

For Publication

INTERNAL AUDIT CONSORTIUM

INTERNAL AUDIT CONSORTIUM PROGRESS REPORT 2014/15 AND DRAFT BUSINESS PLAN 2015/16

MEETING:	JOINT BOARD
DATE:	16th March 2015
REPORT BY:	INTERIM HEAD OF INTERNAL AUDIT CONSORTIUM
For Publication	
Back Ground Papers:	Consortium Budget Working Papers

1.0 PURPOSE OF THE REPORT

- 1.1** To update the Joint Board on the progress made by the Internal Audit Consortium during the period April 2014 – January 2015.
- 1.2** To provide an update on the business plan (budget) for the Consortium for 2014/15 and to seek approval for the revised 2014/15 business plan and draft business plan for 2015/16.

2.0 RECOMMENDATIONS

- 2.1** That the progress made by the Internal Audit Consortium be noted.
- 2.2** That the revised Business Plan (budget) for 2014/15 and the draft Internal Audit Consortium Business Plan (and associated charges) for 2015/16, based on Appendix 1, be approved.
- 2.3** That the accumulated surplus of the Internal Audit Consortium at the 31st March 2015 (less £50,000) be distributed to the partner authorities. That £50,000 be held as a working balance and to fund any possible changes as a result of the review of the Internal Audit Consortium's staffing structure and to support the next stage of implementation of the Derbyshire wide review of internal audit.

- 2.4 That an annual report on the outcome of the operation of the Internal Audit Consortium for 2014/15 be submitted to the Joint Board following the year-end.

3 SUMMARY OF PROGRESS

3.1 Future Developments

- The external consultants' review of the options for joint working/shared services in respect of internal audit across Derbyshire has now been completed. The consultants have recommended moving towards a Derbyshire wide internal audit partnership. Finance Officers and Heads of Internal Audit are working together to review the options and viability in respect of progressing towards a partnership. Joint Board will be kept informed of progress in this matter.

3.2 Staffing Issues

- The Appeals and Regulatory Committee has met to discuss the Auditors' grievance appeal. The panel concluded that in relation to the auditors working above their job description there was insufficient evidence to uphold this grievance appeal point. In the light of these findings it is concluded that the balance retained by the Internal Audit Consortium in respect of a successful grading appeal is no longer required.
- The panel did however make recommendations in terms of reviewing all the internal audit job descriptions, working arrangements and mediation. A mediator from ACAS has now been appointed to undertake this exercise.
- The Deputy Head of the Internal Audit Consortium is still acting as the Interim Head of the Internal Audit Consortium and this arrangement has been extended until the 31st March 2015. Both client officers are of the view that a permanent solution needs to be put in place at the earliest opportunity with similar comments being received from the Audit Committee at one of the Council's concerned.
- One Auditor has been seconded to Accountancy to cover a period of adoption leave.
- One Auditor based at Bolsover District Council has left the Council for a promotion.
- The staffing structure of the Internal Audit Consortium is currently under consideration. It is therefore proposed that part of the £50,000 to be retained is used to fund any possible structural changes to the Consortium's arrangements as a result of the review.

3.3 In respect of the 2015/16 Consortium Business Plan, the budget has been prepared assuming that the Consortium will operate with a FTE of 9.6. The Head of Internal Audit and Deputy Head posts have both been included.

3.4 Internal Audit Plans

- Internal audit plans for 2014/15 were agreed with each Client Officer in March 2014. These were reported to and agreed by each Council's Audit Committee.
- Progress reports showing a summary of internal audit reports issued have been submitted to each Council's Audit Committee.
- A formal six monthly meeting has been held with each client officer to review progress and consider budget issues, as required under the Consortium Legal Agreement.
- An annual report was submitted to each Audit Committee at the end of 2013/14 summarising the audit work undertaken and giving an opinion on the control environment.

3.5 Working Procedures

- An internal review of compliance with the Public Sector Internal Audit Standards was completed in 2013 and the review did not identify any significant areas of non-compliance. An Improvement plan was developed to address the relatively minor points arising that has now been implemented.
- A further improvement plan has been developed in order to maintain a process of continual improvement.

4.0 BUSINESS PLAN 2014/15 AND DRAFT 2015/16

4.1 Business Plan 2014/15

- The original business plan for 2014/15 was reported to and approved by the Joint Board on the 14th January 2014. The original business plan projected a break even position for the year (Appendix 1). It should be noted that the accumulated surplus of £117,490 at the previous year end (31/03/14) was retained by the Consortium pending a grading appeal by the Auditors and as a working balance (£30,000).
- The revised business plan based on the latest budget estimates now predicts a surplus of £20,660 will be achieved in 2014/15. The main reason for this is salary savings.

- The estimated accumulated surplus at the end of 2014/15 is therefore £138,150 (£117,490 + £20,660). It is proposed that £50,000 of this be retained by the Internal Audit Consortium as a working / contingency balance (to cover additional staffing resources in the event of any long term absence) and to fund any possible structural changes with the remainder of the accumulated surplus being distributed to the partner authorities in proportion to the allocation of charges.
- This would result in the following distribution based on the current estimates:

	£
Estimated Surplus at 31 st March 2015	138,150
Less Working Balance carried forward	50,000
	<u>88,150</u>
Proposed Distribution:	
Chesterfield (36.6%)	32,263
North East Derbyshire DC (31.8%)	28,032
Bolsover DC (31.6%)	27,855
	<u>88,150</u>

5.0 Business Plan 2015/16 (Draft)

- A draft business plan for the Consortium has been prepared for 2015/16 and the following two years (see Appendix 1). This business plan is based on the FTE of 9.6 posts. The Head of Internal Audit post and the Deputy Head of Internal Audit post have both been left in to allow some flexibility going forward. The draft initial budget also reflects provision for pay awards.
- For information, a summary of the charges made by the Consortium covering the period 2009/10 – 2014/15 (estimate) is shown in Appendix 2.
- The draft Business Plan for 2015/16 includes an income of £9,700 from Derbyshire Dales District Council for the continued provision of a management service.

6.0 RISK REGISTER

6.1 Review of Consortium Risk Register

The Business case for the internal audit consortium contained a risk register. This has been updated and is shown as Appendix 3.

7.0 RECOMMENDATIONS

7.1 That the progress made by the Internal Audit Consortium be noted.

7.2 That the revised Business Plan (budget) for 2014/15 and the draft Internal Audit Consortium Business Plan (and associated charges) for 2015/16, based on Appendix 1, be approved.

7.3 That the accumulated surplus of the Internal Audit Consortium at the 31st March 2015 (less £50,000) be distributed to the partner authorities. That £50,000 be held as a working balance and to fund any possible changes as a result of the review of the Internal Audit Consortium's staffing structure and to support the next stage of implementation of the Derbyshire wide review of internal audit.

7.4 That an annual report on the outcome of the operation of the Internal Audit Consortium for 2014/15 be submitted to the Joint Board following the year-end.

8.0 REASONS FOR RECOMMENDATIONS

8.1 To enable members to be aware of the progress made by the Internal Audit Consortium.

8.2 To enable the Consortium resource availability to be kept under review.

8.3 To enable the partner authorities to budget for the Consortium charges for 2015/16.

8.4 To inform members of the results of the eighth year of operation 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 Council	Leader (or reserve) North East Derbyshire District
Date	

Appendix 1

INTERNAL AUDIT CONSORTIUM BUSINESS PLAN 2014/15 TO 2017/18					
	2014/15		2015/16	2016/17	2017/18
	Original £	Revised £	Estimate £	Estimate £	Estimate £
<u>Expenditure:</u>					
Employees	359,240	334,100	370,090	382,060	385,590
Transport	1,650	3,150	3,150	3,150	3,150
Supplies	1,430	1,930	1,930	1,930	1,930
Support Services	48,950	51,480	50,730	51,260	51,430
Total Expenditure	411,270	390,660	425,900	438,400	442,100
<u>Income:</u>					
Charges to CBC	146,910	146,910	152,210	156,750	158,060
Charges to NEDDC	127,630	127,630	132,230	136,180	137,320
Charges to BDC	126,830	126,830	131,410	135,320	136,470
Charges to Derbyshire Dales DC	9,600	9,600	9,700	9,800	9,900
Charges – other	300	350	350	350	350
Total Income	411,270	411,320	425,900	438,400	442,100
Net surplus/(deficit) in year	0	20,660	0	0	0
Net surplus/(deficit) b/fwd	30,000	117,490	50,000	50,000	50,000
Net surplus/(deficit) c/fwd	30,000	138,150	0	0	0
Less distribution of surplus	0	(88,150)			
Surplus balance carried forward	30,000	50,000			

Appendix 2

Internal Audit Consortium Charges 2009/10 – 2014/15

Charges to:	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15 (Est)	2014/15 (Rev)
	£	£	£	£	£	£	£
Chesterfield BC	164,097	166,914	158,824	158,286	158,286	146,910	146,910
North East Derbyshire DC	142,262	144,710	137,680	137,213	137,213	127,630	127,630
Bolsover DC	141,254	143,686	136,686	136,221	136,221	126,830	126,830
Derbyshire Dales DC						9,600	9,600
Charges - Other						300	300
	447,613	455,310	433,190	431,720	431,720	411,270	411,270
Refund of Accumulated Surplus:							
Chesterfield BC	11,209	13,340	8,148	0	0	0	32,263
North East Derbyshire DC	9,739	11,591	7,079	0	0	0	28,032
Bolsover DC	9,678	11,518	7,035	0	0	0	27,855
	30,626	36,449	22,262	0	0	0	88,150
	416,987	418,861	410,928	431,720	431,720	411,270	323,120

Appendix 3

Internal Audit Consortium Risk Register

Risk	Likelihood	Impact	Residual Risk Score	Management of Risk
Failure to Substantially complete the agreed audit plans	L (3)	H (4)	12	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 staffing arrangements	H (4)	M (3)	12	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, control improvements required (if possible).