

For Publication

INTERNAL AUDIT CONSORTIUM

**PROGRESS REPORT AND BUSINESS PLAN 2013/14 AND DRAFT
BUSINESS PLAN 2014/15**

MEETING:	JOINT BOARD
DATE:	14th JANUARY 2014
REPORT BY:	INTERIM HEAD OF INTERNAL AUDIT CONSORTIUM
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 period April – November 2013.
- 1.2** To provide an update on the business plan (budget) for the Consortium for 2013/14 and to seek approval for the revised 2013/14 business plan and draft business plan for 2014/15.

2.0 RECOMMENDATIONS

- 2.1** That the progress made by the Internal Audit Consortium be noted.
- 2.2** That the vacant parts of 3 posts (0.6 FTE) are frozen and that the position is reviewed in 12 months time.
- 2.3** That the revised Business Plan (Budget) for 2013/14 and the draft Internal Audit Consortium Business Plan (and associated charges) for 2014/15, based on Appendix 1, be approved.
- 2.4** That the accumulated surplus of the Internal Audit Consortium at the 31st March 2013 (less £30,000 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 2013/14 be submitted to the Joint Board following the year-end.

3.0 **SUMMARY OF PROGRESS**

3.1 **Staffing Issues**

- At the Joint Board meeting on the 20th May 2013 it was reported that a number of Auditors were appealing the grade for their post and it was agreed that the working balance surplus of £50,965 be retained as a reserve until the issue was resolved.
- The Auditor's job description has been reviewed and management are of the view that a re-evaluation of the post grading is not warranted and therefore the reserve will no longer be set aside for this purpose.
- The Deputy Head of the Internal Audit Consortium is acting as the Interim Head of the Internal Audit Consortium and this arrangement has been extended until the 31st March 2014.
- The approved establishment of the Consortium is 10.2 however during 2013/14 the Consortium has been operating with a staff level of 8.6 FTE. This has reduced the salary bill of the Consortium in respect of 2013/14 and added to the accumulated surplus.
- Revised audit plans in respect of 2013/14 have been submitted to and approved by the respective audit committees to reflect the reduced level of resource available.
- In respect of the 2014/15 Consortium business plan, this has been prepared assuming that the Consortium will operate with a FTE of 9.6. The Head of Internal Audit and Deputy Head posts have both been included. The reduction in hours of 3 members of staff (0.6 FTE) has been removed from the budget for 2014/15.

3.2 **Internal Audit Plans**

- Internal audit plans for 2013/14 were agreed with each Client Officer in March 2013. 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.
- Due to resources being at a reduced level in 2013/14 revised audit plans have been submitted to and agreed by each Council's Audit Committee in December 2013.

- An annual report was submitted to each Audit Committee at the end of 2012/13 summarising the audit work undertaken and giving an opinion on the control environment.

3.3 Working Procedures

- Standardised working papers and report formats have been developed and are operating across the Consortium.
- Audit testing schedules are reviewed and standardised (where appropriate) as each audit is undertaken.
- An internal review of compliance with the Public Sector Internal Audit Standards which were introduced from April 2013 has been completed and an Improvement Plan put in place. This review did not identify any significant areas of non-compliance.
- The Internal Audit Manual (detailing specific working procedures) has been reviewed, updated where necessary and re issued to staff.
- A training needs assessment has been undertaken.

4.0 BUSINESS PLAN 2013/14 AND DRAFT 2014/15

4.1 Business Plan 2013/14

4.1.1 The original business plan for 2013/14 was reported to and approved by the Joint Board on the 14th February 2013. The original business plan projected a break even position for the year (Appendix 1). It should be noted that the accumulated surplus of £30,965 at the previous year end (31/03/13) was retained by the Consortium pending a grading appeal by the Auditors. A working balance of a further £20,000 was also retained.

4.1.2 The revised business plan based on the latest budget estimates now predicts a surplus of £75,210 will be achieved in 2013/14. The main reasons for this surplus are salary savings resulting from the retirement of the Head of Internal Audit and the reduced hours of other members of staff.

4.1.3 The estimated accumulated surplus at the end of 2013/14 is therefore £126,180. It is proposed that £30,000 of this be retained by the Internal Audit Consortium as a working / contingency balance (to cover additional staffing resources in the event of any major sickness or any shortfall in resource potentially arising due to the provision of management services to Derbyshire Dales District Council) with the remainder of the accumulated surplus being distributed to the partner authorities in proportion to the allocation of charges.

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

	£
Estimated Surplus at 31 st March 2014	126,180
Less Working Balance carried forward	<u>30,000</u>
	<u>96,180</u>
Proposed Distribution:	
Bolsover DC (32.59%)	31,350
Chesterfield BC (36.13%)	34,750
North East Derbyshire DC (31.28%)	<u>30,080</u>
	<u>96,180</u>

4.1.5 The percentage recharges to each Member of the Consortium have been revised in respect of 2013/14 to reflect the revised number of days each Audit Committee has agreed.

5.0 Business Plan 2014/15 (Draft)

5.1.1 A draft business plan for the Consortium has been prepared for 2014/15 and the following two years (see Appendix 1). This business plan is based on the FTE of 9.6 posts rather than the approved structure of 10.2 posts. At the current time it is not intended to fill the elements of posts where staff have reduced their working hours. The Head of Internal Audit post and the Deputy Head of Internal Audit post have both been left in to allow some flexibility going forward. The draft initial budget also reflects provision for pay awards (1.0% for 2014/15, 1.0% for 2015/16 and 1.0% for 2016/17).

5.1.2 Charges proposed for 2015/16 have been set at a level that would leave a £30,000 working balance to carry forward at the end of the year.

5.1.3 For information, a summary of the charges made by the Consortium covering the period 2007/08 – 2013/14 (estimate) is shown in Appendix 2.

5.1.4 The draft Business plan for 2014/15 has incorporated an income of £9,600 from Derbyshire Dales District Council for the provision of a management service (this is the subject of a separate report to the Joint Board).

5.1.5 Opportunities for further joint working in internal audit amongst the authorities within Derbyshire are currently being explored.

6.0 RISK REGISTER

6.1 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.

7.0 RECOMMENDATIONS

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

7.2 That the vacant parts of 3 posts (0.6 FTE) are frozen and that the position is reviewed in 12 months time.

7.3 That the revised Business Plan (Budget) for 2013/14 and the draft Internal Audit Consortium Business Plan (and associated charges) for 2014/15, based on Appendix 1, be approved.

7.4 That the accumulated surplus of the Internal Audit Consortium at the 31st March 2013 (less £30,000 to be held as a working balance) be distributed to the partner authorities.

7.5 That an annual report on the outcome of the operation of the Internal Audit Consortium for 2013/14 be submitted to the Joint Board following the year-end.

8.0 REASONS FOR RECOMMENDATIONS

8.1 To enable members to be aware of the progress made by the Internal Audit Consortium in the 7th year of operation of the Internal Audit Consortium.

8.2 To enable the Consortium resource availability to be kept under review.

8.3 To enable the partner authorities to budget for the Consortium charges for 2014/15.

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 Council	Leader (or reserve) (North East Derbyshire District
Date	

Appendix 1

INTERNAL AUDIT CONSORTIUM BUSINESS PLAN 2013/14 TO 2016/17					
	2013/14		2014/15	2015/16	2016/17
	Original £	Revised £	Estimate £	Estimate £	Estimate £
<u>Expenditure:</u>					
Employees	380,060	306,260	359,240	363,510	374,290
Transport	1,650	1,650	1,650	1,650	1,650
Supplies	1,430	1,430	1,430	1,430	1,430
Support Services	48,880	47,470	48,950	48,870	49,230
Total Expenditure	432,020	356,810	411,270	415,460	426,600
<u>Income:</u>					
Charges to CBC	158,286	155,980	146,910	148,450	152,530
Charges to NEDDC	137,213	135,040	127,630	128,970	132,510
Charges to BDC	136,221	140,700	126,830	128,140	131,660
Charges to Derbyshire Dales DC	0	0	9,600	9,600	9,600
Charges – other	300	300	300	300	300
Total Income	432,020	432,020	411,270	415,460	426,600
Net surplus/(deficit) in year	0	75,210	0	0	0
Net surplus/(deficit) b/fwd	20,000	50,970	30,000	30,000	30,000
Net surplus/(deficit) c/fwd	20,000	126,180	30,000	30,000	30,000
Less distribution of surplus		96,180	0	0	0
Surplus balance carried forward		30,000	30,000	30,000	30,000

Appendix 2

Internal Audit Consortium Charges 2007/08 – 2012/13

Charges to:	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14 (Est)
	£	£	£	£	£	£	£
Chesterfield BC	164,000	168,100	164,097	166,914	158,824	158,286	155,980
North East Derbyshire DC	142,000	145,550	142,262	144,710	137,680	137,213	135,040
Bolsover DC	141,000	144,520	141,254	143,686	136,686	136,221	140,700
	447,000	458,170	447,613	455,310	433,190	431,720	431,720
Refund of Accumulated Surplus:							
Chesterfield BC			11,209	13,340	8,148	0	34,750
North East Derbyshire DC			9,739	11,591	7,079	0	30,080
Bolsover DC			9,678	11,518	7,035	0	31,350
	0	0	30,626	36,449	22,262	0	96,180
	447,000	458,170	416,987	418,861	410,928	431,720	335,540

Internal Audit Consortium Risk Register

Risk	Likelihood	Impact	Residual Risk Score	Management of Risk
Failure to Substantially complete the agreed audit plans	L (2)	H (4)	8	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 staffing arrangements	H (4)	M (3)	12	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, control improvements required (if possible).