

For Publication

INTERNAL AUDIT CONSORTIUM

INTERNAL AUDIT CONSORTIUM PROGRESS REPORT 2015/16 AND DRAFT BUSINESS PLAN 2016/17

MEETING:	JOINT BOARD
DATE:	14th March 2016
REPORT BY:	INTERNAL AUDIT CONSORTIUM MANAGER
For Publication	
Back Ground Papers:	Consortium Budget Working Papers

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 2015/ 2016.
- 1.2** To provide an update on the business plan (budget) for the Consortium for 2015/16 and to seek approval for the revised 2015/16 business plan and draft business plan for 2016/17.

2.0 RECOMMENDATIONS

- 2.1** That the progress made by the Internal Audit Consortium be noted.
- 2.2** That the decision regarding the appointment of the Internal Audit Consortium Manager be approved.
- 2.3** That the revised Business Plan (budget) for 2015/16 and the draft Internal Audit Consortium Business Plan (and associated charges) for 2016/17, based on Appendix 1, be approved.
- 2.4** That the accumulated surplus of the Internal Audit Consortium at the 31st March 2016 (less £20,000 to be held as a working balance) be distributed to the partner authorities.

2.5 That an annual report on the outcome of the operation of the Internal Audit Consortium for 2015/16 be submitted to the Joint Board following the year-end.

3.0 SUMMARY OF PROGRESS

3.1 Future Developments

- The Public Sector Internal Audit Standards requires that internal audit be subject to an external review at least once every 5 years. The first review must be completed by March 2018. During 2016/17 it is intended to procure an external reviewer using the NHS procurement unit that now provides a service to all 3 council's within the Consortium and also to DDDC. A provision of £20,000 (to be shared between the partner authorities and DDDC) has been made within the 2016/17 budget for this to take place.

3.2 Staffing Issues

- On the 9th November 2015 Joint Board approved a revised staffing structure for the Internal Audit Consortium. The revised structure was implemented from the 1st December 2015 and consists of 9.1 FTE staff.
- Following a recruitment exercise the Interim Head of the Internal Audit Consortium has been appointed as the Internal Audit Consortium Manager from the 1st January 2016.
- One Auditor is still currently on secondment to Accountancy and that post is being covered by a temporary appointment.
- The additional 0.5 Auditor post created by the restructure has not yet been filled.

3.3 Working Procedures

- An internal review of compliance with the Public Sector Internal Audit Standards was completed in January 2016 and the review did not identify any significant areas of non-compliance.
- As part of the internal audit restructure The Deputy Head of Internal Audit post has been abolished, senior auditors have taken on more management responsibilities and the auditor job description has been reviewed and re-evaluated to a 6/7 recognising it as a career graded post.

- Internal Audit (BDC and NEDDC) have been issued with lap tops. It is intended that CBC auditors will move to laptops once the access to all systems on laptops is feasible.
- The audit manual has been reviewed and updated

3.4 Internal Audit Plans

- Internal audit plans for 2015/16 were agreed with each Client Officer in March 2015. These were reported to and agreed by each Council's Audit Committee.
- Progress reports showing a summary of internal audit reports issued have been submitted to each Council's Audit Committee.
- 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.
- An annual report was submitted to each Audit Committee at the end of 2014/15 summarising the audit work undertaken and giving an opinion on the control environment.

4.0 BUSINESS PLAN 2015/16 AND DRAFT 2016/17

4.1 Business Plan 2015/16

- The original business plan for 2015/16 was reported to and approved by the Joint Board on the 15th March 2015. The original business plan projected a break even position for the year (Appendix 1).
- The revised business plan based on the latest budget estimates now predicts a surplus of £47,970 will be achieved in 2015/16. The main reason for this is salary savings on the Deputy Head of Internal Audit post.
- The estimated accumulated surplus at the end of 2015/16 is therefore £97,970. 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 in proportion to the allocation of charges.

- This would result in the following distribution based on the current estimates:

	£
Estimated Surplus at 31 st March 2016	97,970
Less Working Balance carried forward	20,000
	<u>77,970</u>
Proposed Distribution:	
Chesterfield (36.6%)	28,537
North East Derbyshire DC (31.8%)	24,794
Bolsover DC (31.6%)	24,639
	<u>77,970</u>

4.2 Business Plan 2016/17 (Draft)

- A draft business plan for the Consortium has been prepared for 2016/17 and the following two years (see Appendix 1). This business plan is based on the FTE of 9.1 posts. The draft initial budget also reflects provision for pay awards.
- A provision of £20,000 (to be split between the 3 partner Council's and DDDC) has been made to fund the external review of internal audit that must be carried out before the end of March 2018.
- For information, a summary of the charges made by the Consortium covering the period 2011/12 – 2016/17 (estimate) is shown in Appendix 2.
- The draft business plan for 2016/17 includes an income of £9,800 from Derbyshire Dales District Council for the continued provision of a management service.

5.0 RISK REGISTER

5.1 Review of Consortium Risk Register

The business case for the internal audit consortium contained a risk register. This has been updated and is shown as Appendix 3.

6.0 RECOMMENDATIONS

- ### 6.1 That the progress made by the Internal Audit Consortium be noted.

- 6.2 That the decision regarding the appointment of the Internal Audit Consortium Manager be approved.
- 6.3 That the revised Business Plan (budget) for 2015/16 and the draft Internal Audit Consortium Business Plan (and associated charges) for 2016/17, based on Appendix 1, be approved.
- 6.4 That the accumulated surplus of the Internal Audit Consortium at the 31st March 2016 (less £20,000 to be held as a working balance) be distributed to the partner authorities.
- 6.5 That an annual report on the outcome of the operation of the Internal Audit Consortium for 2015/16 be submitted to the Joint Board following the year-end.

7.0 REASONS FOR RECOMMENDATIONS

- 7.1 To enable members to be aware of the progress made by the Internal Audit Consortium.
- 7.2 To enable the Consortium resource availability to be kept under review.
- 7.3 To enable the partner authorities to budget for the Consortium charges for 2016/17.

Jenny Williams
Internal Audit Consortium Manager

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 BUSINESS PLAN 2015/16 TO 2018/19					
	2015/16		2016/17	2017/18	2018/19
	Original £	Revised £	Estimate £	Estimate £	Estimate £
<u>Expenditure:</u>					
Employees	370,090	314,860	355,760	364,950	374,140
Transport	3,150	3,150	3,150	3,150	3,150
Supplies	1,930	7,930	26,540	6,550	6,560
Support Services	50,730	52,090	52,420	52,500	53,280
Total Expenditure	425,900	378,030	437,870	427,150	437,130
<u>Income:</u>					
Charges to CBC	152,210	152,210	154,180	152,540	156,150
Charges to NEDDC	132,230	132,230	134,600	132,520	135,660
Charges to BDC	131,410	131,410	133,790	131,690	134,820
Charges to Derbyshire Dales DC	9,700	9,700	14,800	9,900	10,000
Charges – other	350	450	500	500	500
Total Income	425,900	426,000	437,870	427,150	437,130
Net surplus/(deficit) in year	0	47,970	0	0	0
Net surplus/(deficit) b/fwd	50,000	50,000	20,000	20,000	20,000
Net surplus/(deficit) c/fwd	0	97,970	20,000	20,000	20,000
Less distribution of surplus		77,970	0	0	0
Surplus balance carried forward	50,000	20,000	20,000	20,000	20,000

Appendix 2

Internal Audit Consortium Charges 2011/12 – 2016/17

Charges to:	2011/12	2012/13	2013/14	2014/15	2015/16 (Rev)	2016/17 (Est)
	£	£	£	£	£	£
Chesterfield BC	158,824	158,286	158,286	146,910	152,210	154,180
North East Derbyshire DC	137,680	137,213	137,213	127,630	132,230	134,600
Bolsover DC	136,686	136,221	136,221	126,830	131,410	133,790
Derbyshire Dales DC				9,600	9,700	14,800
Charges – Other				350	450	500
	433,190	431,720	431,720	411,320	426,000	437,870
Refund of Accumulated Surplus:						
Chesterfield BC	8,148	0	0	44,160	28,537	0
North East Derbyshire DC	7,079	0	0	38,369	24,794	0
Bolsover DC	7,035	0	0	38,127	24,639	0
	22,262	0	0	120,656	77,970	0
	410,928	431,720	431,720	290,664	348,030	437,870

Internal Audit Consortium Risk Register

Risk	Likelihood	Impact	Residual Risk Score	Management of Risk
Failure to Substantially complete the agreed audit plans	Unlikely (2)	High (4)	8 Amber	Monitoring and reporting of progress to client officers and Audit Committees.
Failure to undertake work to a satisfactory standard	Unlikely (2)	Medium (3)	6 Amber	All work subject to quality reviews by senior staff. Review of compliance with Public Sector Internal Audit Standards.
Insufficient financial resources to fund Consortium	Unlikely (2)	High (4)	8 Amber	Consortium agreement details procedure to be adopted.
Loss of data through IT failure	Unlikely (2)	Medium (3)	6 Amber	Data stored on each Councils network and subject to their back up and security procedures.
Failure to have the required external review of internal audit by the March 2018 deadline	Unlikely (2)	Medium (3)	6 Amber	Consultation with the NHS procurement unit already in progress

Risk Score (On a scale of 1 to 5) Likelihood x Impact

0 – 4 = Green
 5 – 14 = Amber
 15+ = Red