

Internal Audit

Partnership Update Report April to October 2014

Partnership Committee

November 2014



Auditing for achievement

Contents

REPORT OF THE HEAD OF AUDIT PARTNERSHIP	1
PARTNERSHIP MEMBERSHIP AND CLIENT DEVELOPMENT	2
CONTRACT REDUCTION AND DIVERSIFICATION	3
COLLABORATIVE PARTNER WORKING	4
CUSTOMER SERVICE EXCELLENCE	5
DAP DEVELOPMENT	6
STAFF AND PARTNER DEVELOPMENT	7
INTERNAL AUDIT PERFORMANCE	9
FUTURE	8
CONCLUSION	ERROR! BOOKMARK NOT DEFINED.
APPENDIX 1 - CUSTOMER SERVICE EXCELLENCE	10
APPENDIX 2 - CUSTOMER SERVICE - REFRESHED	ERROR! BOOKMARK NOT DEFINED.
APPENDIX 3 – LOCAL PERFORMANCE INDICATORS	11

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Report of the Head of Audit Partnership

Devon Audit Partnership progress report – April to October 2014

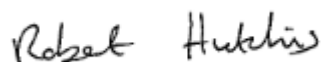
The first part of the 2014/15 financial year has been both challenging and rewarding. Our Partners have set interesting stretch targets that we need to accomplish and the management team and staff have worked in a professional way to achieve these. The team have been involved in a number of high profiles pieces of work, aiming to provide independent assurance on critical issues, whilst aiming to add value in the course of all our work.

We have welcomed working with new clients (Cornwall Council, South Hams District Council, West Devon Borough Council) and have enhanced our relationships with existing clients (Torridge District Council, Devon and Somerset Fire and Rescue Service).

We have worked with partner organisations (South West Audit Partnership) to deliver a training session that reached 74 members from 21 different public sector organisations.

We continue to monitor our services to ensure that we provide value for money, meet professional standards and add value; the results from CIPFA benchmarking, our self-assessment against the Public Sector Internal Audit Standards and customer feedback have confirmed that we continue to do just that.

We are a forward looking organisation and always look at ways to improve our service. We continually update our development plan to reflect and capture new challenges.



Robert Hutchins
Head of Devon Audit Partnership
November 2014

Client Development

Cornwall Council – Interreg project work

We have been selected to support Cornwall Council's internal audit team in the review of EU funded projects. In particular, we will provide the First Level Controller role on the Cross Channel Film Laboratory project. Feedback from the tender process confirmed we were ranked 1st out of the tenders evaluated and received a score of 88.40 out of a maximum score of 100.

Fire Service

We continue to work with colleagues at Devon and Somerset Fire and Rescue Service. The Service has its own internal team who provide the bulk of internal audit input, and we supplement this team. One of the Fire audit team has recently started maternity leave: we have seconded one of our staff to help fill this gap. The placement currently runs until early 2015/16.

Torrige District Council

We continue to work with colleagues at Torrige District Council. As with the Fire Service above, Torrige has its own internal team who provide the bulk of internal audit input. The current Head of Audit has been granted sabbatical leave for 2014/15, and we have been asked to help fill this resource gap; we have seconded one of our team to help. The placement currently runs until early 2015/16

South Hams District Council and West Devon Borough Council

We have been successful in our bid to provide audit management services for South Hams and West Devon councils for the period Oct 2014 to 31 March 2016. The contract was won via a competitive tendering process.

We shall be managing the current in-house team and will be looking to provide the Mki audit management to the team to help with modernising audit approaches and generating operational efficiencies.

Finances, diversification and added value

Budget position

Our financial position remains healthy. Our financial projections have been updated to reflect activity in the first six months of the year, and we are now projecting to return a small operating surplus of around £5k.

We constantly monitor our position to ensure we stay within the financial envelope that our contracts allow.

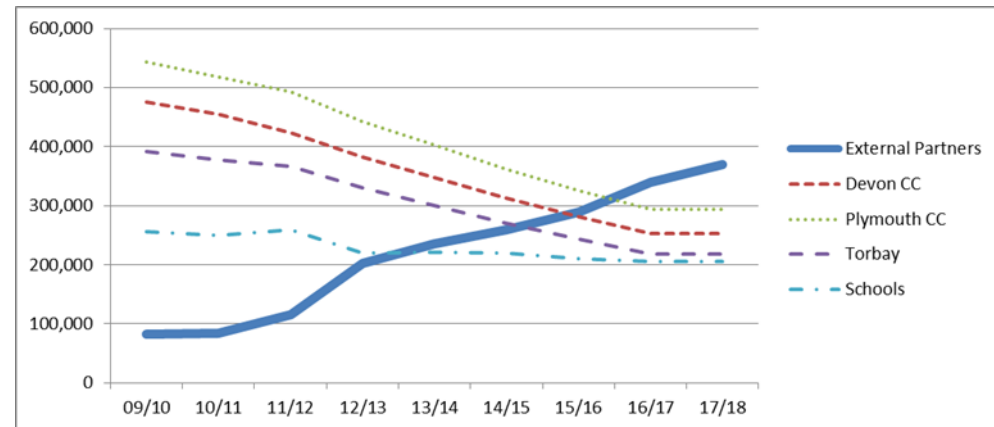
Diversification

We continue to respond to the challenge of reduced work for our partners and aim to retain the high level of specialist, professional staff by securing work with other partners and work in other areas, for example the emergency services, HE sector and Districts.

Adding Value

We aim to provide a cost effective, efficient and professional internal audit service that takes the opportunity to add value whenever possible. Some of the specific examples of where customers have said that we have added value in the first six months of 2014/15 include:-

Graphic showing reduction in financial input from partners v. growth in "external" funding



"From my perspective, the benefit of using the audit service is that it provides objective and balanced feedback from auditors who know their subject area. It provides assurance that the service is effective as well as offering recommendations for improvement (which is sometimes difficult to see when you are working with it day to day)".

"The main area of added value is the resource saving made by the audit 'pulling together' all the areas of improvement needed in one document, and providing a useful template for our response and action plan".

This audit was excellent in that it not only measured our success but the Auditor offered invaluable advice to help us improve further.

The Audit tests our systems and highlights areas for improvement which will increase our efficiency and reduce reputational and financial risks.

Partnership Development

Peninsula Assurance - Can the DAP model be developed further?

We have seen the benefits that Partnership working can bring to organisations, and, at times when resources are becoming increasingly scarce, alternative ways of working that can provide cost savings are being considered by many organisations. We consider that the Devon Audit Partnership model has some considerable advantages and are considering how this model can be used in a wider context.

Most organisations have a number of functions (e.g. risk management, information governance etc.) that, although provided in-house, have an important *independent* role to play, advising management on “best practice” or where arrangements are insufficient / unreliable. We have discussed with senior management the potential for bringing other “assurance” functions together in a way similar to the audit partnership.

We consider that there is the potential to develop a wider partnership model, along the lines of the Devon Audit Partnership, to encompass various functions. The idea at this stage is to possibly expand the Partnership into a wider “department assurance store” with a number of departments operating under a single name (such as Peninsula Assurance). The organisation would look to continue with the current DAP governance arrangements (management board, partnership committee). The diagram below may help to explain things in a clearer way.



When the Audit Partnership was created each organisation had different reasons for joining (wish to attract qualified staff, need to reduce costs, wish to purchase a management system but could not afford to do so alone etc.) and we appreciate that each organisation will see different benefits and have different reasons for looking at a “Peninsula Assurance” model. It is hoped that once various departments have been established then the possibility of “selling” services or extending the partnership arrangement to different organisations (local authorities, public sector organisations etc. will take place.

We have had early conversations with Risk Management and Information Governance sections from Torbay, Plymouth and Devon and the initial response has been positive.

There is a need for Internal Audit to be independent of other functions so that we it can effectively provide an internal audit of functional arrangements.

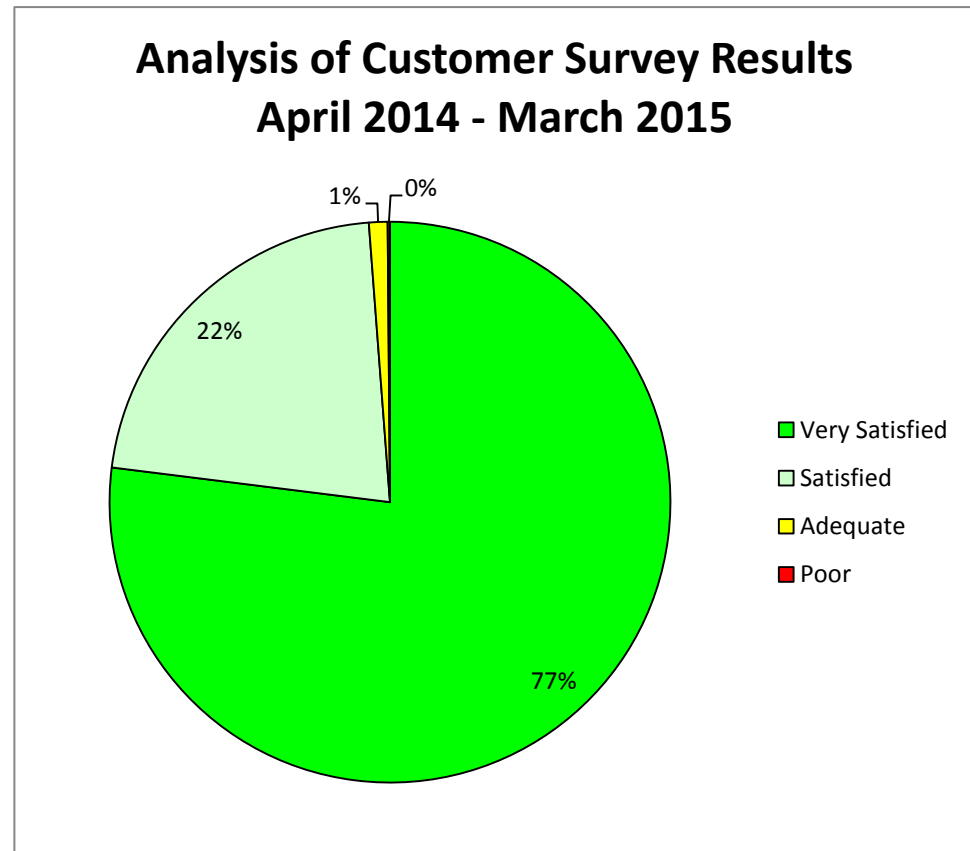
Customer Service Excellence

DAP is accredited with the Customer Service Excellence (CSE) standard.

During the period we issued client survey forms with our final reports. The results of the surveys returned are very positive. The overall result is very pleasing, with near 99% being "satisfied" or better across our services, please also see appendix 1. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

Customer Testimony. Some examples of customer testimony are shown below:-

- We appreciated the way the auditor conducted the audit, keeping us well informed as to what they were doing and when, and being very mindful of our staff time and their other responsibilities
- The auditor was extremely helpful and responsive....and was efficient and flexible
- This was the first audit for this team and the advice available and the overall approach has meant the whole process was a very positive experience
- The Auditor was accessible and pragmatic.....it has been a positive experience
- Overall this school has a very positive view of DAP
- Advice offered throughout the audit on various matters. It was reassurance following a rather difficult time since becoming an academy.



Further details can be found on our website www.devonaudit.gov.uk

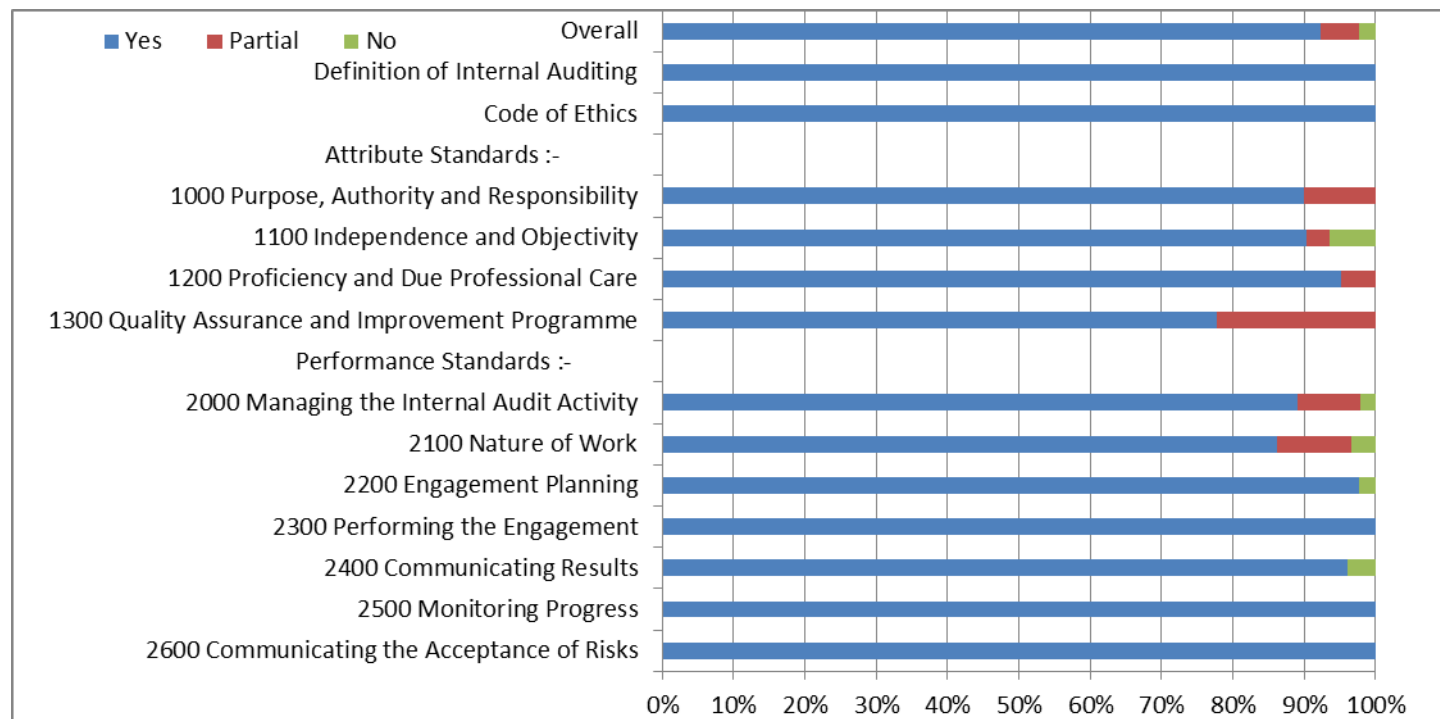
Public Sector Internal Audit Standards (PSIAS) and Quality improvement Plan

We have formerly been quality assessed against the Institute of Internal Audit Standards and regarded as a “credible audit service” by our assessor Helen Maneuf, Head of Assurance for Hertfordshire Shared Internal Audit Service.

CIPFA issued a Local Government Application Note in relation to the PSIAS in November 2013. The application note provides a self assessment checklist to help audit teams measure how well they conform against the PSIAS, and, in particular, in applying the PSIAS in a local government context. The checklist is comprehensive (it runs to 22 pages) and has 313 elements to it. It provides a useful guide to providing a professional audit service, however the checklist has been prepared mainly for traditional in-house teams, and not all of the standards are fully workable in a Partnership framework.

We have completed the self-assessment checklist and have identified that there are no omissions in our practices. We consider that we fully meet over 92% of the elements, partially meet 5.5% and are not required to or do not meet 2% (seven) of the elements. We have identified some areas where we could further strengthen our approaches, and these will be added to our development plan.

The chart below shows our scoring and compliance against the criteria



Partner and Staff Development

Member Training

We have worked with SWAP, (South West Audit Partnership) our collaborative partner organisation, to develop and deliver a training session for senior management and audit committee members. As DAP and SWAP cover a wide geographical area, it was decided to hold two sessions, one in Sparkford, near Yeovil, and the other at Buckfast Abbey.

The theme of the event was “The Future of Audit Assurance for Audit Committees”. Five separate sessions were arranged, and speakers included officers from Devon Audit Partnership and SWAP, Jason Vaughan (S151 Officer Weymouth & Portland BC and West Dorset DC) and Darren Gilbert, Director of KPMG – Public Sector Audit.

The events attracted 74 members representing 21 different public sector organisations. The event gave delegates the opportunity to mix, share experiences and to understand how similar organisations are addressing similar risks and challenges. We sought feedback from the event which, overall, appears to have been very well received. Comments made included:

“Rewarding Training Session”, “Interesting and informative”, “Excellent”, “Better than I expected”, “Good to network with Members from other authorities” “We wouldn’t hesitate to recommend this to our Audit Committee as a useful training mechanism in the future”.

We will look to provide further training events along this line in the coming year.

Staff Changes

At the end of October Margaret Williams and Chris Melmoth retired. We wish both of them all the very best for a very happy retirement.

Margaret has been a vital part of our team over a number of years and has provided an extremely professional and comprehensive service to our clients (predominantly Plymouth CC) in the fight against fraud. She was been one of the Councils leaders in preventing, detecting and investigating fraud and her skills will be loss to both us and our clients.

Perhaps one of the key changes of Margaret leaving will be that we will need to ensure that we clearly communicate expectations with our clients: our role has always been to “investigate the facts” and to provide a report to management that clearly sets out facts, our findings and, where appropriate, our recommendations. However, we have often been asked (and to some extent it has been expected) that we take this further and conclude on issues and Margaret has often taken on this “enhanced role”.

We need to reiterate with senior management our role in the investigation of fraud and irregularity. Each organisation has its own process for this, and most of these refer to an “investigation officer” who commissions an “investigation team” to examine the concerns raised and to report back on findings. The make-up of such investigations teams will vary but can consist of HR, ICT, Finance, Legal and generally include Internal Audit (we should also be notified if the issue is of a financial nature) – we will need to remind senior management of arrangements and be clear how we can effectively aid the investigation process.

One of the “givens” of Internal Audit is that it is at the forefront in an organisations approach to prevent, detect, and investigate fraud; we will continue to provide a highly professional service to our clients that meets their needs, but I think we will all appreciate that Margaret leaving will provide extra challenges in meeting this objective.

Chris has worked predominantly supporting IT sections across all our partners and clients, but particularly in Plymouth. We have ensured that other DAP staff have the skills necessary to continue to provide an effective IT audit service, but we will need to ensure we allocate these resources effectively to meet demands and deliver audit arrangements.

To meet the extra call of resources that have been requested from new and existing partners we have recently recruited two members of staff, on a temporary basis until the end of May 2015. We have arranged for suitable induction and training, including attendance at a CIPFA training event in London, to ensure that they can effectively support our work as quickly as possible.

Future Challenges

The next six months or so will see the Partnership staff fully involved in completing audit plans to provide that all important annual assurance report for senior management and members.

One of the key challenges facing our partners is the implementation of actions set out in the Care Act and in particular the integration of Health and Social Care. This is a significant challenge and we shall aim to work with management at each partner to assist (where possible and where effective) in this agenda.

In November 2013 CIPFA (Chartered Institute of Public Finance & Accountancy) issued updated guidance on the function and operation of audit committees. The guidance represents CIPFA’s view of best practice and states that governance, risk management and strong financial controls should be embedded in the daily regular business of an organisation.

Devon Audit Partnership propose to run briefing sessions at Audit Committees (possibly before or after the main committee meeting) to introduce this revised guidance and to help audit committees consider their own effectiveness. The sessions will be run as awareness briefings, with “challenge questions” to gain the thoughts and comments of members. These thoughts / comments will be captured with a view of preparing a short action plan that can be used to further develop the effectiveness of the Audit Committee (if required).

Internal Audit Performance

Our analysis of performance for the first six months of 2014/15 indicates that overall performance was good and generally exceeded our targets. 46% of the audit plan has been completed (against a target of 45%) and customer satisfaction levels of 99% across the partnership are exceptional. A breakdown of performance across all partners is shown in Appendix 3.

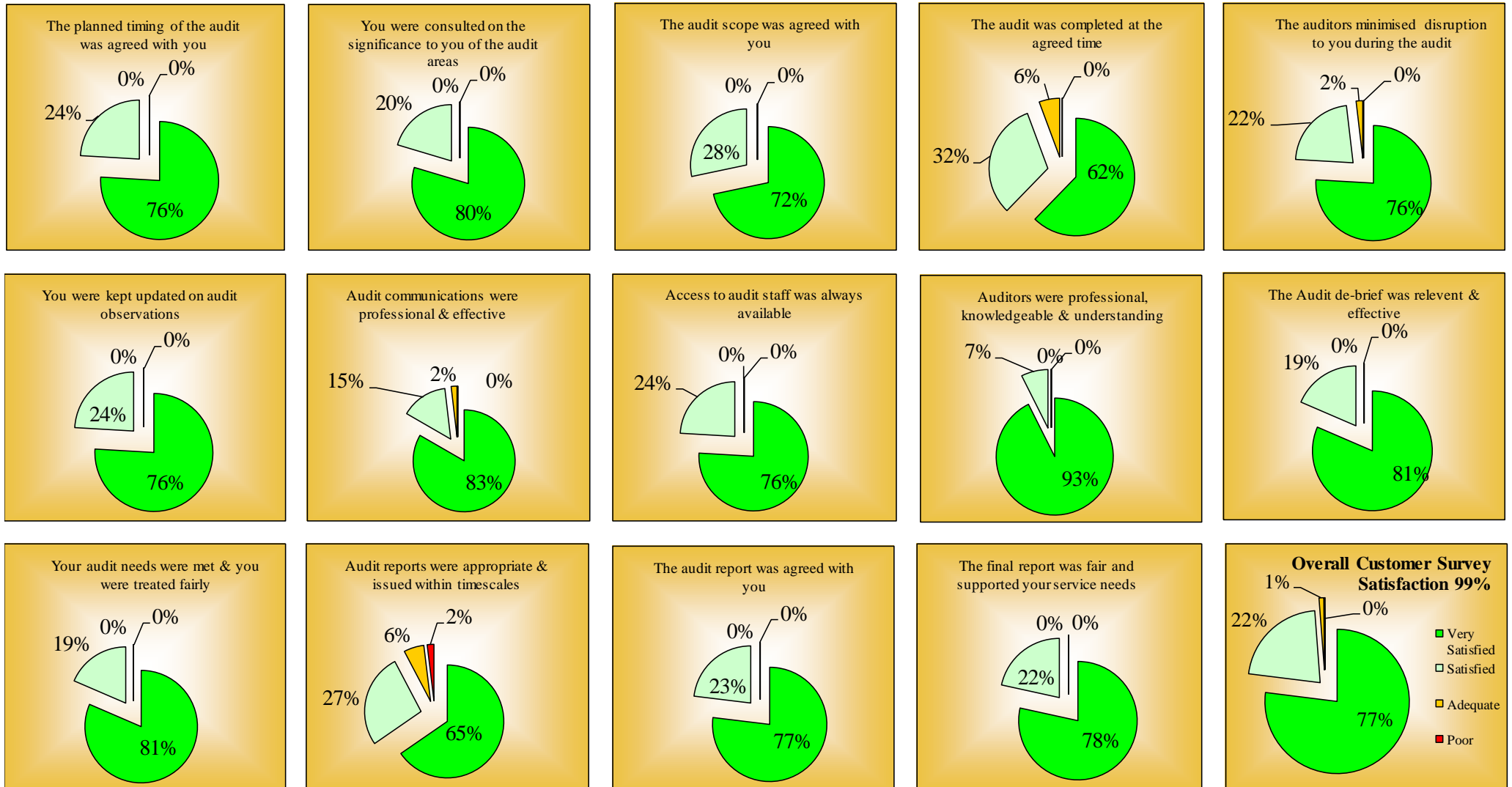
Devon Audit Partnership - Performance monitoring 2014/15 - Six month performance (end of Sept 2015) Inc. Schools					
Local Performance Indicator (LPI)	Full year Target	6 mth Target	Quarter 2 2014/15	Quarter 2 2013/14	Direction of Travel (where applicable)
Percentage of Audit plan Completed	90%	45%	46.2%	56.00%	↔
Percentage of chargeable time	65%	65%	66.6%	64.20%	↑
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	90%	99%	98.00%	↑
Draft Reports produced within target number of days (currently 15 days)	90%	90%	80%	82.00%	↔
Final reports produced within target number of days (currently 10 days)	90%	90%	90%	92.00%	↔
Average level of sickness absence	2%	2%	4.25%	2.30%	↓
Percentage of staff turnover	5%	5%	2% (1 new person)	2% (1 person)	
Out-turn within budget	Yes	Yes	Yes	Yes	↔

Sickness in the first part of 2014/15 has been higher than expected. Our 2% “allowance” equates to 5 days per fte employee for a whole year, or 210 days in total. As end the end of September 2014, sickness days totalled 184. The figure has been affected by a number of employees (2) needing to undergo operations and the resulting convalescence time. We work with staff to ensure that attendance at work is maximised; the assistance of HR support organisations such as Wellbeing @ work also assist us. The CIPFA benchmark for Internal Audit sections currently stands at 6.8 days.

Appendix 1 - Customer Service Excellence

Customer Survey Results April 2014 - Sept 2014

The charts below show a summary of 54 responses received.



Appendix 3 – Local Performance Indicators

Breakdown of Performance by Client

For the period April 2014 to end of September 2014

<i>Local Performance Indicator (LPI)</i>	<i>1st 6mths</i> <i>2014/15</i>	<i>1st 6mths</i> <i>2014/15</i>	<i>1st 6mths</i> <i>2014/15</i>
	Plymouth	Torbay	Devon
Percentage of Audit plan Completed	48.2%	45.4 %	44.9%
Percentage of Audit Days delivered	43.6%	39.1%	48%
Percentage of chargeable time	65.1%	61.2%	70%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	98%	97%	99%
Draft Reports produced within target number of days (currently 15 days)	82.1%	75.4%	81.6
Final reports produced within target number of days (currently 10 days)	90.9%	94.9%	82.8%

