

**For publication**

**INTERNAL AUDIT CONSORTIUM PROGRESS REPORT 2018/19 AND  
DRAFT BUSINESS PLAN 2019/20**

---

Meeting:	Joint Board
Date:	20th March 2019
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 2018/19.
- 1.2 To provide an update on the business plan (budget) for the Consortium for 2018/19 and to seek approval for the revised 2018/19 business plan and draft business plan for 2019/20.

**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 2018/19 and the draft Internal Audit Consortium Business Plan (and associated charges) for 2019/20, based on Appendix A, be approved.

- 2.3 That any accumulated surplus of the Internal Audit Consortium at the 31<sup>st</sup> March 2019 (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 2018/19 be submitted to the Joint Board following the year-end.

### 3.0 **REPORT DETAILS**

#### **Staffing Issues**

- 3.1 The Consortium is currently fully staffed with the newest member of the team (Senior Auditor) commencing in December 2018.
- 3.2 One Auditor has successfully completed their AAT examinations and is now studying for CIPFA via an apprenticeship.
- 3.3 All staff keep up to date via ad hoc courses, team meetings and reading appropriate professional magazines etc.
- 3.4 An internal audit training/team building day was undertaken in February 2019 that focused on communication skills, report writing and personal effectiveness.

#### **Working Procedures**

- 3.5 The internal audit manual was fully reviewed and updated in September 2018.
- 3.6 An improvement spreadsheet has been introduced whereby staff can record ideas and thoughts that are then discussed at a team meeting.

#### **Internal Audit Plans**

- 3.7 Internal audit plans for 2018/19 were agreed with each client officer in March 2018. These were reported to and agreed by each Council's Audit Committee.
- 3.8 Regular progress reports showing a summary of internal audit reports issued have been submitted to each Council's Audit Committee.

- 3.9 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.
- 3.10 An annual report was submitted to each Audit Committee at the end of 2017/18 summarising the audit work undertaken and giving an opinion on the control environment.

### **Derbyshire Dales District Council**

- 3.11 The Internal Audit Consortium Manager continues to offer a management service to Derbyshire Dales District Council at a charge of £10,000 per annum.

### **Business Plan 2018/19 and Draft 2019/20**

- 3.12 The original business plan for 2018/19 was reported to and approved by the Joint Board on the 8<sup>th</sup> March 2018. The original business plan projected a break even position for the year (Appendix A).
- 3.13 The revised business plan based on the latest budget estimates now predicts a surplus of £23,480 will be achieved in 2018/19.
- 3.14 The estimated accumulated surplus at the end of 2018/19 is therefore £43,480 (£23,480 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.
- 3.15 This would result in the following distribution based on the current estimates:

	£
Estimated Surplus at 31 <sup>st</sup> March 2019	43,480
Less Working Balance carried forward	20,000
	<u><b>23,480</b></u>
Proposed Distribution:	
Chesterfield	8,594
North East Derbyshire DC	7,466
Bolsover DC	7,420
	<u><b>23,480</b></u>

## **Business Plan 2019/20 (Draft)**

3.16 A draft business plan for the Consortium has been prepared for 2019/20 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.

3.17 For information, a summary of the charges made by the Consortium covering the period 2015/16 – 2019/20 (estimate) is shown in Appendix B.

## **Risk Register**

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

3.19 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.

## **4 Alternative options and reason for rejection**

4.1 Not applicable.

## **5 Recommendations**

5.1 That the progress made by the Internal Audit Consortium be noted.

5.2 That the revised business plan (budget) for 2018/19 and the draft Internal Audit Consortium Business Plan (and associated charges) for 2019/20, based on Appendix A, be approved.

5.3 That any accumulated surplus of the Internal Audit Consortium at the 31<sup>st</sup> March 2019 (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 2018/19 be submitted to the Joint Board following the year-end.

## **6 Reasons for recommendations**

- 6.1 The approval of the 2019/20 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 2018/19 and the draft business plan for 2019/20.

### **Decision information**

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

### **Document information**

<b>Report author</b>	<b>Contact number/email</b>
Jenny Williams – Internal Audit Consortium Manager	01246 345468
<b>Background documents</b> These are unpublished works which have been relied on to a material extent when the report was prepared.	
<b>Appendices to the report</b>	
Appendix A	Internal Audit Consortium Business Plan 2018/19 – 2021/22
Appendix B	Internal Audit Consortium Charges 2015/16 – 2019/20
Appendix C	Internal Audit Consortium Risk Register

<b>INTERNAL AUDIT CONSORTIUM BUSINESS PLAN 2018/19 TO 2021/22</b>					
	<b>2018/19</b>		<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>Original £</b>	<b>Revised £</b>	<b>Estimate £</b>	<b>Estimate £</b>	<b>Estimate £</b>
<b><u>Expenditure:</u></b>					
Employees	377,160	354,660	374,540	384,600	395,050
Transport	3,000	3,000	3,000	3,000	3,000
Supplies	6,850	7,150	7,410	7,430	17,450
Support Services	51,810	50,530	51,410	52,060	52,650
<b>Total Expenditure</b>	<b>438,820</b>	<b>415,340</b>	<b>436,360</b>	<b>447,090</b>	<b>468,150</b>
<b><u>Income:</u></b>					
Charges to CBC	156,800	156,800	155,860	159,750	166,250
Charges to NEDDC	136,240	136,240	135,430	138,810	144,800
Charges to BDC	135,380	135,380	134,570	137,930	143,900
Charges to Derbyshire Dales DC	10,000	10,000	10,100	10,200	12,800
Charges – other	400	400	400	400	400
<b>Total Income</b>	<b>438,820</b>	<b>438,820</b>	<b>436,360</b>	<b>447,090</b>	<b>468,150</b>
<b>Net surplus/(deficit) in year</b>	<b>0</b>	<b>23,480</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net surplus/(deficit) b/fwd	20,000	20,000	20,000	20,000	20,000
<b>Net surplus/(deficit) c/fwd</b>	<b>20,000</b>	<b>43,480</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
Less distribution of surplus	0	23,480	0	0	0
Surplus balance carried forward	20,000	20,000	20,000	20,000	20,000

## Appendix B

### Internal Audit Consortium Charges 2015/16 – 2019/20

<b>Charges to:</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19 (Rev)</b>	<b>2019/20 (Est)</b>
	£	£			
Chesterfield BC	152,210	154,180	152,800	156,800	155,860
North East Derbyshire DC	132,230	134,600	132,740	136,240	135,430
Bolsover DC	131,410	133,790	131,910	135,380	134,570
Derbyshire Dales DC	9,700	10,700	9,900	10,000	10,100
Charges – Other	450	400	400	400	400
Transfer from reserves		10,800			
Bad debt provision			(2,283)		
<b>Total</b>	<b>426,000</b>	<b>444,470</b>	<b>425,467</b>	<b>438,820</b>	<b>436,360</b>
<b>Refund of Accumulated Surplus:</b>					
Chesterfield BC	34,053	19,255	6,995	8,594	
North East Derbyshire DC	29,587	16,730	6,078	7,466	
Bolsover DC	29,401	16,625	6,039	7,420	
Total Refund	93,401	52,610	19,112	23,480	
<b>Total Cost</b>	<b>332,599</b>	<b>391,860</b>	<b>406,355</b>	<b>415,340</b>	<b>436,360</b>



## 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.	<b>Unlikely/High</b> <b>2 x 4 = 8</b> <b>Amber</b>	None	<b>Unlikely/High</b> <b>2*4 = 8</b> <b>Amber</b>	Internal Audit Consortium Manager

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. Internal self-assessment undertaken on an annual basis.	<b>Highly Unlikely/Medium</b> <b>1 x 3 = 3</b> <b>Green</b>	None	<b>Highly Unlikely/Medium</b> <b>1 x 3 = 3</b> <b>Green</b>	Internal Audit Consortium Manager
Insufficient financial resources to fund consortium	Cannot achieve plans	Joint Board to approve the Consortiums budget March 19 for 2019/20	<b>Unlikely/High</b> <b>2 x 4 = 8</b> <b>Amber</b>	Ensure budget is approved	<b>Unlikely/High</b> <b>2 x 4 = 8</b> <b>Amber</b>	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.	<b>Unlikely/Medium</b> <b>2 x 3 = 6</b> <b>Amber</b>	None	<b>Unlikely/Medium</b> <b>2 x 3 = 6</b> <b>Amber</b>	Internal Audit Consortium Manager