



CHESTERFIELD
BOROUGH COUNCIL



North East
Derbyshire
District Council

Please ask for Liz Athorn
Direct Line: 01246 959612
Email democratic.services@chesterfield.gov.uk

The Chair and Members of Joint
Board

12 October 2023

Dear Councillor,

Please attend a meeting of the JOINT BOARD to be held on WEDNESDAY, 29 NOVEMBER 2023 at 2.00 pm in NEDDC Offices, 2013 Mill Lane, Wingerworth, Chesterfield, S42 6NG, 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 - 10)
4. Internal Audit Consortium Annual Report 2022/23 (Pages 11 - 28)
5. Internal Audit Consortium Progress Report 2022/23 and Draft Business Plan 2023/24 (Pages 29 - 44)
6. Date and Time of the Next Meeting

Yours sincerely,

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

Telephone: 01246 345 345, Text: 07960 910 264, Email: info@chesterfield.gov.uk

www.chesterfield.gov.uk

A handwritten signature in black ink, appearing to be 'Randy', written in a cursive style.

Head of Regulatory Law and Monitoring Officer

Agenda Item 3

RECORD OF EXECUTIVE DECISIONS – JOINT WORKING

CBC: DEPUTY LEADER				Date of Decision 29.03.23	
BDC: LEADER					
NEDDC: LEADER					
Title Reference: Internal Audit Consortium Progress Report 2022/23 and Draft Business Plan 2023/24					
Key Decision References (if applicable): CBC: N/A BDC: N/A NEDDC: N/A			Delegation Reference:		CBC: R080L BDC: NEDDC:
Report and background papers	Yes	Public <input checked="" type="checkbox"/>	Exempt <input type="checkbox"/>	Confidential <input type="checkbox"/>	
Decision Status	Notice of Key or Private Decision		Authorised By: N/A		
	General Urgency				N/A
	Special Urgency				N/A
	Exempt Urgency				N/A
Record of Decision:					
<ol style="list-style-type: none"> 1. That the progress made by the Internal Audit Consortium be noted. 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. 3. That any accumulated surplus of the Internal Audit Consortium at the 31st 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. 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. 					
Reasons for Decision:					
<ol style="list-style-type: none"> 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. 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 					
Alternative options considered and rejected (if any): None					
Declarations of interests: None					

Decision subject to call-in: Yes

Date of implementation if not called in: 5 April, 2023

Date Record Issued: 29.03.23 Contact Officer: Graham Ibberson, Chesterfield Borough Council, Tel: (01246) 345229

Notes to Record of Decisions (Joint Working):

CBC - CALL-IN REQUESTS

*The implementation of certain decisions is suspended until the call-in period has expired without a call-in being validly invoked. Any Member of the Council shall be entitled to call for a decision to be suspended by giving notice to the Monitoring Officer either by telephone, fax, email or in writing **not later than 5.00 pm on the day following the date of the Joint Board meeting.** Any decisions so suspended shall not be capable of implementation for a period of **five calendar days** from the date of the Joint Board meeting. During the call-in period a request may be made in respect of any decision so suspended by not less than one quarter of the total membership of the Overview and Performance Scrutiny Committee. To do this you will need to notify the Monitoring Officer in writing, by fax or by email by 5.00 pm on the date being five days following the day of the Joint Board meeting.*

BDC - CALL-IN REQUESTS

*All Key Decisions come into effect **five working days** after the meeting unless three members give notice in writing to the Governance Manager requesting to call in the decision. The call-in request should be on a **completed 'call-in' request form and include the names and signatures of the three signatories**, the decision making principles it is believed have been breached and also the reasons for this. Non Key Decisions may not be called in.*

NEDDC - CALL-IN REQUESTS

*The implementation of key decisions is suspended until the call-in period has expired without a call-in being validly invoked. The call-in period is **five working days** after the publication of this decision. During the call-in period the **Chair or Vice Chair together with three other members of any Overview and Scrutiny committee** may object to a key decision and call it in. Non-Key decisions cannot be called in at North East Derbyshire District Council.*

JOINT BOARD**Tuesday, 29th March, 2023**

Present:-

Councillor Dale (Chair)

Councillors Fritchley

Councillors

Serjeant

*Matters dealt with under the Delegation Scheme

1 **THE MEETING WAS ADJOURNED DUE TO THE COMMITTEE NOT BEING QUORATE**

2 **APOLOGIES FOR ABSENCE**

4 **INTERNAL AUDIT CONSORTIUM PROGRESS REPORT 2021/2022 AND DRAFT BUSINESS PLAN 2022/2023**

This page is intentionally left blank

12.10.22

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.

This page is intentionally left blank

For publication

Internal Audit Consortium Annual Report 2022/23

Meeting:	Joint Board
Date:	29 th November 2023
Cabinet portfolio:	Governance
Directorate:	Finance
For publication	

1.0 Purpose of the report

1.1 To report on the performance of the Internal Audit Consortium during 2022/23.

2.0 Recommendation

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

3.0 Reason for recommendation

3.1 To enable the Joint Board to consider and approve the 2022/23 Annual Report of the Internal Audit Consortium.

4.0 Report details

BACKGROUND

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

4.2 The Public Sector Internal Audit Standards, require that a detailed annual report should be prepared. This report should be used to inform the Annual Governance Statement. Annual reports were presented to each

council's respective Audit Committee (BDC June 2023, CBC July 2023 and NEDDC September 2023).

PERFORMANCE IN 2022/23

Internal Audit Plans

- 4.3 Internal Audit Plans were established and agreed for each authority before the start of the financial year.
- 4.4 The ongoing impact of COVID- 19 (overrun of 21/22 plans) along with staff vacancies and the training requirements of new staff has impacted on the extent of completion of the 2022/23 internal audit plans. However, enough of the internal audit plans (along with reliance on other assurances) were completed to be able to give an unlimited audit opinion for all 3 Councils in respect of the 2022/23 financial year. The areas in the 2022/23 plan not completed have in the main been rolled forward to the 2023/24 financial year.
- 4.5 Regular progress reports were submitted to each audit committee during the year summarising internal audit reports issued.

Working Procedures

- 4.6 Working procedures are kept under review, for example:
- A self -assessment of compliance with the Public Sector Internal Audit Standards was completed in May 2023 and the review did not identify any areas of non- compliance.
 - An external review of internal audit took place in May 2021 and concluded that “the Internal Audit Consortium are delivering internal audit services to a standard that generally conforms with the PSIAS. There are no areas where the service does not comply with the standards”.
 - The action plan arising from the external review of internal audit has now been fully implemented.
 - Team meetings are utilised to discuss improvement ideas and share best practice.
 - The team have now all adopted hybrid working.
 - All valuing Individuals and Performance reviews have been completed for quarters 1 and 2.
 - The Internal Audit manual was reviewed in September 2022.

- A Quality Assurance and Improvement Programme has been developed and will be reviewed and updated on an annual basis (Appendix 3)

Performance Targets

4.7 The results of the performance targets measured in 2022/23 are shown in the table below.

Description	2022/23		2023/24
	Plan	Actual	Plan
Cost per Audit Day	£310	£283	£343
Percentage of Plan Completed	75%	73%	75%
Sickness Absence (Average Days per Employee)	8.0 (Corporate Trigger)	10.0	8.0
Customer Satisfaction Score	85%	94%	85%
To issue internal audit reports within 10 days of the close out meeting	90%	100%	90%
Quarterly reporting to Audit Committees	100%	100%	100%

FINANCIAL PERFORMANCE

4.8 The original budgets and charges for 2022/23 were agreed by the Joint Board in March 2022 and subsequently revised in March 2023. The revised budget for 2022/23 showed an estimated surplus for the year of £18,340 plus a brought forward balance of £47,300 (usual 20k plus £27,320 carried forward from 21/22 that was retained for potential agency fees / staff restructure etc).

4.9 The outturn for the year shows a surplus of £57,422 plus a brought forward balance of £30,000. Appendix 1 provides a comparison of the budget and outturn figures.

Staffing

- 4.10 During the year, the Senior Auditor post at NEDDC was vacant for 7 months due to recruitment difficulties however in November 2022 a successful internal appointment was made. In addition to this, The BDC Senior Auditor retired in December 2022 and a replacement Senior Auditor commenced at the end of January 2023.
- 4.11 In terms of Auditors, a new Auditor was appointed for NEDDC to replace the Auditor that was promoted to Senior Auditor. During the year 2 Auditors were appointed at CBC however both only stayed a few months, one because they decided Internal Audit was not the career for them and another because they were offered a job with the Metropolitan Police. Another CBC Auditor is due to start on the 30th October 2023.

Training

- 4.12 Training needs are discussed and assessed with each staff member during Valuing Individuals and Performance reviews (previously personal development reviews).
- 4.13 Training consists of a combination of formal qualifications, internal and external courses, team meeting updates, information sharing, webinars, reading relevant articles and on the job training.

RISK REGISTER

- 4.14 The Internal Audit Consortium risk register has been updated and is shown as Appendix 2. There are currently no red risks.

5.0 Alternative options

- 5.1 Not applicable.

6.0 Implications for consideration – Financial and value for money

- 6.1 The Internal Audit Consortium operated under budget during 2022/23 however still completed sufficient work to be able to provide an annual opinion on each Council's governance, risk and control arrangements.

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

6.3 Internal audit reviews help to ensure that processes and controls are operating effectively thereby contributing to ensuring that value for money is obtained.

7.0 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”.

8.0 Implications for consideration – Human resources

8.1 None

9.0 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 each Councils Plan / Ambition statement.

10.0 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.

11.0 Implications for consideration – Equality and diversity

11.1 None

12.0 Implications for consideration – Risk management

12.1 Regular audit reviews help to ensure that risk is managed appropriately. Internal audit makes recommendations to reduce the level of risk and improve the control environment.

Decision information

Key decision number	
Wards affected	

Document information

Report author	
Jenny Williams Head of the Internal Audit Consortium Finance Directorate	
Background documents	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
None	
Appendices to the report	
Appendix 1	Internal Audit Consortium Budget and Actual - 2022/23 and Estimate 2023/24
Appendix 2	Internal Audit Consortium Risk Register
Appendix 3	Quality Assurance & Improvement Programme

**INTERNAL AUDIT CONSORTIUM BUDGET & ACTUAL – 2022/23
AND ESTIMATE 2023/24**

	2022/23			2023/24 Original Estimate
	Original £	Revised £	Actual £	£
<u>Expenditure:</u>				
Employees	392,460	373,990	361,344	439,310
Transport	3,000	3,000	413	3,000
Supplies	7,410	7,440	911	7,490
Support Services	70,540	70,640	70,640	75,280
Total Expenditure	473,410	455,070	433,308	525,080
<u>Income:</u>				
Charges to CBC	169,300	169,300	169,300	188,170
Charges to NEDDC	147,090	147,090	147,090	163,490
Charges to Bolsover	146,170	146,170	146,170	162,470
Charges – other	450	450	450	450
Charges to DDDC	10,400	10,400	10,400	10,500
Total Income	473,410	473,410	473,410	525,080
Net surplus/(deficit) in year	0	18,340	40,102	0
Net surplus/(deficit) b/fwd	20,000	47,320	47,320	30,000
Net surplus/(deficit) c/fwd.	20,000	65,660	87,422	30,000
Less surplus to be distributed	0	35,660	57,422	0
Working Balance Carried Forward	20,000	30,000	30,000	30,000

This page is intentionally left blank

Internal Audit Consortium Risk Register

Total Risk Score: Likelihood x Impact. Rating Key:

0-8 Green	9-14 Amber	15+ Red
-----------	------------	---------

Page 19

Definite (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Highly Unlikely (1)	1	2	3	4	5
	Negligible (1)	Low (2)	Medium (3)	High (4)	Very High (5)
	Impact				

Internal Audit Consortium Risk Register

CAUSE	EFFECT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	CURRENT RISK RATING LIKELIHOOD /RISK IMPACT	FURTHER ACTION REQUIRED/DAT E	TARGET RISK RATING LIKELIHOOD /RISK IMPACT/DATE	RISK LEAD
Failure to substantially complete the agreed audit plans.	The Head of the Internal Audit Consortium can't give an opinion on the governance, risk and control arrangements in place. This could lead to a limited annual audit opinion, failure to comply with the Public Sector Internal Audit Standards and criticism / qualified VFM opinion from external audit, comment in the Annual Governance Statement / system weaknesses remaining undetected.	<ul style="list-style-type: none"> • Concentration on high and medium risk areas identified in the annual plan spanning governance, risk and control processes. • Regular reviews of progress and assessment of emerging risks. • Reliance on other assurances such as the Council's performance management system, PSN compliance, external audit etc 	<p style="text-align: center;">Possible/High 3 x 4 = 12 Amber</p>	Keep under review. Regular reporting to management and the Audit Committees. Use of temporary / agency staff if necessary	<p style="text-align: center;">Unlikely/High 2 x 4 = 8 Green</p>	Head of Internal Audit Consortium

<p>Failure to identify emerging high risk areas for review.</p>	<p>High risk areas may remain undetected until it is too late. Unable to provide assurance that emerging risks are being appropriately managed</p>	<ul style="list-style-type: none"> • Regular contact with the Section 151 officer • attendance at the risk management groups. • Risks discussed at scoping meetings with managers. • Discussions with Notts and Midlands audit groups and Local Authorities Chief Auditors Network • Reading professional magazine articles • Audit plans are discussed with relevant parties 	<p>Possible/High 3 x 4=12 Amber</p>	<p>Maintain regular dialogue with key officers and the risk management groups.</p>	<p>Unlikely/High 2 x 4=8 Green</p>	<p>Head of Internal Audit Consortium</p>
-----------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------	------------------------------------------------------------------------------------	-----------------------------------------------------------------	------------------------------------------

Failure to undertake work to a satisfactory standard	External audit and section 151 officers can't place reliance on work. New auditors requiring a lot of supervision and training	<ul style="list-style-type: none"> • All work is subject to quality reviews by senior staff. • Audit manual in place documenting working practices. • External review of internal audit undertaken May 2021 concluded that the Consortium is compliant with the PSIAS. • Internal self-assessment against PSIAS undertaken on an annual basis. • Customer satisfaction surveys after each audit to help identify any issues. • CPD training undertaken by all and required by professional bodies 	Unlikely/Medium 2 x 3 = 6 Green	None at present	Unlikely/Medium 2 x 3 = 6 Green	Head of Internal Audit Consortium
Insufficient financial resources to fund consortium leading to staff cuts	Cannot achieve plans and therefore provide an annual audit opinion. Managers and Members are not provided with the assurance that governance, risk and control processes are in place.	Joint Board approved the Consortiums budget in principal March 23 (meeting not quorate) for 2023/24	Unlikely/High 2 x 4 = 8 Green	October 23 Joint Board to be asked to approve the 2023/24 budget	Unlikely/High 2 x 4 = 8 Green	Head of Internal Audit Consortium

<p>Lack of appropriately qualified and experienced staff. Loss of senior auditors through promotion / retirement - recruitment difficulties</p>	<p>Unable to complete the plan, work not to the required standard.</p>	<ul style="list-style-type: none"> • Training and development of current staff. • Quarterly Valuing Individuals and Performance Reviews and monthly 1:1 meetings. • Salary benchmarking exercise undertaken and as a result Senior Auditor posts have been regraded. • Waiving of qualification requirement for exceptional and appropriate experience. 	<p>Possible/High 3 x 4 = 12 Amber</p>	<p>None at present – fully staffed To use agency staff if required</p>	<p>Possible/High 3 x 4 = 12 Amber</p>	<p>Head of Internal Audit Consortium / 151 Officer</p>
<p>Loss of data through IT failure or network unavailable</p>	<p>Loss of work</p>	<p>Data stored on each Councils network and subject to their back up and security procedures. Periods of “downtime” are rare and short with minimal impact on service</p>	<p>Unlikely/Medium 2 x 3 = 6 Green</p>	<p>None</p>	<p>Unlikely/Medium 2 x 3 = 6 Green</p>	<p>Head of the Internal Audit Consortium</p>

This page is intentionally left blank

Internal Audit Consortium

Quality Assurance and Improvement Programme (QAIP)



Introduction

The Public Sector Internal Audit Standards require that the Head of Internal Audit develops and maintains an improvement programme that covers all aspects of the internal audit activity.

A quality assurance and improvement programme (QAIP) is designed to enable an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The quality assurance and improvement programme must include both internal and external assessments.

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity.
- Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

This QAIP covers: -

- 1) Internal Assessments
- 2) External Assessments
- 3) Staff qualifications / experience
- 4) Training
- 5) Other elements

1) Internal Assessments

Internal assessments consist of the following: -

- An annual assessment against the Public Sector Internal Audit Standards by the Head of the Internal Audit Consortium. This was undertaken in May 2023 and the review confirmed that there were no significant areas of non-compliance.
- Reviews of working papers – All audit working papers are reviewed by the Head of Internal Audit or a Senior Auditor to ensure that they meet required standards and support the findings of the review. These reviews are documented.
- Review of audit reports – The Head of Internal Audit reviews all reports for quality and consistency before they are formally issued.

- Key performance indicators – these are reported to each Audit Committee in the annual report.
- Customer feedback – Customer satisfaction surveys are issued with every report and the results monitored. Based on the customer satisfaction survey forms returned, the average score was 94% for customer satisfaction during 2022/23.
- All staff completed a declaration of personal interests statement in September 2023.

2) External Assessments

An external review of internal audit took place in May 2021 the results of which concluded “Current services are assessed to “generally conform” with the PSIAS and compare favourably with peers, there are no areas where the service does not comply with the Standards”.

The results of the external assessment were fully reported to each Audit Committee and to the Joint Board.

An action plan was developed from the points arising in the 2021 external review and has been used to further drive improvement.

3) Audit Staff qualifications / experience

The table below summarises the qualifications and experience of the Internal Audit Consortium staff as at May 2023.

<u>Post</u>	<u>Qualification</u>	<u>Experience</u>
Head of Internal Audit	CIPFA	25 plus years
Senior Auditor	-	15 years
Senior Auditor	CIPFA	25 plus years
Senior Auditor	AAT	25 plus years
Auditor	AAT	8 years
Auditor	AAT	1 year
Auditor	-	4 months
Auditor	AAT	25 plus years
Auditor	-	4 years
Auditor	-	1 month

Training Undertaken in 2022/23

Training records are maintained to monitor both professional and ad hoc training received by staff.

Training is delivered via webinars, team meetings, professional journals etc. All staff undertake CPD.

During 2022/23 training included: -

- Introduction to internal audit (new Auditors)
- Fraud webinars
- Levelling up
- Accident and investigation
- Climate change
- Valuing individuals and performance
- Stress and absence management

Other Elements

- Performance Development Reviews – All staff had a performance development review. These reviews set and monitor the achievement of objectives and identify any training requirements.
- 1:1's – All staff have 1:1 meetings with their manager at least monthly.
- The Internal Audit Manual is a comprehensive record of audit procedures and requirements and is updated at least every 2 years.
- Declarations of Business Interest – Staff are required to complete a declaration of business interests form on an annual basis and cannot undertake audits where there is a potential conflict of interest.
- Team meetings – Monthly team meetings are held which discuss points of practice, improvement ideas, audit findings, information sharing and include elements of training and brainstorming.

For publication

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

Meeting:	Joint Board
Date:	29th November 2023
Cabinet portfolio:	Governance
Directorate:	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. (This report was initially brought in March 2023 however due to the Committee being inquorate the report is being presented again today).

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 31st 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 23rd January 2023 and the new NEDDC Auditor started on the 13th February 2023. A new CBC Auditor is starting on the 30th October 2023.

Training

4.2 In terms of training all staff keep up to date via ad hoc courses / webinars, team meetings and reading appropriate professional magazines etc.

4.3 The Consortium are members of the Midlands Audit Group and Nottinghamshire Audit Group where best practice, emerging risks, concerns etc. are shared and discussed.

4.4 All mandatory training has been completed.

4.5 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

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

Internal Audit Plans

- 4.9 Internal audit plans for 2022/23 were agreed with each section 151 officer, management team and Audit Committee in March / April 2022.
- 4.10 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 have been considered for inclusion in the 2023/24 internal audit plans.
- 4.11 Mid- year review meetings were held with each client officer to discuss progress and consider budget issues, as required under the Consortium Legal Agreement.
- 4.12 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

- 4.13 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

- 4.14 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).
- 4.15 The revised business plan based on the revised budget estimates now predicts a surplus of £18,340.
- 4.16 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.

- 4.17 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)

- 4.18 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.
- 4.19 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

- 4.20 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

Key decision number	
Wards affected	None

Document information

Report author
Jenny Williams Head of the Internal Audit Consortium Finance
Background documents
None

Appendices to the report	
Appendix 1	Business Plan
Appendix 2	Consortium Charges
Appendix 3	Risk Register

INTERNAL AUDIT CONSORTIUM BUSINESS PLAN 2022/23 TO 2025/26					
	2022/23		2023/24	2024/25	2025/26
	Original £	Revised £	Estimate £	Estimate £	Estimate £
<u>Expenditure:</u>					
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
Total Expenditure	473,410	455,070	525,080	542,690	553,720
<u>Income:</u>					
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
Total Income	473,410	473,410	525,080	542,690	553,720
Net surplus/(deficit) in year	0	18,340	0	0	0
Net surplus/(deficit) b/fwd	20,000	47,320*	30,000	30,000	30,000
Net surplus/(deficit) c/fwd	20,000	65,660	30,000	30,000	30,000
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

This page is intentionally left blank

Internal Audit Consortium Charges 2019/20 – 2023/24

Charges to:	2019/20	2020/21	2021/22	2022/23 (Revised)	2023/24 (Estimate)
Chesterfield BC	155,860	160,690	166,650	169,300	188,170
North East Derbyshire DC	135,430	139,620	144,800	147,090	163,490
Bolsover DC	134,570	138,740	143,880	146,170	162,470
Derbyshire Dales DC	10,100	10,200	11,163	10,400	10,500
Additional income	825				
Charges – Other	400	400	450	450	450
Total	437,185	449,650	466,943	473,410	525,080
Refund of Accumulated Surplus:					
Chesterfield BC	7,491	5,509	0	13,052	0
North East Derbyshire DC	6,509	4,787	0	11,340	0
Bolsover DC	6,468	4,757	0	11,268	0
Total Refund	20,468	15,053	0	35,660**	0
Surplus Retained			27,320*		
Total Cost	416,717	434,597	466,943	437,750	525,080

*Surplus retained in case required for agency fees etc due to recruitment difficulties

**Surplus to be refunded

This page is intentionally left blank

Internal Audit Consortium Risk Register

Total Risk Score: Likelihood x Impact. Rating Key:

0-8 Green	9-14 Amber	15+ Red
-----------	------------	---------

Page 39

Definite (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Highly Unlikely (1)	1	2	3	4	5
	Negligible (1)	Low (2)	Medium (3)	High (4)	Very High (5)
	Impact				

Internal Audit Consortium Risk Register

CAUSE	EFFECT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	CURRENT RISK RATING LIKELIHOOD /RISK IMPACT	FURTHER ACTION REQUIRED/DAT E	TARGET RISK RATING LIKELIHOOD /RISK IMPACT/DATE	RISK LEAD
Failure to substantially complete the agreed audit plans.	The Head of the Internal Audit Consortium can't give an opinion on the governance, risk and control arrangements in place. This could lead to a limited annual audit opinion, failure to comply with the Public Sector Internal Audit Standards and criticism / qualified VFM opinion from external audit, comment in the Annual Governance Statement / system weaknesses remaining undetected.	<ul style="list-style-type: none"> • Concentration on high and medium risk areas identified in the annual plan spanning governance, risk and control processes. • Regular reviews of progress and assessment of emerging risks. • Reliance on other assurances such as the Council's performance management system, PSN compliance, external audit etc 	<p style="text-align: center;">Possible/High 3 x 4 = 12 Amber</p>	Keep under review. Regular reporting to management and the Audit Committees. Use of temporary / agency staff if necessary	<p style="text-align: center;">Unlikely/High 2 x 4 = 8 Green</p>	Head of Internal Audit Consortium

<p>Failure to identify emerging high risk areas for review.</p>	<p>High risk areas may remain undetected until it is too late. Unable to provide assurance that emerging risks are being appropriately managed</p>	<ul style="list-style-type: none"> • Regular contact with the Section 151 officer • attendance at the risk management groups. • Risks discussed at scoping meetings with managers. • Discussions with Notts and Midlands audit groups and Local Authorities Chief Auditors Network • Reading professional magazine articles • Audit plans are discussed with relevant parties 	<p>Possible/High 3 x 4=12 Amber</p>	<p>Maintain regular dialogue with key officers and the risk management groups. Upcoming discussions re 2023/24 internal audit plans</p>	<p>Unlikely/High 2 x 4=8 Green</p>	<p>Head of Internal Audit Consortium</p>
-----------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------	------------------------------------------

Failure to undertake work to a satisfactory standard	External audit and section 151 officers can't place reliance on work. New auditors requiring a lot of supervision and training	<ul style="list-style-type: none"> • All work is subject to quality reviews by senior staff • Audit manual in place documenting working practices. • External review of internal audit undertaken May 2021 concluded that the Consortium is compliant with the PSIAS. • Internal self-assessment against PSIAS undertaken on an annual basis. • Customer satisfaction surveys after each audit to help identify any issues. • CPD training undertaken by all and required by professional bodies 	<p style="text-align: center;">Unlikely/Medium 2 x 3 = 6 Green</p>	None at present	<p style="text-align: center;">Unlikely/Medium 2 x 3 = 6 Green</p>	Head of Internal Audit Consortium
Insufficient financial resources to fund consortium leading to staff cuts	Cannot achieve plans and therefore provide an annual audit opinion. Managers and Members are not provided with the assurance that governance, risk and control processes are in place.	Joint Board approved the Consortiums budget March 22 for 2022/23 and due to approve for 2023/24	<p style="text-align: center;">Unlikely/High 2 x 4 = 8 Green</p>	March 23 Joint Board to be asked to approve the 2023/24 budget	<p style="text-align: center;">Unlikely/High 2 x 4 = 8 Green</p>	Head of Internal Audit Consortium

<p>Lack of appropriately qualified and experienced staff. Loss of senior auditors through promotion / retirement - recruitment difficulties</p>	<p>Unable to complete the plan, work not to the required standard.</p>	<ul style="list-style-type: none"> • Training and development of current staff. 1 member of staff is undertaking an apprenticeship for the Institute of Internal Auditors qualification. • Annual performance development reviews and monthly 1:1 meetings. • Salary benchmarking exercise undertaken and as a result Senior Auditor posts have been regraded • Waiving of qualification requirement for exceptional and appropriate experience 	<p>Possible/High 3 x 4 = 12 Amber</p>	<p>None at present – fully staffed To use agency staff if required</p>	<p>Possible/High 3 x 4 = 12 Amber</p>	<p>Head of Internal Audit Consortium / 151 Officer</p>
<p>Loss of data through IT failure or network unavailable</p>	<p>Loss of work</p>	<p>Data stored on each Councils network and subject to their back up and security procedures. Periods of “downtime” are rare and short with minimal impact on service</p>	<p>Unlikely/Medium 2 x 3 = 6 Green</p>	<p>None</p>	<p>Unlikely/Medium 2 x 3 = 6 Green</p>	<p>Head of the Internal Audit Consortium</p>

