

## **For publication**

### **Internal Audit Consortium Annual Report 2021/22**

|                           |                               |
|---------------------------|-------------------------------|
| <b>Meeting:</b>           | Joint Board                   |
| <b>Date:</b>              | 12 <sup>th</sup> October 2022 |
| <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 2021/22.

#### **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 2021/22 Annual Report of the Internal Audit Consortium.

#### **4.0 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 2022.

## **PERFORMANCE IN 2021/22**

### **Internal Audit Plans**

- 4.3 Internal Audit Plans were established and agreed for each authority before the start of the financial year.
- 4.4 The ongoing impact of COVID- 19 along with staff vacancies and the training requirements of new staff has impacted on the extent of completion of the 2021/22 internal audit plans. However, enough of the internal audit plans (along with reliance on other assurances) were completed to be able to give an unlimited audit opinion for all 3 Councils in respect of the 2021/22 financial year. The areas in the 2021/22 plan not completed have been rolled forward to the 2022/23 financial year.
- 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:
- A self -assessment of compliance with the Public Sector Internal Audit Standards was completed in May 2022 and the review did not identify any 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”.
  - The action plan arising from the external review of internal audit has now been fully implemented.
  - Team meetings are utilised to discuss improvement ideas and share best practice.
  - The team have now all adopted hybrid working.
  - All personal development reviews have been completed and training needs identified.
  - The Internal Audit manual was reviewed in September 2022.
  - A Quality Assurance and Improvement Programme has been developed and will be reviewed and updated on an annual basis (Appendix 3)

### **Performance Targets**

- 4.7 The results of the performance targets measured in 2021/22 are shown in the table below.

| Description   | 2021/22                    |        | 2022/23 |
|---|----------------------------|--------|---------|
|   | Plan                       | Actual | Plan    |
| Cost per Audit Day  | £306                       | £288   | £310    |
| Percentage of Plan Completed  | 75%                        | 74%    | 75%     |
| Sickness Absence (Average Days per Employee)                            | 8.0<br>(Corporate Trigger) | 1.2    | 8.0     |
| Customer Satisfaction Score   | 85%                        | 95%    | 85%     |
| To issue internal audit reports within 10 days of the close out meeting | 90%                        | 100%   | 90%     |
| Quarterly reporting to Audit Committees                                 | 100%                       | 100%   | 100%    |

## FINANCIAL PERFORMANCE

- 4.8 The original budgets and charges for 2021/22 were agreed by the Joint Board in March 2021 and subsequently revised in March 2022. The revised budget for 2021/22 showed an estimated surplus for the year of £16,330 plus a brought forward balance of £20,000.
- 4.9 The outturn for the year shows a surplus of £27,320 plus a brought forward balance of £20,000. Appendix 1 provides a comparison of the budget and outturn figures.
- 4.10 Due to recruitment difficulties, at its last meeting on the 29<sup>th</sup> March 2022 the Joint Board agreed that authority be delegated to the Head of the Internal Audit Consortium to retain the surplus from 2021/22 to potentially use to cover any agency fees relating to unfilled vacancies or for increased staffing costs pending the outcome of a salary benchmarking exercise / structure review. Further detail in respect of this is provided in a separate progress report.

## Staffing

- 4.11 The Internal Audit Consortium currently has a Senior Auditor vacancy and in addition to this another Senior Auditor has confirmed that they will be retiring on the 31<sup>st</sup> December 2022. Further detail in respect of steps being taken to fill the vacant posts are detailed in a separate progress report.
- 4.12 At the beginning of June 2022 an Auditor based at BDC left the Consortium however a new internal auditor has been successfully appointed and started

at the beginning of August 2022. In September 2022 a CBC Auditor handed in their resignation and the post is currently out to advert.

## **Training**

- 4.13 Training needs are discussed and assessed with each staff member during employee personal development reviews.
- 4.14 Training consists of a combination of formal qualifications, CPD activities/courses, internal courses, team meeting updates/information sharing, webinars, remote training, reading relevant articles and on the job training.
- 4.15 One Auditor is currently studying for the Institute of Internal Auditors qualification via an apprenticeship.

## **RISK REGISTER**

- 4.16 The Internal Audit Consortium risk register has been updated and is shown as Appendix 2. There is one red risk "Lack of appropriately qualified and experienced staff, recruitment difficulties". This is a sector wide issue with many internal audit sections struggling to recruit. Further details are provided in a separate progress report.

## **5.0 Alternative options**

- 5.1 Not applicable.

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

- 6.1 The Internal Audit Consortium operated under budget during 2021/22 however still completed sufficient work to be able to provide an annual opinion on each Council's governance, risk and control arrangements.
- 6.2 The production of an annual report enables Joint Board to assess if the Internal Audit Consortium is providing an effective value for money service.
- 6.3 Internal audit reviews help to ensure that processes and controls are operating effectively thereby contributing to ensuring that value for money is obtained.

## **7.0 Implications for consideration – Legal**

- 7.1 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”.

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

- 8.1 None

## **9.0 Implications for consideration – Council plan**

- 9.1 Audit reviews help to ensure that the council’s resources and priorities are focused on achieving the objectives within the Council Plan.

## **10.0 Implications for consideration – Climate change**

- 10.1 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.

## **11.0 Implications for consideration – Equality and diversity**

- 11.1 None

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

- 12.1 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.

### **Decision information**

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| <b>Key decision number</b> |  |
| <b>Wards affected</b>      |  |

### **Document information**

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| <b>Report author</b>   |
| Jenny Williams<br>Head of the Internal Audit Consortium<br>Finance Directorate |
| <b>Background documents</b>  |

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| These are unpublished works which have been relied on to a material extent when the report was prepared. |
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| None |
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| <b>Appendices to the report</b> |  |
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| Appendix 1 | Internal Audit Consortium Budget and Actual - 2021/22 and Estimate 2022/23 |
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| Appendix 2 | Internal Audit Consortium Risk Register |
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| Appendix 3 | Quality Assurance & Improvement Programme |
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