

INTERNAL AUDIT CONSORTIUM – ANNUAL REPORT 2013/14

MEETING: JOINT BOARD

DATE: 1ST SEPTEMBER 2014

**REPORT BY: INTERIM HEAD OF INTERNAL AUDIT
CONSORTIUM**

For Publication

**Back Ground
Papers:**

1.0 PURPOSE OF THE REPORT

1.1 To report on the performance of the Internal Audit Consortium during 2013/14.

2.0 RECOMMENDATIONS

2.1 That the annual report of the Internal Audit Consortium be noted.

2.2 That the surplus on the Internal Audit Consortium trading account be retained for the purposes described in paragraph 4.3.

3.0 BACKGROUND

3.1 The Internal Audit Consortium came into operation on the 1st April 2007. In January 2014 the consortium took on the management of Derbyshire Dales District Council.

3.2 The Public Sector Internal Audit Standards, require that a detailed annual report should be prepared.

3.3 Detailed reports on the performance against the Audit Plans for each constituent authority have been presented to their Audit Committee.

4.0 PERFORMANCE IN 2013/14

4.1 Internal Audit Plans

- Internal Audit Plans were established and agreed for each authority before the start of the financial year. The Plans were updated during the year with the revised plans being approved by the respective Audit Committees in December 2013. The revised plans have been substantially completed. The detailed outcomes have been reported to each audit committee.
- Regular progress reports were submitted to each audit committee summarising internal audit reports issued.

4.2 Working Procedures / Improvement plan

Progress has continued in addressing a number of service improvements detailed, for example:

- Standardisation of working procedures has been completed. Testing schedules are being reviewed and standardised as each audit is undertaken.
- Work was undertaken during the year to review compliance with the Public Sector Internal Audit Standards (PSIAS). An improvement plan was produced however no significant areas of non-compliance were identified.
- The Internal audit manual has been reviewed and updated to reflect the PSIAS.
- Learning and development – the training needs assessment was updated during 2013/14.
- Procedures have been introduced to ensure that agreed internal audit recommendations are implemented.
- Customers – customer satisfaction surveys are issued with each audit report and an annual survey of Client Officers takes place. The overall customer satisfaction score for 2013/14 was 90% against a target of 80%. The Client Officer survey forms returned resulted in a satisfaction score of 96%.

4.3 Financial Performance

- The original budgets and charges for 2013/14 were agreed by the Joint Board on the 21st January 2013 and subsequently revised on the 14th January 2014. The revised budget for 2013/14 showed an estimated surplus of £75k.
- The outturn for the year shows a surplus of £77k. Appendix 1 provides a comparison of the budget and outturn figures. The main reasons for the surplus were the saving on the Deputy Head of Internal Audit post and three Auditors reducing their working hours. The reduced resources were reflected in the revised Audit Plans mentioned earlier.
- The accumulated surplus at the 31st March 2014 is therefore £128k (made up of 77k surplus in 2013/14 and 51k from previous years) and it is proposed that this is utilised as follows:
 - £30k retained as the previously agreed working balance;
 - £3k earmarked for staff training and development;
 - The balance retained as contingency for the Auditor grading appeal (see para. 4.4 below).

4.4 Staffing

- The Head of the Internal Audit Consortium retired on the 31st March 2013. The Deputy Head of the Consortium is acting as Interim Head. The Deputy post has been kept vacant pending the conclusion of the county-wide review of Internal Audit Services (para 4.6 below).
- The Consortium operated in 2013/14 with 8.6 FTE posts. The 2014/15 budget has been prepared on the basis of 9.6 FTE as it includes the salary for both the Head and Deputy Head of internal audit.
- Teams continue to be based at each Council in order to give a permanent on site presence in accordance with the Consortium agreement.
- Grading Appeal - it was reported to Joint Board in January that the Auditor's job description had been reviewed and that management were of the view that a re-evaluation of the post grading is not warranted. One of the auditors has put in an appeal against the decision and it is therefore deemed prudent that the Consortium retain its surplus as a reserve until the issue is finally resolved.

4.5 Training

- Since the Head of the Internal Audit Consortium retired, the audit consortium only has one fully qualified member of staff. Technically there is only a need for one qualified officer however for practical purposes two would be better. The PSIAS require at least one fully qualified auditor so the absence of the interim Head would currently need to be covered by an external arrangement. Contributing towards consortium employees' development would demonstrate succession planning and for the future provide assurance that the Public Sector Internal Audit Standards (PSIAS) could still be complied with in the event of the Interim Head of the Internal Audit Consortium being absent.
- The PSIAS also state that "Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications".
- To this end it is proposed that each consortium member contribute £1,000 on an annual basis towards consortium employees studying for relevant professional qualifications.

4.6 Future Developments

- A procurement exercise to appoint an external consultant to review the options for joint working/shared services in respect of internal audit across Derbyshire is currently underway. It is not anticipated that any new arrangements would come in to force until April 2015 at the earliest.

5.0 RISK REGISTER

- 5.1 The Internal Audit Consortium risk register has been updated and is shown as **Appendix 2**.

6.0 RECOMMENDATIONS

- 6.1 That the annual report of the Internal Audit Consortium be noted.
- 6.2 That the surplus on the Internal Audit Consortium trading account be retained for the purposes described in paragraph 4.3.

7.0 REASON FOR RECOMMENDATIONS

7.1 To enable the Joint Board to consider the 2013/14 Annual Report of the Internal Audit Consortium.

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 Leader (or reserve) North East Derbyshire District Council

Date

Appendix 1

INTERNAL AUDIT CONSORTIUM BUDGET & ACTUAL - 2013/14 AND ESTIMATE 2014/15

	2013/14			2014/15
	Original £	Revised £	Actual £	Estimate £
<u>Expenditure:</u>				
Employees	380,060	306,260	307,074	359,240
Transport	1,650	1,650	986	1,650
Supplies	1,430	1,430	868	1,430
Support Services	48,880	47,470	48,163	48,950
Total Expenditure	432,020	356,810	357,091	411,270
<u>Income:</u>				
Charges to CBC	158,286	155,980	158,286	146,910
Charges to NEDDC	137,213	135,040	137,213	127,630
Charges to Bolsover	136,221	140,700	136,221	126,830
Charges – other	300	300	300	300
Charges to DDDC	0		2,400	9,600
Total Income	432,020	432,020	434,420	411,270
Net surplus/(deficit) in year	0	75,210	77,329	0
Net surplus/(deficit) b/fwd	20,000	50,970	50,967	30,000
Net surplus/(deficit) c/fwd	20,000	126,180	128,296	30,000
Less surplus to be distributed		96,180	-	
Working Balance Carried Forward		30,000	128,296	30,000

Appendix 2

Internal Audit Consortium Risk Register

Risk	Likelihood	Impact	Residual Risk Score	Management of Risk
Failure to Substantially complete the agreed audit plans	M (3)	M (3)	9	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 structure	M (3)	M (3)	9	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 (red), control improvements required (if possible).