

FOR PUBLICATION

INTERNAL AUDIT CONSORTIUM – ANNUAL REPORT 2014/15

MEETING: JOINT BOARD

DATE: 5 OCTOBER 2015

**REPORT BY: INTERIM HEAD OF INTERNAL AUDIT
CONSORTIUM**

FOR PUBLICATION

Background Papers: None

1.0 PURPOSE OF THE REPORT

- 1.1 To report on the performance of the Internal Audit Consortium during 2014/15.

2.0 RECOMMENDATION

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

3.0 BACKGROUND

- 3.1 The Internal Audit Consortium came into operation on 1 April 2007. In January 2014, the Interim Head of the Internal Audit Consortium also took on 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.
- 3.3 Detailed reports on the performance against the Audit Plans for each constituent authority have been presented to their Audit Committee.

4.0 PERFORMANCE IN 2014/15

4.1 Internal Audit Plans

- Internal Audit Plans were established and agreed for each authority before the start of the financial year. The plans have been substantially completed and the detailed outcomes reported to each audit committee in June 2015.
- Regular progress reports were submitted to each audit committee summarising internal audit reports issued.

4.2 Working Procedures / Improvement plan

Progress has continued in addressing a number of service improvements, for example:

- Standardisation of working procedures has been completed. Testing schedules are being reviewed and updated as each audit is undertaken.
- The number of performance targets has been increased for the 2015/16 year to include - Issuing internal audit reports within 10 days of the close out meeting, number/proportion of audits completed within time allocation, % agreed recommendations implemented, quarterly reporting to audit committees.
- The results of the performance targets measured in 2014/15 are shown in the table below.

Description	2014/15	
	Plan	Actual
Cost per Audit Day	£269	£234
Percentage of Plan Completed	96%	96%
Sickness Absence (Average Days per Employee)	8.5 (Corporate Target)	6.2
Customer Satisfaction Score	80%	90.5

- One member of staff is starting studying for the CIPFA qualification in September 2015.

- An Audit Guide has been produced and placed on each Council's intranet which explains the role of internal audit and the audit process.
- Customers – customer satisfaction surveys are issued with each audit report and an annual survey of Client Officers takes place. The overall customer satisfaction score for 2014/15 was 90.51% against a target of 80%. The Client Officer survey forms returned resulted in a satisfaction score of 94%.

4.3 Financial Performance

- The original budgets and charges for 2014/15 were agreed by the Joint Board on 14 January 2014 and subsequently revised on 16 March 2015. The revised budget for 2014/15 showed an estimated surplus for the year of £20,660 and a cumulative surplus of £138,150.
- The outturn for the year shows a surplus of £53,166. Appendix 1 provides a comparison of the budget and outturn figures. The main reason for the surplus was the saving on the Deputy Head of Internal Audit post and the training budget.
- The surplus was retained in previous years rather than redistributed due to the potential costs of a grading appeal by some of the Auditors. The accumulated surplus at 31 March 2015 is therefore £171k (made up of 53k surplus in 2014/15 and 118k from previous years). At its meeting on 16 March 2015 Joint Board agreed that :
 - The accumulated surplus less £50,000 be distributed to the partner authorities.
 - That £50,000 be held as:-
 - a working balance
 - to fund any possible changes as a result of the review of the Internal Audit Consortium's staffing structure
 - to support the next stage of implementation of the Derbyshire wide review of internal audit

- This has resulted in the following distribution:

	£
Surplus at 31 st March 2015	170,656
Less Balance carried forward	50,000
	<u>120,656</u>
Distribution:	
Chesterfield (36.6%)	44,160
North East Derbyshire DC (31.8%)	38,369
Bolsover DC (31.6%)	38,127
	<u>120,656</u>

4.4 Staffing

- The Head of the Internal Audit Consortium retired on 31 March 2013. The Deputy Head of the Consortium is acting as Interim Head. The Deputy post has been kept vacant pending the county-wide review of Internal Audit Services and the Internal Audit Consortium's staffing structure.
- The Consortium operated in 2014/15 with 8.64 FTE posts. The 2015/16 budget has been prepared on the basis of 9.64 FTE as it includes the salary for both the Head and Deputy Head of Internal Audit.
- During the year, one full time auditor left the Council and a second full time auditor was seconded to Chesterfield's Accountancy Team. Although there was a recruitment lag both posts have now been filled.

4.5 Training

- One Auditor is starting training for the CIPFA qualification in September 2015

4.6 Future Developments

- A review of the options for joint working/shared services in respect of internal audit across Derbyshire is still in progress.
- The staffing structure of the Internal Audit Consortium is being reviewed and will be the subject of a separate report to Joint Board.

5.0 RISK REGISTER

- 5.1 The Internal Audit Consortium risk register has been updated and is shown as **Appendix 2**.

6.0 RECOMMENDATION

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

7.0 REASON FOR RECOMMENDATION

- 7.1 To enable the Joint Board to consider the 2014/15 Annual Report of the Internal Audit Consortium.

Jenny Williams

Interim Head of Internal Audit Consortium

For further information on this report, please contact Jenny Williams 01246 345468

Joint Board Decision

Officer Recommendation supported/not supported/modified as below:

Signed Leader (or reserve) Bolsover District Council

Signed Leader (or reserve) Chesterfield Borough Council

Signed Leader (or reserve) North East Derbyshire District Council

Date

Appendix 1

INTERNAL AUDIT CONSORTIUM BUDGET & ACTUAL - 2014/15 AND ESTIMATE 2015/16

	2014/15			2015/16
	Original £	Revised £	Actual £	Estimate £
<u>Expenditure:</u>				
Employees	359,240	334,100	303,588	370,090
Transport	1,650	3,150	1,084	3,150
Supplies	1,430	1,930	2,435	1,930
Support Services	48,950	51,480	51,047	50,730
Total Expenditure	411,270	390,660	358,154	425,900
<u>Income:</u>				
Charges to CBC	146,910	146,910	146,910	152,210
Charges to NEDDC	127,630	127,630	127,630	132,230
Charges to Bolsover	126,830	126,830	126,830	131,410
Charges – other	300	350	350	350
Charges to DDDC	9,600	9,600	9,600	9,700
Total Income	411,270	411,320	411,320	425,900
Net surplus/(deficit) in year	0	20,660	53,166	0
Net surplus/(deficit) b/fwd	30,000	117,490	117,490	50,000
Net surplus/(deficit) c/fwd	30,000	138,150	170,656	50,000
Less surplus to be distributed		88,150	120,656	
Working Balance Carried Forward	30,000	50,000	50,000	50,000

Appendix 2

Internal Audit Consortium Risk Register

Risk	Likelihood	Impact	Residual Risk Score	Management of Risk
Failure to Substantially complete the agreed audit plans	M (3)	M (3)	9	Monitoring and reporting of progress to client officers and Audit Committees.
Failure to undertake work to a satisfactory standard	L (2)	M (2)	4	All work subject to quality reviews by senior staff. Review of compliance with Public Sector Internal Audit Standards.
Insufficient financial resources to fund Consortium	L (2)	H (4)	8	Consortium agreement details procedure to be adopted.
Loss of data through IT failure	L (2)	M (3)	6	Data stored on each Councils network and subject to their back up and security procedures. Reports held on more than one network plus hard copy.
Changes to the Internal Audit Consortium's structure	M (3)	M (3)	9	Monitoring and reporting of progress to client officers and Audit Committees.

Risk Score (On a scale of 1 to 5) (L= Low, M = Medium, H = High)

Risk Score of up to 9 acceptable 'green', between 10 and 15 monitor controls (amber), 16 or more (red), control improvements required (if possible).