

For publication

INTERNAL AUDIT CONSORTIUM – ANNUAL REPORT 2018/19

Meeting: Joint Board

Date: 17th September 2019

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 2018/19.

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 2018/19

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 2018/19 and this was reported to each audit committee in July 2019.
- 3.4 Regular progress reports were submitted to each audit committee summarising internal audit reports issued.

Working Procedures

- 3.5 Progress has continued in addressing a number of service improvements, for example:
- Scoping meetings are held at the start of each audit with managers to ensure that the audit concentrates on the key risks and controls for the service.
 - The Internal Audit manual was reviewed in September 2018.
 - A self -assessment of compliance with the Public Sector Internal Audit Standards was completed in May 2019 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.
 - Team meetings are utilised to discuss improvement ideas.

Performance Targets

3.6 The results of the performance targets measured in 2018/19 are shown in the table below.

Description	2017/18	2018/19	
	Actual	Plan	Actual
Cost per Audit Day	£266	£287	£256
Percentage of Plan Completed	96%	96%	96%
Sickness Absence (Average Days per Employee)	4.02	8.0 (Corporate Target)	2.1
Customer Satisfaction Score	93%	85%	94%
To issue internal audit reports within 10 days of close out meeting	100%	90%	100%
Number/proportion of audits completed within time allocation	88%	80%	85%
% 2017/18 Agreed recommendations implemented by due date *	75%	80%	82%
Quarterly reporting to Audit Committee's	100%	100%	100%

- NEDDC & BDC only, not calculated for CBC as audit recommendations form part of wider improvement plans

FINANCIAL PERFORMANCE

3.7 The original budgets and charges for 2018/19 were agreed by the Joint Board on the 8th March 2018 and subsequently revised on the 20th March 2019. The revised budget for 2018/19 showed an estimated surplus for the year of £23,480 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 £46,670 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 20th March 2019 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 2019	46,670
Less Balance carried forward	20,000
	<u>66,670</u>
Distribution:	
Chesterfield (36.6%)	17,081
North East Derbyshire DC (31.8%)	14,841
Bolsover DC (31.6%)	14,748
	<u>46,670</u>

Staffing

3.11 A new Senior Internal Auditor based at NEDDC commenced in December 2018 following a successful recruitment exercise and is settling in well.

3.12 A part time Auditor based at CBC left the Council in May 19 for a full time Senior Auditor position at Broxtowe Borough Council. The post has now been filled and the new auditor starts on the 19th August 2019.

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.
- 3.15 Two employees are undertaking an apprenticeship in Accountancy (CIPFA).

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 2018/19 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, risk management 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 recommendation

6.1 To enable the Joint Board to consider and approve the 2018/19 Annual Report of the Internal Audit Consortium.

Decision information

Key decision number	
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

	- 2018/19 and Estimate 2019/20
Appendix B	Internal Audit Consortium Risk Register

**INTERNAL AUDIT CONSORTIUM BUDGET & ACTUAL - 2018/19
AND ESTIMATE 2019/20**

	2018/19			2019/20
	Original £	Revised £	Actual £	Estimate £
<u>Expenditure:</u>				
Employees	377,160	354,660	338,090	374,540
Transport	3,000	3,000	2,408	3,000
Supplies	6,850	7,150	1,418	7,410
Support Services	51,810	50,530	50,234	51,410
Total Expenditure	438,820	415,340	392,150	436,360
<u>Income:</u>				
Charges to CBC	156,800	156,800	156,800	155,860
Charges to NEDDC	136,240	136,240	136,240	135,430
Charges to Bolsover	135,380	135,380	135,380	134,570
Charges – other	400	400	400	400
Charges to DDDC	10,000	10,000	10,000	10,100
Total Income	438,820	438,820	438,820	436,360
Net surplus/(deficit) in year	0	23,480	46,670	0
Net surplus/(deficit) b/fwd	20,000	20,000	20,000	20,000
Net surplus/(deficit) c/fwd.	20,000	43,480	66,670	20,000
Less surplus to be distributed	0	23,480	46,670	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:



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. Annual self - assessment 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 19 for 2019/20	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