

Update Report January 2013
Report of the Head of Devon Audit Partnership

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

Recommendation:

i That the Committee notes current position and associated issues.

1. The attached detailed report sets out the key actions taken since the last Partnership Committee (October 2012).
2. Delivery of the Internal Audit Service is by the Devon Audit Partnership, a shared services arrangement between Devon County Council, Plymouth City and Torbay Councils.
3. Future meetings of the committee will receive half-yearly and annual reports summarising performance against the plans and key findings from reviews.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers

Contact for Enquiries:

Robert Hutchins Tel No: (01392) 382437 Larkbeare House, Topsham Road,
Exeter.

Background Paper: None

Update Report February 2013

1 What has happened since October?

- 1.1. Since the last Partnership committee in October we have been very busy with delivering the 2012/13 audit plans and in preparing plans for our clients for the coming 12 months. This planning process is well advanced, with the need to have plans agreed with the Head of Finance (Section 151 officer) and management teams before being presented to Audit Committees in the March cycle.
- 1.2 We were very pleased to find reference being made by Eric Pickles MP in his publication "50 ways to save money". The £400,000 that the Partnership has saved Plymouth, Devon and Torbay since its inception, was referred to as part of his first money saving idea. The article included a link to our website that, we hope, may inspire contact from other organisation to find out how they can work with us to help them deliver an excellent audit service and reduce their audit costs.
- 1.3 We have backfilled for the role of Deputy Head of Partnership – we have recruited David Curnow for this post (temporary until the end of June in line with the temporary nature of the Head of Partnership appointment) – David has excellent previous experience in internal audit and, in particular, in delivering an audit service to schools and academies. We have also recruited Anne Parsons in a managerial role to lead on our "external audit".
- 1.4 A member of our team will be leaving (retiring) at the end of February; this will bring the number of employees who have left in the last 12 months to 5. With various other changes in hours taking place, as older employees take advantage of flexible retirement arrangements, we are looking at converting some of our senior auditor roles into Auditor level 2 posts. This will help reduce the cost base, will provide good opportunities for auditors in "level 1" posts and will ensure that we maintain a high percentage of productive time.
- 1.5 Overall, our customers continue to be pleased with the service we provide. Some of the recent comments we have had include:-
 - "Good understanding of the subject matter, fair and balanced reports and a very positive outcome in terms of the identification of areas for improvement."
 - "Jackie and I would like to thank you for a very positive and worthwhile audit. Thanks to you the whole experience wasn't daunting and has had a positive effect on morale throughout the school".
- 1.6 In recognition of the severe financial pressures facing our partners, DAP has reduced the costs to partners by 10% in 2012/13; a further 10% reduction in audit cost will also apply for 2013/14. This will mean that over the five years to

March 2014, the internal audit costs to the partners will have reduced by approximately 30% compared to April 2009.

- 1.7 We continue to seek to develop the partnership and partnership working with other not-for-profit organisations in the area.

2. Marketing and Development

- 2.1. DAP have continued to work closely with Devon County Council's marketing and communications team to develop a new brand and associated materials for the partnership. Considerable progress has been made, with a new logo, updated marketing material and orders placed for new marketing leaflets, banners etc.

3 Accommodation

- 3.1. In December we moved into the Dart suite offices at Larkbeare House; for those of you unfamiliar with Larkbeare this is a site on Topsham Road not much more than a 5 minute walk from County Hall.
- 3.2 The rooms were a former bedroom and, although well appointed as a bedroom, were initially unsuitable for office accommodation. We have been assisted by DCC colleagues in:
 - Installing appropriate ICT links;
 - Making sure Health and Safety requirements can be fully met;
 - Making the premises secure by way of smart card entry;
 - Fitting modern lighting, non-reflective desks and appropriate floor carpet (in DAP logo colours!); and
 - Arranging for suitable and modern refreshment and wash up facilities.
- 3.3 We now have a modern looking office that we can refer to as DAP HQ. The layout allows for a "meeting area" (this doubles up as a hot desk area) where we can arrange meeting with clients, partners or potential customers, promoting the independence of DAP and moving away from being seen as a department of the County Council.
- 3.4 The office allows for up to 6 people to operate from it and will provide an ideal touch down base for staff and managers. As County Hall is in walking distance, it also provides a convenient location for staff to use as a base prior to meetings with auditees based at County Hall, or as a meeting base in its own right.

4. Customer Service Excellence

- 4.1. Our formal assessment took place on the 16 & 17th October 2012. We had previously been subject to a pre-assessment and had worked hard to address the issues the assessor had originally identified.
- 4.2 The assessment process was an intensive two day visit, with the assessor speaking to managers, staff and clients on how we meet customer service standards.

- 4.3 The outcome of the process has been that we have passed (please see our certificate at appendix A) and DAP has been formerly accredited with the Customer Service Excellence standard. We are extremely proud to have achieved this accreditation. The assessor did identify areas where we could further improve, and we shall work on these issues in the coming months.

5. Institute of Internal Auditors (IIA) Quality Assessment

- 5.1. We completed a Quality self assessment against the IIA Standards. This assessment was based around the Institute of Internal Auditors (IIA) audit standards and international Professional Practices Framework (IPPF) and our self assessment was that the Devon Audit Partnership was compliant in the majority of areas, with only some minor actions being required.
- 5.2 Our self assessment has been subject to external validation by colleagues in Hertfordshire Shared Internal Audit Service (SIAS). Part of the assessment process included a client survey which was issued in July and a staff survey issued in August. The results of both surveys were reviewed and collated by SIAS and reported to DAP Management.
- 5.3 Helen Maneuf, Head of Assurance of Hertfordshire Shared Internal Audit Service, undertook our peer review. Helen concluded:-

“DAP is considered to be operating in conformance with the IIA standards. The service has established a strong reputation with its clients and recent structural changes are proving beneficial. There are opportunities to further develop the business to ensure DAP is strongly placed to progress and to deliver its vision”

- 5.4 Helen made some further key observations:

“DAP is a credible service, with a professional reputation and is respected in the organisations it serves. The April 2012 restructure has assisted in strengthening client focus. DAP has sufficient independence to fulfil its remit and is building a stand-alone identity; DAP has appropriate access and profile within the organisations it serves”.

“Those team members interviewed by the assessor spoke very credibly and coherently about the value and purpose of internal audit and without exception shared a view about internal audit existing to help the business to achieve its aims and objectives in a supportive and appropriately challenging way”.

- 5.5 Helpfully, Helen also identified areas where we could further improve. These issues have been captured in our development plan and will be addressed over the coming months. Helen’s detailed report is provided at appendix B.

6. Public Sector Internal Audit Standards

- 6.1. In January, CIPFA launched the new Public Sector Internal Audit Standards which have been produced in collaboration with the IIA and the other relevant

internal audit standard setters. The new standards will come into effect from April 2013 and will replace the CIPFA Code of Practice for Internal Audit in Local Government 2006.

- 6.2 Previously, different internal audit standards have existed across the public sector. The NHS and Central Government used the Government Internal Audit Manual which is based on the IIA Standards, Further / Higher Education and Charities applied the IIA Standards directly and local government used the CIPFA Code.
- 6.3 The Standards define the nature of internal audit in UK public sector and set basic principles for carrying out Internal Audit and a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations. In addition they establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 6.4 The Standards are very closely based on the IIA approach; our recent assessment against the IIA standards (see section 5 above) confirms that we generally meet the standards and that only minor changes to our working practices are required. These changes have been captured in our development plan and will be addressed.

7 New Business

- 7.1. Attracting new business is seen as a key objective for the Partnership and we have had some good success in selling our services to other public sector organisations in the previous 12 months.
- 7.2 Devon and Cornwall Police Authority approached us with a view to purchasing additional audit and consultancy days in the current year and also for 2013/14 to assist with the transition to the Police and Crime Commissioner. We have therefore adjusted our resources to meet their requirements.
- 7.3 We have continued to work in partnership with Torridge District Council and are delivering audit work for them. We have developed excellent working relationships with Torridge officers and the relationship has been beneficial for both parties.
- 7.4 Colleagues at Teignbridge have become aware of our partnership working with Torridge, and we have engaged in a similar service arrangement. We are currently undertaking a number of audit assignments. We continue to have discussions with other local councils and Cornwall Council about the possibility of undertaking audit work in support of in-house teams.
- 7.5 DAP is accredited as the First Level Controller for a number of European funded projects and provides significant audit input into the validation of the grant claims for these projects. We have been asked by Plymouth University to undertake the role of First Level Controller for their projects.

8. Internal Audit performance

- 8.1 Performance for the first 9 months of 2012/13 has been very good. Delivery against the combined audit plans for our client's stands at 73.1% - as expected there are variations in delivery at the various clients, but we remain on course to deliver the agreed plans and exceed the 90% target figure.
- 8.2 Our customer satisfaction remains very high, with 94% of customers satisfied or very satisfied with our work. As always, this feedback is due to the professionalism exhibited by our staff when completing audits. On occasion we do receive comments on how services could be further improved, and we take on board these suggestions.
- 8.3 A summary of our performance for the first nine months of 2012/13 is shown below.

Local Performance Indicator (LPI)			
	Target	Actual 2011/12	Quarter 3 2012/13
Percentage of Audit plan Completed (days provided)	90%	93%	73.1%
Percentage of chargeable time	65%	68%	65.18%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	98%	94%
Draft Reports produced within target number of days (currently 15 days)	90%	89%	84%
Final reports produced within target number of days (currently 10 days)	90%	98%	87%
Average level of sickness absence	2%	5%	3%
Percentage of staff turnover	5%	8%	8%
Out-turn within budget	Yes	Yes	Yes

- 8.4 Our sickness levels are slightly higher than anticipated – mainly due to a higher number than normal seasonal issues (colds and flu like symptom, norwalk virus etc.). Our turnover in 12/13 has been higher than expected, with staff members leaving, and being replaced by new members joining on a temporary basis.
- 8.5 We are aware that draft and final reports are not always being issued within the expected timescale. We have taken action to address this and are confident that performance in this area will improve.

9. Budget position

- 9.1 We continue to control our spending in line with income projections. As at month 9 our projected spending is £27k less than budget. This is mainly due to reduced Supplies and Services, which includes costs for equipment, printing and design etc.
- 9.2 Projected income is higher than the original budget, reflecting the additional work secured from the Office of the Police & Crime Commissioner, and other external partners such as Torridge Council and the University of Plymouth.

The actual value of this work may change, as our recharge will be based on actual days delivered in the financial year.

- 9.3 The net forecast for 12/13 shows a budget underspend of around £46k; this is subject to change, as actual income may fluctuate as referred to above.

	Budget (£K)	Actual to date	Forecast outturn	Forecast over / (under) spend
Employee expenses	1,271	1,035	1,264	(7)
Premises	29	8	29	0
Travel	29	18	29	0
Supplies & Services	192	84	172	(20)
Total Expenditure	1,521	1,145	1,494	(27)
Income	(1,521)	(1,166)	(1,540)	(19)
Net Budget	0	(21)	(46)	(46)

10. Conclusion

- 10.1 The public sector is facing considerable challenges to the way it provides and delivers services; each organisation needs to consider what it does and how it does it, and internal audit will be one of the tools available to management to help in this process.
- 10.2 We have developed excellent working relationships with our internal and external partners, and our team are developing their experiences and knowledge to provide a modern, efficient and effective internal audit function that will add value to all our clients.
- 10.3 We now that the future is uncertain; however we remain focused in being proactive to change and meeting the high expectations set for us.
- 10.4 We will continue to look at opportunities to grow the Partnership bringing in new partners that will add value to DAP and enable the service we provide to all our Partners to develop and improve. We will continue to review our cost base, driving out efficiencies wherever possible and ensuring maximum our audit output.

Robert Hutchins
 Head of Partnership
 Larkbeare House
 Topsham Rd
 Exeter EX2 4NG

Tel No: (01392) 382437



This is to certify

Devon Audit Partnership

*Larkbeare House
Topofham Road Exeter
EX2 4NG*

meets the criteria of

Customer Service Excellence

J. Warner

28 October 2012

Term of certification: 3 years



Global Assessment Services, Security House, Alexandra Way, Ashchurch, Tewkesbury, GL20 8NR
Tel 01883 333 3172 Fax 01884 212380 www.globalassessment-services.com Registered in England: 2020888

221

COPY

Devon Audit Partnership Peer Review

Purpose of review:

- To conduct an audit against the Institute of Internal Audit (IIA) Standards.

Methodology of review:

- Review of self assessment performed by Devon Audit Partnership (DAP) against standards
- Review of evidence to support self assessment
- Interviews with clients and other stakeholders conducted on 4,5 and 8 October 2012

Assessor

- H Maneuf; Head of Shared Internal Audit Service (Hertfordshire)

Overall Conclusion

DAP is considered to be operating in conformance with the IIA standards. The service has established a strong reputation with its clients and recent structural changes are proving beneficial. There are opportunities to further develop the business to ensure DAP is strongly placed to progress and to deliver its vision.

Findings

A) In respect of the IIA standards:

Position as per Tool 19. Assessed as Generally Complying with the Standards.

B) Actions noted through self assessment:

- Update charter (standards 1000; 1010; 1210)
- Update audit manual (standard 2040)

C) Observations made through stakeholder feedback

General risk and control environment:

DAP operates within generally strong risk and control environments where culturally there is a desire for good governance and support for Internal Audit.

Relations with External Audit

Relations with External Audit are seen to be effective.

Reputation of DAP; its authority and standing

DAP is a credible service, with a professional reputation and is respected in the organisations it serves. The April 2012 restructure has assisted in strengthening client focus. DAP has sufficient independence to fulfil its remit and is building a stand-alone identity; DAP has appropriate access and profile within the organisations it serves.

Coverage

In the main coverage is focussed on major areas of risk and is seen to be meeting client needs.

Reporting

Reporting is seen to be a strength, and is felt to be appropriately focussed.

Team members

Those team members interviewed by the assessor spoke very credibly and coherently about the value and purpose of internal audit and without exception shared a view about internal audit existing to help the business to achieve its aims and objectives in a supportive and appropriately challenging way.

IT

Whilst IT has been problematic, the situation is improving with steps recently taken to upgrade connections and other upgrades due imminently.

Opportunities for development

- Client and staff feedback suggests that there is more work to be done to develop a single DAP identity. Therefore the management team should work on further evolving and promoting the separate identity / 'brand' of DAP, based on work already done to establish a DAP vision and emphasising DAP as partnership of equals. Equally, in terms of internal managerial considerations, the management team should continue to place emphasis on building a 'one team' view among team members.
- Client feedback suggests that there are often pieces of work of very high quality and of value; however sometimes individual pieces are not of this quality. Therefore the management team should work to ensure consistent quality across the piece and should examine its quality standards and supervision arrangements to ensure they promote this.
- Client and staff feedback suggests that the April 2012 re-structure has had a beneficial impact and that further work is required to ensure DAP

builds relationships with clients in the new structure. Therefore the management team should agree about how client relationships are managed consistently going forward so as to maintain sufficient knowledge of the clients at a time of major change; and about the role of the management team and all members of staff in this

- Staff feedback suggests that internal communications are improving; the assessor's discussions with clients indicated that not all of them fully understand the role of internal audit, in particular how it contributes to good governance and adds value. Therefore the management team should develop a communication strategy for DAP which identifies the communications approach for the various key stakeholders. The following areas of focus are suggested for inclusion:
 - IA Team: building the sense of one team
 - IA Clients: communicating a confident, knowledgeable IA
 - DAP Board: ensuring the Members of the Board really understand the role of IA and can advocate the service to others, thereby assisting DAP in its future business development
- Client feedback suggests there is an opportunity to approach the audit planning round as an equal – bringing to the table the audit perspective on potential areas of coverage. Therefore the management team should consider how it can develop its proposals for activity based on the analysis of previous audit activity and its own horizon scanning activity.
- Discussion with DAP team members suggests that in order to meet the demands of the DAP future business vision there is a need to build marketing expertise and commercial skills within the management team. Therefore the management team should carry out a skills analysis that includes commercial and marketing skills and should consider how any skills gaps might be filled. The management team should also consider whether a business development role might be of value. In line with this the management team should consider how they might develop new offerings to clients – particularly around the shared learning output, & possibly CRSA & VFM.
- Staff feedback suggests that the team skills analysis undertaken at the establishment of DAP is now in need of an update. Therefore the management team should review the team skills analysis and consider strengthening link between appraisals and identification of skills / learning and development needs, & planning for these to be delivered.

Acknowledgement

The assessor is grateful to all those who have contributed to this review.

Assessor:

A handwritten signature in black ink that reads "Helen Maneuf". The signature is written in a cursive style with a small flourish at the end.

Helen Maneuf
Head of Assurance
Hertfordshire Shared Internal Audit Service

October 2012

Analysis of Customer Survey Results April 2012 - March 2013



The charts below show a summary of 31 responses received.



