

For publication

INTERNAL AUDIT CONSORTIUM – ANNUAL REPORT 2019/20

Meeting: Joint Board

Date: 22nd September 2020

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 2019/20.

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 annual reports on the performance against the Audit Plans for each constituent authority are in the process of being presented to each council's respective Audit Committee.

PERFORMANCE IN 2019/20

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 2019/20 although the target of 96% was not quite achieved due to staff vacancies, COVID 19 and apprenticeship training time.
- 3.4 Regular progress reports were submitted to each audit committee during the year summarising internal audit reports issued.
- 3.5 It should be noted that COVID 19 will have a greater impact on our ability to complete the 2020/21 internal audit plans. Each Audit Committee will be kept fully informed.

Working Procedures

- 3.6 Working procedures are kept under review, for example:
- The Internal Audit manual was reviewed in May 2020.
 - A self -assessment of compliance with the Public Sector Internal Audit Standards was completed in May 2020 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 and share best practice.
- Since lockdown regular team meetings and 1:1's have been taking place remotely.
- The team have adapted to working from home.
- All personal development reviews have been completed and any training needs identified.

Performance Targets

3.7 The results of the performance targets measured in 2019/20 are shown in the table below.

Description	2018/19	2019/20	
	Actual	Plan	Actual
Cost per Audit Day	£256	£285	£273
Percentage of Plan Completed	96%	96%	83%
Sickness Absence (Average Days per Employee)	2.1	8.0 (Corporate Target)	3.8
Customer Satisfaction Score	94%	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	85%	80%	89%
% 2019/20 Agreed recommendations implemented by due date	82%	80%	*
Quarterly reporting to Audit Committee's	100%	100%	100%

- Not calculated due to COVID 19 but outstanding internal audit recommendations reported 6 monthly to Audit Committees (on hold during COVID 19 but to be re-instated from November 20)

FINANCIAL PERFORMANCE

- 3.8 The original budgets and charges for 2019/20 were agreed by the Joint Board on the 20th March 2019 and subsequently revised on the 17th March 2020. The revised budget for 2019/20 showed an estimated surplus for the year of £2,200 plus a brought forward balance of £20,000.
- 3.9 The outturn for the year shows a surplus of £20,468 plus a brought forward balance of £20,000. **Appendix A** provides a comparison of the budget and outturn figures.
- 3.10 The accumulated surplus less £20,000 will be distributed to the partner authorities following the conclusion of the external audit of the Statement of Accounts.
- 3.11 This will result in the following distribution:

	£
Surplus at 31 st March 2020	40,468
Less Balance carried forward	20,000
	<u>20,468</u>
Distribution:	
Chesterfield (36.6%)	7,491
North East Derbyshire DC (31.8%)	6,509
Bolsover DC (31.6%)	6,468
	<u>20,468</u>

Staffing

- 3.12 The Internal Audit Consortium is currently fully staffed. Two new Auditors were appointed during the year to replace two leavers. One of the new starters commenced in March 20 just as we went into lockdown which has brought challenges in terms of induction and training.

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. Webinars and remote training have been utilised since the onset of COVID-19.
- 3.15 One employee is 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**. Due to COVID -19 the risk of not substantially completing the 2020/21 Internal Audit Plan has increased. The consequences of this risk will be reduced by appropriately revising the audit plans and where possible concentrating on high and medium risk areas. Each audit committee will receive regular progress updates.

Financial implications

- 3.17 The Internal Audit Consortium operated under budget during 2019/20 which will result 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 2019/20 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 959770
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 - 2019/20 and Estimate 2020/21
Appendix B	Internal Audit Consortium Risk Register

**INTERNAL AUDIT CONSORTIUM BUDGET & ACTUAL - 2019/20
AND ESTIMATE 2020/21**

	2019/20			2020/21
	Original £	Revised £	Actual £	Original Estimate £
<u>Expenditure:</u>				
Employees	374,540	373,830	362,919	387,510
Transport	3,000	3,000	1,972	3,000
Supplies	7,410	7,400	1,684	7,410
Support Services	51,410	49,930	50,142	51,730
Total Expenditure	436,360	434,160	416,717	449,650
<u>Income:</u>				
Charges to CBC	155,860	155,860	155,860	160,690
Charges to NEDDC	135,430	135,430	135,430	139,620
Charges to Bolsover	134,570	134,570	134,570	138,740
Charges – other	400	400	400	400
Charges to DDDC	10,100	10,100	10,100	10,200
Additional Income			825	
Total Income	436,360	436,360	437,185	449,650
Net surplus/(deficit) in year	0	2,200	20,468	0
Net surplus/(deficit) b/fwd	20,000	20,000	20,000	20,000
Net surplus/(deficit) c/fwd.	20,000	22,200	40,468	20,000
Less surplus to be distributed	0	2,200	20,468	
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.	Likely/High 4 x 4 = 16 Red Due to COVID 19	Priority given to high and medium risk areas in the plan. Revising the audit plan.	Likely/Medium 4*3 = 12 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	Another external review is to take place in the summer of 2021	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 20 for 2020/21	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