plan 2023/24

<b>Meeting:</b>	Joint Board
<b>Date:</b>	29th March 2023
<b>Cabinet portfolio:</b>	Governance
<b>Directorate:</b>	Finance
For Publication	

#### 1.0 Purpose of the report

- 1.1 To update the Joint Board on the progress made by the Internal Audit Consortium during the financial year 2022/23.
- 1.2 To provide an update on the business plan (budget) for the Consortium for 2022/23 and to seek approval for the revised 2022/23 business plan and draft business plan for 2023/24.

#### 2.0 Recommendations

- 2.1 That the progress made by the Internal Audit Consortium be noted.
- 2.2 That the revised business plan (budget) for 2022/23 and the draft Internal Audit Consortium Business Plan (and associated charges) for 2023/24, based on Appendix 1, be approved.
- 2.3 That any accumulated surplus of the Internal Audit Consortium at the 31<sup>st</sup> March 2023 (less £30,000 to be held as a working balance) be distributed to the partner authorities following the audit of the accounts being completed.
- 2.4 That an annual report on the outcome of the operation of the Internal Audit Consortium for 2022/23 be submitted to the Joint Board following the year-end.

#### 3.0 Reason for recommendations

- 3.1 The approval of the 2023/24 business plan will mean that the Consortium can continue to deliver a quality service that can provide independent assurance on governance, risk management and control processes.

- 3.2 To enable the Joint Board to consider and approve the revised business plan for 2022/23 and the draft business plan for 2023/24.

#### 4 **Report details**

##### **Staffing**

- 4.1 The Internal Audit Consortium has had several staff vacancies during the 2022/23 financial year however is now fully staffed. The new Senior Auditor for BDC started on the 23<sup>rd</sup> January 2023 and the new NEDDC Auditor started on the 13<sup>th</sup> February 2023.

##### **Training**

- 4.2 In terms of formal training, 1 Auditor is a year through a 3 year Apprenticeship in respect of the Institute of Internal Auditors qualification.
- 4.3 All staff keep up to date via ad hoc courses / webinars, team meetings and reading appropriate professional magazines etc.
- 4.4 The Consortium are members of the Midlands Audit Group and Nottinghamshire Audit Group where best practice, emerging risks, concerns etc. are shared and discussed.
- 4.5 All mandatory training has been completed.
- 4.6 The new auditors have all attended a 2 day webinar "introduction to Internal audit". Most audit staff have attended CBC's climate change training with the rest to follow shortly.

##### **Working Procedures**

- 4.7 All internal audit staff have adopted hybrid working and are present in the office 2/3 days a week.
- 4.8 Internal audit procedures continue to be reviewed and improved where possible. The Internal Audit Manual was updated in September 2022.
- 4.9 Regular team meetings and 1:1 's take place with all staff. All PDR's have been completed during the year.

##### **Internal Audit Plans**

- 4.10 Internal audit plans for 2022/23 were agreed with each section 151 officer, management team and Audit Committee in March / April 2022.
- 4.11 Regular progress reports showing a summary of internal audit reports issued and progress against the 2022/23 plans have been submitted to each Council's Audit Committee. Good progress has been made on the plans although they



will not be completed in their entirety due to staff shortages during the year and the overrun of the 2021/22 internal audit plan. Areas not completed are being considered for inclusion in the 2023/24 internal audit plans.

- 4.12 Mid- year review meetings were held with each client officer to discuss progress and consider budget issues, as required under the Consortium Legal Agreement.
- 4.13 An annual report was submitted to each Audit Committee at the end of 2021/22 summarising the audit work undertaken and giving an opinion on the control environment.

#### **Derbyshire Dales District Council**

- 4.14 The Head of the Internal Audit Consortium continues to offer a management service to Derbyshire Dales District Council at a charge of £10,400 per annum.

#### **Business Plan 2022/23 and Draft 2023/24**

- 4.15 The original business plan for 2022/23 received approval in March 2022. The original business plan projected a break- even position for the year (Appendix 1).
- 4.16 The revised business plan based on the revised budget estimates now predicts a surplus of £18,340.
- 4.17 In 2021/22 there was a surplus of £27,320 that it was agreed would be retained rather than redistributed to potentially be used on agency staff or to review staffing structures and gradings with the potential use of market supplements.
- 4.18 The total predicted surplus is therefore £45,660 in addition to the usual carry forward of £20,000. To cover any further potential staffing shortages / changes/ market supplements and training costs for new staff etc. it is proposed that £30,000 be carried forward at the year end as a working balance and that any surplus additional to this be redistributed (based on the revised estimate for 2022/23 that would be £35,660).

#### **Business Plan 2023/24 (Draft)**

- 4.19 A draft business plan for the Consortium has been prepared for 2023/24 and the following two years (see Appendix 1). This business plan is based on the FTE of 8.85 posts.
- 4.20 For information, a summary of the charges made by the Consortium covering the period 2019/20 – 2023/24 (estimate) is shown in Appendix 2.

#### **Risk Register**

- 4.21 The Internal Audit Consortium risk register has been updated and is shown as Appendix 3. There are no red risks, now that the Consortium is fully staffed the risk in relation to recruitment is still present but has reduced.

## **5 Alternative options**

5.1 Not Applicable.

## **6 Implications for consideration – Financial and Value for Money**

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

## **7 Implications for consideration – Legal**

7.1 The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account public sector internal auditing standards or guidance”.

## **8 Implications for consideration – Human Resources**

8.1 None

## **9 Implications for consideration – Council Plan**

9.1 Audit reviews help to ensure that the council’s resources and priorities are focused on achieving the objectives within the council plan.

## **10 Implications for consideration – Climate Change**

10.1 Whilst there are not considered to be any direct climate change impacts in relation to this report, sound internal control, governance and risk management arrangements will support the achievement of the Council’s objectives.

## **11 Implications for consideration – Equality and Diversity**

11.1 None

## **12 Implications for consideration – Risk Management**

12.1 Regular audit reviews help to ensure that risk is appropriately managed.

## **Decision information**

<b>Key decision number</b>	
<b>Wards affected</b>	<b>None</b>

### Document information

<b>Report author</b>	
Jenny Williams Head of the Internal Audit Consortium Finance	
<b>Background documents</b>	
None	
<b>Appendices to the report</b>	
Appendix 1	Business Plan
Appendix 2	Consortium Charges
Appendix 3	Risk Register

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<b>INTERNAL AUDIT CONSORTIUM BUSINESS PLAN 2022/23 TO 2025/26</b>					
	<b>2022/23</b>		<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>Original £</b>	<b>Revised £</b>	<b>Estimate £</b>	<b>Estimate £</b>	<b>Estimate £</b>
<b><u>Expenditure:</u></b>					
Employees	392,460	373,990	439,310	453,120	465,710
Transport	3,000	3,000	3,000	3,000	3,000
Supplies	7,410	7,440	7,490	7,510	7,530
Support Services	70,540	70,640	75,280	79,060	77,480
<b>Total Expenditure</b>	<b>473,410</b>	<b>455,070</b>	<b>525,080</b>	<b>542,690</b>	<b>553,720</b>
<b><u>Income:</u></b>					
Charges to CBC	169,300	169,300	188,170	194,580	198,580
Charges to NEDDC	147,090	147,090	163,490	169,060	172,540
Charges to BDC	146,170	146,170	162,470	168,000	171,450
Charges to Derbyshire Dales DC	10,400	10,400	10,500	10,600	10,700
Charges – other	450	450	450	450	450
<b>Total Income</b>	<b>473,410</b>	<b>473,410</b>	<b>525,080</b>	<b>542,690</b>	<b>553,720</b>
<b>Net surplus/(deficit) in year</b>	<b>0</b>	<b>18,340</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net surplus/(deficit) b/fwd	20,000	47,320*	30,000	30,000	30,000
<b>Net surplus/(deficit) c/fwd</b>	<b>20,000</b>	<b>65,660</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>
Less distribution of surplus	0	35,660	0	0	0
Surplus balance carried forward	20,000	30,000	30,000	30,000	30,000

\*£20,000 plus £27,320 carried forward from 21/22 that was retained for potential agency fees / staff restructure etc

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