

**PARTNERSHIP Annual Report July 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:** that the Committee notes the current status of the Partnership and current issues.

**1 Review of Devon Audit Partnership 2012/13**

- 1.1 The Devon Audit Partnership has now been operational for 4 years; in this short time considerable service development and progress has been made. Overall the performance of the Partnership has been very good in respect of both the delivery of the Audit Plan and the feedback from customers. In achieving this performance the partnership has overcome a number of significant challenges, has continued to provide a highly valued service in a time of uncertainty, and has helped the partners effectively address the changes required in the public sector amid increasingly scarce resources.
- 1.2 We have achieved considerable cost savings and the partnership has achieved a financial surplus over the three years. The financial savings have been referred to by the Communities and Local Government Secretary, Eric Pickles, in his report 50 ways to make "sensible savings in local government". Performance and staffing levels have been proactively managed; we have restructured the partnership, addressed staffing vacancies, worked to develop effective ICT solutions and significantly developed the audit product by introducing audit management software and embracing the new Public Sector Internal Audit Standards.
- 1.3 The success of the partnership has been recognised both locally and nationally, and officers have been asked to present at several national forums and to advise and support other organisations considering or embarking on internal audit shared service initiatives. The original 3 year partnership agreement was extended until 31 March 2014 and has now been further extended for a further 3 year period (up to end of March 17). We look forward to working with the three partners to support them through the current and projected changes in the public sector.
- 1.4 In recognition of the severe financial pressures facing our partners, DAP have agreed to work towards reducing the costs to partners by 10% in each of the coming three years (2014/5, 2015/16 & 2016/17) This will mean that over the eight years to March 2017, the internal audit costs to the partners will have reduced by approximately 47% compared to April 2009. As part of our efforts to deliver the agreed savings and to improve our service delivery and responsiveness to client needs, we revised our managerial structure in April 2012 to make best advantage of the resources available to the partners, and maximise our potential. This resulted in the deletion of 3 management posts.

## 2. Internal Audit performance

- 2.1 Performance for the year ended 31<sup>st</sup> March 2012 was very good and generally exceeded our targets. 93.8% of the respective audit plans were delivered (against a target of 90%) and customer satisfaction levels of 95.7% across the partnership are noteworthy. We wanted to achieve 100% delivery, but various issues, such as the slightly higher levels of sickness absence and staff turnover have impacted a little on this.
- 2.2. Performance for 2012/13 is shown below. A breakdown of performance across all partners is shown in Appendix A.

<b>Local Performance Indicator (LPI)</b>			
	<b>Target</b>	<b>Actual 2011/12</b>	<b>Actual 2012/13</b>
Percentage of Audit plan Completed	90%	93%	93.8%
Percentage of chargeable time	65%	68%	66.1%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	98%	95.7%
Draft Reports produced within target number of days (currently 15 days)	90%	89%	84.3%
Final reports produced within target number of days (currently 10 days)	90%	98%	89.5%
Average level of sickness absence	2%	5%	2.9%
Percentage of staff turnover	5%	8%	8.5% (3 people)
Out-turn within budget	Yes	Yes	Yes

- 2.3. In addition to the above local PIs, Partnership management monitor performance across a range of areas using a balanced scorecard approach. This approach monitors performance in terms of financial performance, customer performance, internal processes and learning and innovation i.e. staff. This shows on target or above target performance across all areas.
- 2.4 The Partnership has consistently remained within budget and at the end of 2012/13 carried forward a reserve of £163k. The out-turn for 2012/13 shows that a small surplus was achieved after staff restructuring costs of approximately £55,000. Overall costs remain below the costs of the three separate sections prior to the formation of the partnership, and the audit cost per day continues to show a downward trend and is below the average for local authorities as evidenced by benchmarking exercises. In order to make the level of savings required it has been necessary to re-structure the Partnership; attached as Appendix B is a chart that summarises the revised structure of the team.
- 2.5 During the year the team were involved in some high profile pieces of work, including a number of investigations that took place at local schools. One of the team gave evidence at a Teaching Agency professional conduct hearing held in Coventry in February 2013 in respect of a former Headteacher. The outcome of the hearing has been published on the Teaching Agency website and was very complimentary of the investigation carried out and stated that the auditor was a very credible witness. The outcome of the hearing was a

lifetime disqualification order, prohibiting the former head from teaching practice.

- 2.6 The Partnership completed its investigation into the governance arrangements and financial management an Exeter School. Our report was provided to the Police for investigation of possible criminal action. The report has also been passed to the Teaching Agency who are currently undertaking their own investigation which we are supporting

### **3. Work with external partners**

- 3.1 We support a number of organisations in the delivery of internal audit and these include Devon and Cornwall Police Constabulary, Devon & Somerset Fire and Rescue Service, Dartmoor and Exmoor National Parks and Teignbridge District Council.
- 3.2 During the year we were asked to support our Police colleagues in the transition from Police Authority to the Office of the Police & Crime Commissioner. Extra resources were commissioned from us to support this process and we helped to ensure a smooth transition to the new organisation.
- 3.3 We have entered into an agreement with Plymouth University to provide first level controller services for Interreg projects. This work will continue over the next three years or so.
- 3.4 We have also provided audit specifications and prices for a number of schools who have moved to academy status and have been successful in securing services with a number these new organisations.

### **4. Liaison with External Audit**

- 4.1 Changes have taken place following the demise of the Audit Commission and the appointment of Grant Thornton as External Auditor across the south west. We have established working arrangements with our new colleagues to ensure that our work will complement their needs and requirements and, where appropriate, that they can place reliance on our work.

### **5. DAP Development**

- 5.1 We have produced a marketing strategy and rebranded the partnership with a new logo and new brand identity. We are constantly monitoring how our clients and partners perceive our identify, and further changes may take place.
- 5.2 We worked with our host (DCC) to develop accommodation at Larkbeare, which is now our HQ; the accommodation is working out well and has helped to cement our independent identity.
- 5.3 We are working closely with other audit partnerships in the region (SWAP & Southern Internal Audit Partnership) to develop our use of Mki (our audit management system) and to consider how we can share staffing developments and challenges.

## **6 Customer Service Excellence**

- 6.1 In October 2012 we had our Customer Service Excellence assessment. 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. We successfully “passed” the process and were formally accredited with the Customer Service Excellence standard.

## **7. Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS)**

- 7.1 In October we also completed a quality self assessment against the IIA Standards. Our self assessment was then subject to external validation by Helen Maneuf, Head of Assurance of Hertfordshire Shared Internal Audit Service. 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”

- 7.2 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”.

- 7.3 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.
- 7.4 In January, CIPFA launched the new Public Sector Internal Audit Standards, which became effective in April. The Standards are very closely based on the IIA approach; our recent assessment against the IIA standards confirms that we generally meet the standards and that only minor changes to our working practices are required.

## **8. Next 4 years**

- 8.1 The partners have indicated their desire to continue with the partnership; it has been successful and we consider that it will continue to be so. The partners have set challenging financial targets, and these will have a considerable impact on the audit resources that will be available. We will continue to grow our business from non-partners to enable the specialist skills built up to be retained, and to provide the flexibility to react, and be pro-active, to changing needs.

## **9 The Future**

- 9.1 Our challenge will be to continue to provide our annual assurance opinion in a climate where our clients want, and needs, to reduce costs and this includes internal audit costs.
- 9.2 We need to look at how we can deliver with less obvious resources; we need to look at how we use data, rather than people, to deliver our audits; we need to look at sharing ideas / solutions etc. with other partners and work collaboratively to develop solutions and share development costs
- 9.3 We are working with colleagues across the south west to produce an internal audit planning framework that will assist in assessing the level of internal input for an organisation; this will help organisations in assessing the risk of audit plans.
- 9.4 The way that some services provided by DAP are delivered will need to be considered; for example our fraud investigation work could be recharged to clients as and when the need arises, rather than planning for an annual allocation.
- 9.5 Our plans and audit approach will require more flexibility; we will need to work even more closely with senior management to ensure our resources are employed to the greatest advantage.

## **10 Conclusion**

- 10.1 The public sector faces a considerable period of change. DAP has developed well in the previous four years to meet the changes to date. We have ensured that we meet professional standards (PSIAS), developed our approach to meeting customer needs that meets Customer Service Excellence; we are reviewing how we manage our most critical resource (staff) in line with IIP best practice.
- 10.2 The next 4 years will be at least as challenging and probably more so. We will continue to develop our practices to deliver an excellent service whilst addressing the need to do more with less.

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## Appendix A

### Breakdown of Performance by Client

<i>Local Performance Indicator (LPI)</i>			
	<b>Plymouth</b>	<b>Torbay</b>	<b>Devon</b>
Percentage of Audit plan Completed	94.1%	93.1%	94.3%
Percentage of Audit Days delivered	93%	95%	99.7%
Percentage of chargeable time	66.1%	66.1%	66.1%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	94.5%	98%	94.5%
Draft Reports produced within target number of days (currently 15 days)	75%	98%	80%
Final reports produced within target number of days (currently 10 days)	83%	99%	86.4%

DEVON AUDIT PARTNERSHIP - STRUCTURE 2012 -2014 as at July 2013

