

For publication

**Internal Audit Consortium Progress Report 2017/18 and Draft
Business Plan 2018/19**

Meeting:	Joint Board
Date:	8 March 2018
Cabinet portfolio:	Governance
Report by:	Internal Audit Consortium Manager

For publication

1.0 Purpose of report

- 1.1 To update the Joint Board on the progress made by the Internal Audit Consortium during the financial year 2017/18.
- 1.2 To provide an update on the business plan (budget) for the Consortium for 2017/18 and to seek approval for the revised 2017/18 business plan and draft business plan for 2018/19.

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 2017/18 and the draft Internal Audit Consortium Business Plan (and associated charges) for 2018/19, based on Appendix A, be approved.

- 2.3 That any accumulated surplus of the Internal Audit Consortium at the 31st March 2018 (less £20,000 to be held as a working balance) be distributed to the partner authorities.
- 2.4 That an annual report on the outcome of the operation of the Internal Audit Consortium for 2017/18 be submitted to the Joint Board following the year-end.

3.0 Report Details

Staffing Issues

- 3.1 One Auditor has handed in their notice to take up a promotion opportunity at a neighbouring Council. The post is currently out to advert.
- 3.2 The revised internal audit staffing structure that was implemented in December 2015 is working well.
- 3.3 One Auditor is currently studying for the final year of the Association of Accounting Technician examinations (AAT).
- 3.4 Other staff members keep up to date via ad hoc courses and reading appropriate professional magazines etc.
- 3.5 Training has been undertaken by the whole audit team in respect of risk based auditing and a further day is planned in March 2018 in respect of the audit of ethics and culture.

Working Procedures

- 3.6 The audit manual has been fully reviewed and updated.
- 3.7 An audit scoping document has been introduced at the start of each audit and the audit brief to managers updated, both documents having the intention of focusing audits on the key risks for the area under review.

- 3.8 The action plan arising from the external review of internal audit has almost been fully completed.
- 3.9 An exercise to document the assurances in place in each council (other than internal audit) is ongoing.

Internal Audit Plans

- 3.10 Internal audit plans for 2017/18 were agreed with each client officer in March 2017. These were reported to and agreed by each Council's Audit Committee.
- 3.11 3.11 Regular progress reports showing a summary of internal audit reports issued have been submitted to each Council's Audit Committee.
- 3.12 A formal six monthly meeting has been held with each client officer to review progress and consider budget issues, as required under the Consortium Legal Agreement.
- 3.13 An annual report was submitted to each Audit Committee at the end of 2016/17 summarising the audit work undertaken and giving an opinion on the control environment.

Derbyshire Dales District Council

- 3.14 The Internal Audit Consortium Manager continues to offer a management service to Derbyshire Dales District Council at a charge of £9,900.

Business Plan 2017/18 and Draft 2018/19

- 3.15 The original business plan for 2017/18 was reported to and approved by the Joint Board on the 13th March 2017. The original business plan projected a break even position for the year (Appendix A).

- 3.16 The revised business plan based on the latest budget estimates now predicts a surplus of £15,770 will be achieved in 2017/18.
- 3.17 The estimated accumulated surplus at the end of 2017/18 is therefore £35,770 (£15,770 plus £20,000 working balance). It is proposed that £20,000 of this be retained by the Internal Audit Consortium as a working balance with the remainder of the accumulated surplus being distributed to the partner authorities.
- 3.18 This would result in the following distribution based on the current estimates:

	£
Estimated Surplus at 31 st March 2018	35,770
Less Working Balance carried forward	20,000
	<u>15,770</u>
Proposed Distribution:	
Chesterfield	5,772
North East Derbyshire DC	5,015
Bolsover DC	4,983
	<u>15,770</u>

Business Plan 2018/19 (Draft)

- 3.19 A draft business plan for the Consortium has been prepared for 2018/19 and the following two years (see Appendix A). This business plan is based on the FTE of 8.7 posts. The draft budget also reflects provision for pay awards.
- 3.20 For information, a summary of the charges made by the Consortium covering the period 2014/15 – 2018/19 (estimate) is shown in Appendix B.

Risk Register

- 3.21 The Internal Audit Consortium risk register has been updated and is shown as Appendix C.

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

4.0 Alternative options and reason for rejection

- 4.1 Not applicable.

5.0 Recommendations

- 5.1 That the progress made by the Internal Audit Consortium be noted.
- 5.2 That the revised business plan (budget) for 2017/18 and the draft Internal Audit Consortium Business Plan (and associated charges) for 2018/19, based on Appendix A, be approved.
- 5.3 That any accumulated surplus of the Internal Audit Consortium at the 31st March 2018 (less £20,000 to be held as a working balance) be distributed to the partner authorities.
- 5.4 That an annual report on the outcome of the operation of the Internal Audit Consortium for 2017/18 be submitted to the Joint Board following the year-end.

6.0 Reasons for recommendations

- 6.1 The approval of the 2018/19 business plan will mean that the Consortium can continue to deliver a quality service.
- 6.2 To enable the Joint Board to consider and approve the revised business plan for 2017/18 and the draft business plan for 2018/19.

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 Business Plan 2017/18 – 2020/21
Appendix B	Internal Audit Consortium Charges 2014/15 – 2018/19
Appendix C	Internal Audit Consortium Risk Register