

For publication

INTERNAL AUDIT CONSORTIUM – ANNUAL REPORT 2017/18

Meeting:	Joint Board
Date:	11th September 2018
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 2017/18.

2.0 Recommendation

- 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 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 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 2017/18

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 2017/18 and this was reported to each audit committee in May 2018.
- 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:
- 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 was reviewed in August 2017 and will be reviewed again in the next few months
 - A self -assessment of compliance with the Public Sector Internal Audit Standards was completed in April 2018 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 that took place in October 2016.
 - The external review of internal audit in October 2016 recommended some improvements and the resulting action

plan has now been substantially completed. A further improvement plan will now be developed.

Performance Targets

3.6 The results of the performance targets measured in 2017/18 are shown in the table below.

Description	2016/17	2017/18	
	Actual	Plan	Actual
Cost per Audit Day	£256	£280	£266
Percentage of Plan Completed	92%	96%	96%
Sickness Absence (Average Days per Employee)	2.4	8.0 (Corporate Target)	4.02
Customer Satisfaction Score	93%	85%	93%
To issue internal audit reports within 10 days of close out meeting	98%	90%	100%
Number/proportion of audits completed within time allocation	76%	80%	88%
% 2017/18 Agreed recommendations implemented by due date	77%	80%	75%
Quarterly reporting to Audit Committee's	100%	100%	100%

FINANCIAL PERFORMANCE

3.7 The original budgets and charges for 2017/18 were agreed by the Joint Board on the 13th March 2017 and subsequently revised on the 8th March 2018. The revised budget for 2017/18 showed an estimated surplus for the year of £15,770 plus a brought forward

balance of £20,000. The main reason for the surplus was due to salary savings.

3.8 The outturn for the year shows a surplus of £19,112 plus a brought forward balance of £20,000. **Appendix A** provides a comparison of the budget and outturn figures.

3.9 At its meeting on the 8th March 2018 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

3.10 This has resulted in the following distribution:

	£
Surplus at 31 st March 2017	39,112
Less Balance carried forward	20,000
	<u>19,112</u>
Distribution:	
Chesterfield (36.6%)	6,995
North East Derbyshire DC (31.8%)	6,078
Bolsover DC (31.6%)	6,039
	<u>19,112</u>

Staffing

3.11 The Senior Internal Auditor based at NEDDC resigned in May 2018. Following a recruitment exercise the post has been offered to a candidate subject to the relevant HR checks. The candidate is fully qualified which therefore continues to add resilience to the service in terms of compliance with the Public Sector Internal Audit Standards.

3.12 A part time Auditor based at CBC also left the Council during the year for a Senior Auditor position at DDDC. The post has now been filled.

Training

- 3.13 Training needs are discussed and assessed with each staff member during employee personal development reviews.
- 3.14 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**.

Financial implications

- 3.17 The Internal Audit Consortium operated under budget during 2017/18 which has resulted in a repayment to each of the partner authorities.

Risk management

- 3.18 The production of an annual report enables Joint Board to assess if the Internal Audit Consortium is providing an effective value for money service.
- 3.19 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 Alternative options and reasons for rejection

- 4.1 Not Applicable.

5 Recommendation

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

6 Reasons for recommendations

- 6.1 To enable the Joint Board to consider and approve the 2017/18 Annual Report of the Internal Audit Consortium.

Decision information

Key decision number	829
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 - 2017/18 and Estimate 2018/19	
Appendix B	Internal Audit Consortium Risk Register	

Appendix A

INTERNAL AUDIT CONSORTIUM BUDGET & ACTUAL - 2017/18 AND ESTIMATE 2018/19

	2017/18			2018/19
	Original £	Revised £	Actual £	Estimate £
<u>Expenditure:</u>				
Employees	365,690	356,140	352,702	377,160
Transport	3,150	3,000	1,895	3,000
Supplies	6,540	1,900	1,221	6,850
Support Services	52,470	50,940	50,537	51,810
Total Expenditure	427,850	411,980	406,355	438,820
<u>Income:</u>				
Charges to CBC	152,800	152,800	152,800	156,800
Charges to NEDDC	132,740	132,740	132,740	136,240
Charges to Bolsover	131,910	131,910	131,910	135,380
Charges – other	500	400	400	400
Charges to DDDC	9,900	9,900	9,900	10,000
Total Income	427,850	427,750	427,750	438,820
Bad debts provision			2,283	
Net surplus/(deficit) in year	0	15,770	19,112	0
Net surplus/(deficit) b/fwd	20,000	20,000	20,000	20,000
Net surplus/(deficit) c/fwd.	20,000	35,770	39,112	20,000
Less surplus to be distributed	0	15,770	19,112	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
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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	None	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 18 for 2018/19	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