

## For publication

### Internal Audit Consortium Annual Report 2020/2021

<b>Meeting:</b>	Joint Board
<b>Date:</b>	8 <sup>th</sup> October 2021
<b>Cabinet portfolio:</b>	Governance
<b>Directorate:</b>	Finance
<b>For publication</b>	

#### **1.0 Purpose of the report**

- 1.1 To report on the performance of the Internal Audit Consortium during 2020/21.

#### **2.0 Recommendation**

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

#### **3.0 Reason for recommendation**

- 3.1 To enable the Joint Board to consider and approve the 2020/21 Annual Report of the Internal Audit Consortium.

#### **4 Report details**

##### BACKGROUND

- 4.1 The Internal Audit Consortium came into operation on the 1<sup>st</sup> 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 Head of the Internal Audit Consortium provides a management role in respect of Derbyshire Dales District Council's internal audit function.

- 4.2 The Public Sector Internal Audit Standards, require that a detailed annual report should be prepared. This report should be used to inform the Annual Governance Statement. Annual reports for each constituent authority were presented to each council's respective Audit Committee at the end of July 2021.

## **PERFORMANCE IN 2020/21**

### **Internal Audit Plans**

- 4.3 Internal Audit Plans were established for each authority before the start of the financial year. The cancellation of Audit Committee meetings due to COVID-19 at NEDDC and BDC did mean that the plans were not formally approved by Members however they were reviewed and approved by the Strategic Alliance Management Team and the risk management groups.
- 4.4 The advent of COVID- 19 unsurprisingly had an impact on the extent of completion of the 2020/21 internal audit plan however, enough of the internal audit plans (along with reliance on other assurances) were completed to be able to give an unlimited audit opinion in respect of the 2020/21 financial year. The majority of areas not completed from the 2020/21 plans have been rolled forward into 2021/22.
- 4.5 Regular progress reports were submitted to each audit committee during the year summarising internal audit reports issued.

### **Working Procedures**

- 4.6 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 April 2021 and the review did not identify any significant areas of non- compliance.
  - An external review of internal audit took place in May 2021 and concluded that "the Internal Audit Consortium are delivering internal audit services to a standard that generally conforms with the PSIAS. There are no areas where the service does not comply with the standards". This is the subject of a separate report on the agenda.
  - Team meetings are utilised to discuss improvement ideas and share best practice.

- Since lockdown regular team meetings and 1:1's have taken place remotely.
- The team have adapted to working from home.
- All personal development reviews have been completed and training needs identified.

### Performance Targets

4.7 The results of the performance targets measured in 2020/21 are shown in the table below.

Description	2020/21		2021/22
	Plan	Actual	Plan
Cost per Audit Day	£294	£284	£306
Percentage of Plan Completed	75%	68%	75%
Sickness Absence (Average Days per Employee)	8.0 (Corporate Trigger)	0.00	8.0
Customer Satisfaction Score	85%	95%	85%
To issue internal audit reports within 10 days of the close out meeting	90%	100%	90%
Number/proportion of audits completed within time allocation	80%	Not measured	80%
Quarterly reporting to Audit Committees	100%	100%	100%

4.8 Overall, 68% of the internal audit plans were completed which given the circumstances of the last year is considered a major achievement. Some staff were redeployed to work on business grants for a period.

### FINANCIAL PERFORMANCE

4.9 The original budgets and charges for 2020/21 were agreed by the Joint Board in March 2020 and subsequently revised in March 2021. The revised budget for 2020/21 showed an estimated surplus for the year of £12,800 plus a brought forward balance of £20,000.

- 4.10 The outturn for the year shows a surplus of £15,053 plus a brought forward balance of £20,000. Appendix 1 provides a comparison of the budget and outturn figures.
- 4.11 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.
- 4.12 This will result in the following distribution:

	£
Surplus at 31 <sup>st</sup> March 2021	35,053
Less Balance carried forward	20,000
	<u>15,053</u>
Distribution:	
Chesterfield (36.6%)	5,509
North East Derbyshire DC (31.8%)	4,787
Bolsover DC (31.6%)	4,757
	<u>15,053</u>

## Staffing

- 4.13 The Internal Audit Consortium is currently fully staffed. During the year the Senior Auditor for NEDDC left however one of our current Auditors (CIPFA apprenticeship recently completed) was promoted into this post and started at the beginning of July 2021. We have also successfully recruited into the vacant auditor post that the promotion created.

## Training

- 4.14 Training needs are discussed and assessed with each staff member during employee personal development reviews.
- 4.15 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.
- 4.16 One employee undertaking the Chartered Institute of Public Finance and Accountancy Apprenticeship has now successfully completed their studies

and is now fully qualified (this is the employee that was promoted to the position of Senior Auditor).

- 4.17 One Auditor is commencing an Institute of Internal Auditors apprenticeship and another Auditor is starting an Association of Accounting Technicians apprenticeship.

## **RISK REGISTER**

- 4.18 The Internal Audit Consortium risk register has been updated and is shown as Appendix 2. Due to COVID -19 the risk of not substantially completing the Internal Audit Plans 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 and taking assurances from other areas where possible. Each audit committee will receive regular progress updates.

## **5 Alternative options**

- 5.1 Not applicable.

## **6 Implications for consideration – Council Plan**

- 6.1 Audit reviews help to ensure that the council's resources and priorities are focused on achieving the objectives within the council plan.

## **7 Implications for consideration – Financial and value for money**

- 7.1 The Internal Audit Consortium operated under budget during 2020/21 which will result in a repayment to each of the partner authorities.
- 7.2 The production of an annual report enables Joint Board to assess if the Internal Audit Consortium is providing an effective value for money service.
- 7.3 Internal audit reviews help to ensure that processes and controls are operating effectively thereby contributing to ensuring that value for money is obtained.

## **8 Implications for consideration – Legal**

- 8.1 The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account public sector internal auditing standards or guidance”.

## **9 Implications for consideration – Human resources**

- 9.1 None.

## **10 Implications for consideration – Risk management**

- 10.1 Regular audit reviews help to ensure that risk is managed appropriately. Internal audit makes recommendations to reduce the level of risk and improve the control environment.

## **11 Implications for consideration – community wellbeing**

- 11.1 Whilst there are not considered to be any direct community and wellbeing impacts in relation to this report, sound internal control, governance and risk management arrangements will support the achievement of the Council’s objectives.

## **12 Implications for consideration – Economy and skills**

- 12.1 Whilst there are not considered to be any direct economy and skills impacts in relation to this report, sound internal control, governance and risk management arrangements will support the achievement of the Council’s objectives.

## **13 Implications for consideration – Climate Change**

- 13.1 Whilst there are not considered to be any direct climate change impacts in relation to this report, sound internal control, governance and risk management arrangements will support the achievement of the Council’s objectives.

## 14 Implications for consideration – Equality and diversity

14.1 None.

### Decision information

<b>Key decision number</b>	<i>All key decisions must be in the Forward Plan at least 28 days in advance. There are constitutional consequences if an item is not in the Forward Plan when it should have been. Contact Democratic Services if in doubt.</i>
<b>Wards affected</b>	

### Document information

<b>Report author</b>	
Jenny Williams Internal Audit Consortium Manager Finance	
<b>Background documents</b>	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
None	
<b>Appendices to the report</b>	
Appendix 1	Internal Audit Consortium Budget and Actual - 2020/21 and Estimate 2021/22
Appendix 2	Internal Audit Consortium Risk Register