

Internal Audit

Progress Report – April 2015
to February 2016

Partnership Committee

February 2016



Auditing for achievement

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Devon Audit Partnership	Confidentiality and Disclosure Clause
<p>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.</p> <p>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 .</p>	<p>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.</p> <p>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.</p>

Report of the Head of 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.

Devon Audit Partnership Progress made since October 2015

It has been an interesting period since our last update report. We have been involved in a number of high profile reviews, including ongoing irregularity investigations which continue.

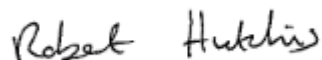
It is at this time of year that we work with senior managers to develop audit plans for the coming year. Such plans will need to be risk based, with audit resources being directed at the higher risk areas, where internal audit can effectively review the challenges and “add value”. We make every effort to consider “thematic” reviews across our partners and clients – this is not always achievable as organisations may be at different stages in their development journey, and may see different risks, but clearly there are benefits to be obtained from sharing learning and understanding from such theme based reviews.

In order to comply with the Public Sector Internal Audit Standards, an internal audit section must be subject of an independent quality assessment once every 5 years. Such reviews can be commissioned from various providers, but at a cost (generally circa £5k). We are working with other large internal audit partnerships (SWAP, Veritau, Hertfordshire Shared Internal Audit Services) to provide quid pro quo arrangements. This will mean that DAP will assess, SWAP, with Hertfordshire providing an assessment of DAP. The timing of the DAP review is to be agreed, but will take place during 2016.

Overall our performance remains 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.

The success of the Partnership is down to the professionalism and hard work of the staff employed. They have all risen to the challenge of providing higher quality services at a time when finances available are very limited. My thanks go to all of the team at Devon Audit Partnership.

2016 will be a challenging year for the Partnership. We need to plan for further reductions in funding from the partners (a further 10% reduction in 2016/17) and this will influence the shape and size of the organisation going forward. We need to carefully determine the future requirements for all our partners and clients and ensure we have the right people with the right skills available to provide the proactive and value added service that they expect.



Robert Hutchins, Head of Devon Audit Partnership, February 2016

Partnership Membership and Client Development

Torrige District Council

We have been supporting Torrige for some time now in delivering their internal audit plan. This started out at 20 or so days per year, but we now complete the majority of the audit plan, provide audit management services, undertake fraud investigations and provide advice and guidance. This input is in the region of 185 days each year.

Torrige have been looking at delivery arrangements for 2016/17 and have indicated that they would like to join DAP for 2016/17 – with this being on a “trial basis” for the year, but with a view to longer term arrangements.

When DAP was extended (April 2014) the agreement was modified so that it made it easier for other organisations to join (either as a voting or non-voting member). As Torrige are looking to join for a one year, trial basis, then entry as a “non-voting” member would seem to be the way forward.

Port Marine Safety Code

We have recently trained some of the audit team to enable them to carry out assessments of organisations against the Port Marine Safety Code. We have recently provided this service to Tor Bay Harbour Authority and have recently been asked to submit a bid for our services to Stenna Line for three ports (Holyhead, Fishguard and Loch Ryan). I am pleased to say that our bid was accepted. Clearly there are logistical challenges with this, but our bid has included the cost for travel and accommodation arrangements.

Interreg Va

As expected, Interreg Va bids are now being approved, and successful applicants need to source first level controllers. We have recently been approached by two organisations to provide details and quotations for our services, and we look forward to further requests.

Dartmoor National Park

The Authority recently commissioned consultancy services from DAP, looking at future options for operating and generating income from car parks. The review has been wide reaching, with a number of findings and recommendations aimed at increasing revenue for the Authority.

Torbay Council

At Torbay Council we supported a working party of the Audit Committee in a review of financial pressures facing the Children’s services. These financial pressures will not be solved overnight, but a clearer understanding of cost drivers and future cost pressures will assist senior officers and members in understanding the financial challenges, and we trust our work assisted the working party.

Plymouth City Council

At Plymouth, new arrangements for the delivery of social care continue to develop. The December Audit Committee meeting included a joint session with colleagues from Health to discuss how assurance arrangements can work in the future. We shall continue to work with the Audit Committee, officers and health internal auditors to develop effective and efficient arrangements to provide independent assurance.

Police

We also continue to support the Police as the Strategic Alliance between Dorset and Devon & Cornwall takes shape. Various workstreams are currently being worked up, one of these being the delivery of internal audit. We recognise the value (and need) for a single internal audit provider to provide independent assurance for the Alliance, and are working with colleagues from SWAP (the current internal audit provider for Dorset) to provide an effective proposal for future service delivery.

Our partners and clients.

We now have a long list of valued partners and clients that we support and work with. This includes

- Devon & Somerset Fire & Rescue Authority
- Exmoor National Park
- Dartmoor National Park Authority
- Plymouth University – Interreg Projects
- Cornwall Council – Intereg Projects
- Torridge District Council
- Teignbridge District Council
- Devon & Severn IFCA
- SEACS
- Project Cordiale (ERDF)
- Coaver Club
- South Hams District Council & West Devon Borough Council
- A large number of Academy and Multi Academy Schools.

Partnership Arrangements – post March 2017

The Partnership has consistently remained within budget and at the end of 2014/15 carried forward a reserve of £175k. For 2015/16, we are again forecasting a small underspend, which will further increase the surplus balance.

However, financial pressures continue and, as referred to earlier, a further 10% in partner funding is planned. This roughly equates to around an 8% reduction in partnership budget, and the requirement to reduce our delivery levels by this amount. We will need to carefully consider ongoing needs of partners and clients to ensure that we put in place an efficient and effective staffing structure that can meet partner needs, but that remains within the financial envelope available.

At the previous meeting we discussed, in general terms, the future of the partnership post 2017. The current partnership agreement “ends” in March 2017, and the management board, and Partnership Committee need to decide on arrangements going forward. The Management Board fully agreed that the Partnership has delivered its aims and objectives, and that partnership working should continue post March 2017. This view was confirmed and echoed with the Partnership Committee. However, it is appropriate to look at other options for partnership arrangements and if these would bring further benefits to partners and clients.

With this in mind the Head of Partnership has started conversations with other local providers to see if there are opportunities to enhance partnership working. This work will continue with a report being provided to the Committee in June 2016.

Staying Within our Resource Envelope

We have prepared a draft revenue budget for 2016/17 (please see separate report).

This shows that we need to work within a reduced financial envelope of around £85k in 2016/17. This will result in the need for us to review our staffing structure, and make sure we have the right people in the right place at the right time to deliver the services required.

We shall work with staff and HR colleagues in designing our workforce structure to meet our operational needs.

External audit

Auditor Panel Issues and Requirements.

The Local Audit & Accountability Act 2014 (the Act) abolished the Audit Commission, paving the way for local authorities to appoint their own external (local) auditors. Principal authorities must have their local auditors appointed by 31 December 2017 in order for them to begin their engagement on 1 April 2018. Smaller authorities that have decided not to opt in to sector led body audit procurement arrangements will need to appoint their auditors by 31 December 2016.

The main method for principal authorities and those smaller authorities that decide to opt out to carry out this responsibility will be through auditor panels, so authorities must therefore begin to consider the method of appointment as soon as possible to allow themselves to have the necessary arrangements in place to undertake this process sooner rather than later.

CIPFA guidance is now available <http://www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf> to assist authorities in the process. The set up of an auditor panel is complicated by the fact that it requires a minimum of three members, of which at least two must be considered independent. Panels need not be large. The focus is on quality of the member panel, but there will be a challenge to achieve the required depth of knowledge and experience. The Chair of the Auditor Panel must be independent of the Authority.

DAP are happy to assist partners and customers with the process, but to ensure independence from External Audit (who often look to place reliance on Internal Audit work) then it is not considered appropriate for DAP to lead on such a process.

Staffing update

I am pleased to report that two of our staff (Amy Melliush and David Hodgson) recently passed their Institute of Internal Auditor (IIA) exams – congratulations to the both.

David has completed 5 exams for this PIIA qualification and will now need to submit a work log evidencing 3 years of experience to complete his qualification.

However the Chartered Institute of Internal Audit (CIIA) have now established a new internationally recognised qualification and Amy, who has completed 3 exams so far, will convert and transfer over to this new format, which is called the CIA (Certificate in Internal Audit) and will take the next exam for this.

David will also be able to convert without further exams, once his experience log has been approved.

As previously reported Alexis Saffin and Tony Rose have completed their exams and are currently completing their experience logs for submission to the IIA.

Customer Service Excellence

We are very proud that our commitment to customer focused services has been recognised and that we hold Customer Service Excellence (CSE) accreditation.

As part of the accreditation process, DAP is subject to an annual review to ensure our policies, practices and procedures remain up to date and that all DAP staff embrace customer service expectations. In April 2106 we expect our regular assessor, June Shurmer, to visit and to review our arrangements.

We look forward to June's visit and any comments she may have on how we can further develop.

Adding Value

We know that “doing an audit” is not enough for our customers these days; we know that senior management and those charged with governance very much value our independent assurance, & welcome our identification of untreated risk or control weaknesses, but they also want an audit service that “adds value”.

Added value will mean different things to different people at different times; it is not about a “buy one get one free” approach, but it is about using our professionalism and ability to apply a unique and independent approach to help organisations and managers provide their services in the best possible fashion. We employ staff who can make a difference and encourage them to “add value” at every step in the audit process. We set out below some comments from customers who agreed that we have achieved this aim.

Duplicate Payments, November 2015

This was a very worthwhile exercise and resulted in a number of genuine **overpayments that are now being recovered** – all thanks to you bringing it to our attention.

Schools, October 2015

May I express my appreciation to you for your excellent professional contribution to the recent **very successful conference** held in Torquay on the in October.

An analysis of the evaluations from the delegates who attended your session show you had a very good rating – they have clearly enjoyed your very good presentation.

Schools December 2015

It was really useful to tap in to the auditors knowledge, especially when talking about future developments. The **knowledge your team bring to audit is invaluable** and gives assurance to all staff involved in the process. We are also able to access your expertise throughout the year.

Schools, October 2015

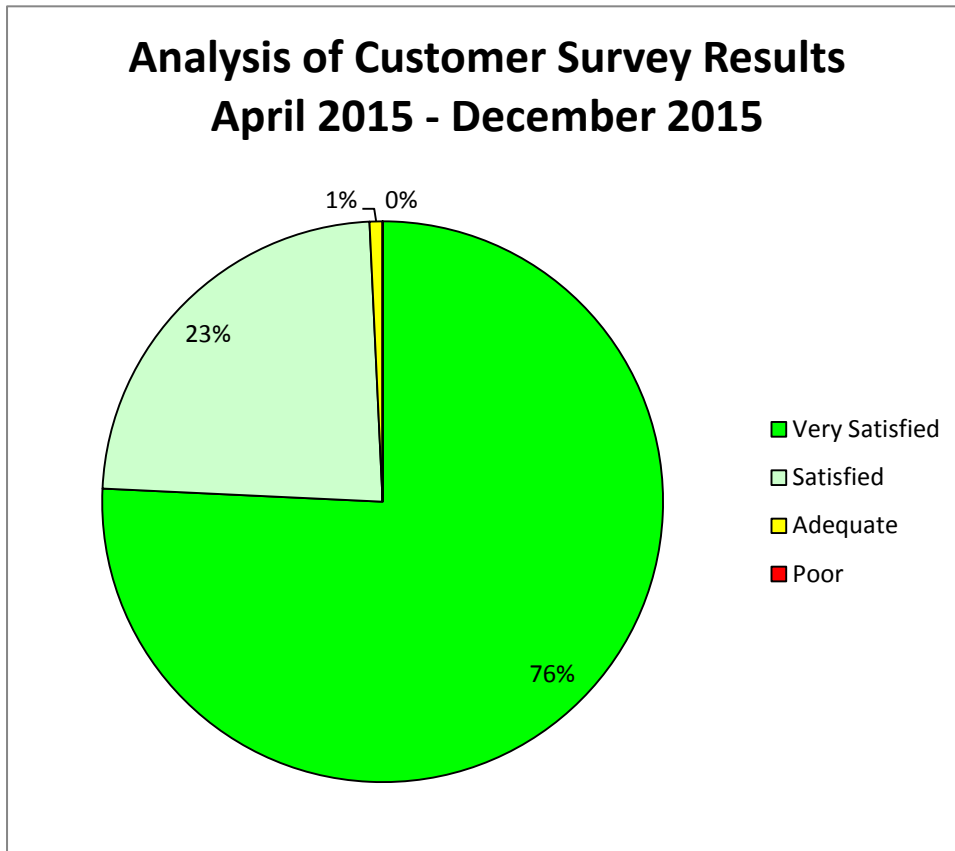
A very thorough and professionally delivered audit, including excellent planning and preparation. The aspects relating to the Governors really helped the new Clerk to Governors.

The audit did **‘add value’** because all the information about the Governors meetings has been taken on board and actioned. It was reassuring to confirm that our processes and systems were effective and compliant.

Car parks, November 2015

The audit was conducted in a thorough and appropriate manner. The auditor was reasonable and helpful at all times and the findings have been useful for the **continuous improvement** of our service.

Customer Service Excellence (CSE)



During the period we issued client survey forms with our final reports. The results of the surveys returned remain very good and very positive. The overall result is very pleasing, with near 99% being "satisfied" or better across our services, 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.

In comparison to previous years the overall result is a further improvement.

Customer Testimony.

Some examples of customer testimony are shown below:-

Council Tax, January 2016 - We see audit very much as a partner in trying to shape the service in times of shrinking resources in order to make sure we still maintain integrity and security

Council Tax, November 2015 - It was a refreshing change to deal with an auditor who took a realistic and pragmatic view to the functionality of the service.

Environmental Protection, November 2015 - The auditor was professional and courteous and made the process very clear.

Schools, December 2015 - The auditor was professional at all times and was happy to enter in to discussions with myself and my team.

Schools, November 2015 - As a new SBM, the whole process was helpful as it confirmed that practices in place are working well to ensure smooth running of the school. Many of the recommendations were useful as a focus to tighten procedures in some areas, as well as to confirm to colleagues the rationale behind the systems in place so that everyone understands the importance of them. Overall, a very positive experience.

Internal Audit Performance

Our analysis of performance for the first nine months of 2015/16 indicates that overall performance is in line with expectations. Overall, 80% of planned audit assignments have been commenced (against a target of 73%). We are aware that our figures are showing that only 57% of the planned audit work has been completed (against a target of 65%), but closer analysis shows that this is due to the nature of work being carried out. For example at Plymouth of the 19 assignments planned in Transformation, 16 have commenced but only 3 have been completed; this is due to the ongoing nature of the assurance work being completed.

Customer feedback satisfaction levels remain very high at 99% across the partnership. A breakdown of performance across all partners is shown in App A.

Devon Audit Partnership - Performance monitoring 2015/16					
Nine month performance (end of December 2015) Inc Schools					
Local Performance Indicator (LPI)	Full year Target	9 mth Target	Quarter 3 2015/16	Quarter 3 2014/15	Direction of Travel (where applicable)
Percentage of Audit Plan Started	100	73	80%	76.20%	↑
Percentage of Audit plan Completed	90%	65%	57%	63.00%	↓
Percentage of chargeable time	65%	65%	68.6%	66.63%	↑
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	90%		98.70%	↔
Draft Reports produced within target number of days (currently 15 days)	90%	90%	76%	79.67%	↑
Final reports produced within target number of days (currently 10 days)	90%	90%	94%	89.63%	↑
Average level of sickness absence	2%	2%	4.94%	5.20%	↓
Percentage of staff turnover	5%	5%	4% (2 People)	4% (2 People)	↔
Out-turn within budget	Yes	Yes	Yes	Yes	↔

Unfortunately sickness levels have recently increased. 2 employees are suffering from long term sickness issues and the date of their return is as yet unknown. Sickness levels have increased from our month 6 reported figure of 84 days to 228 days.

This equates to 4.94% of available, roughly 8 days per fte.

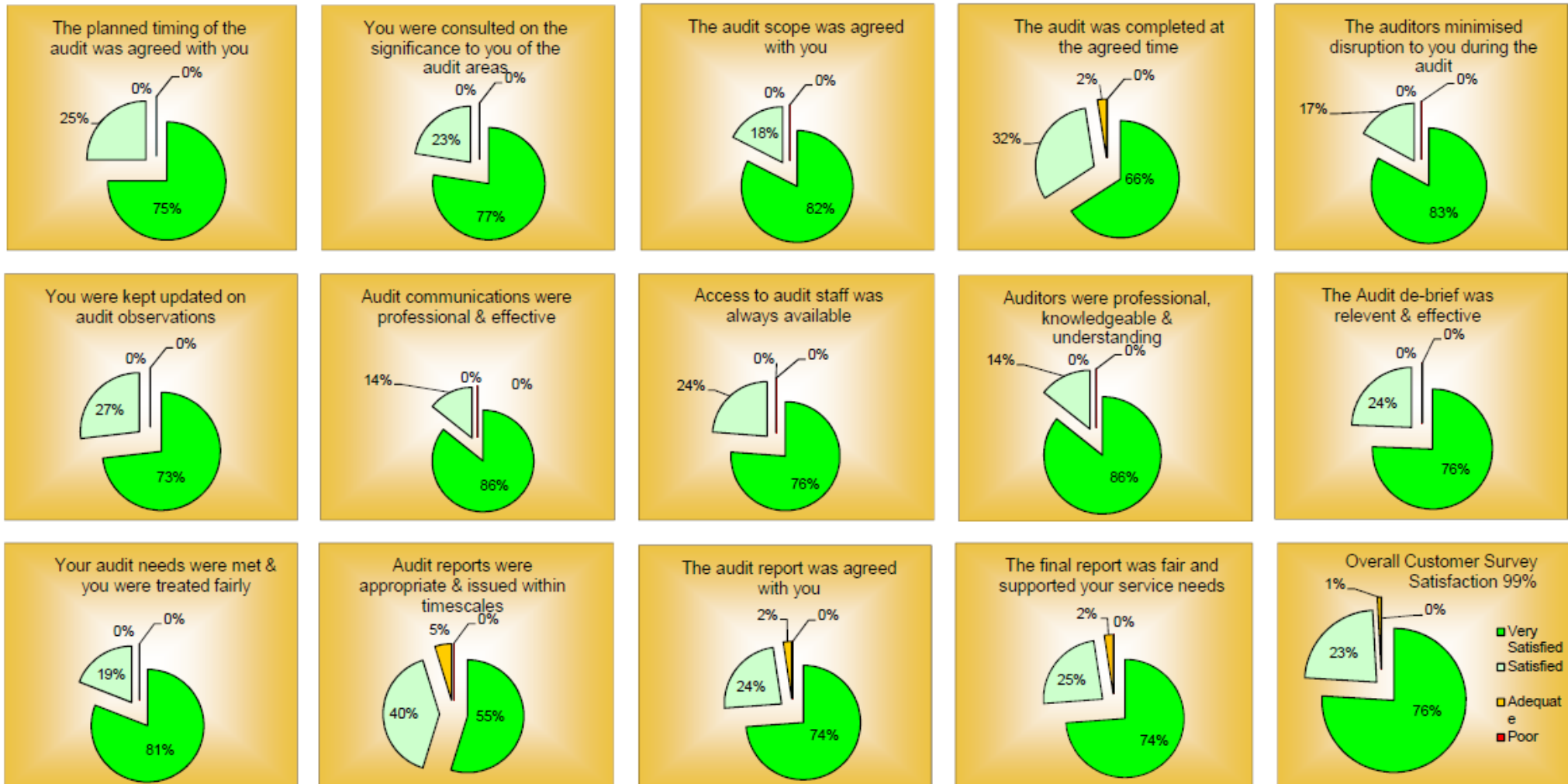
As always, we are work with staff to ensure that attendance at work is maximised; the assistance of HR support organisations such as Wellbeing @ work also assist us.

For information the CIPFA benchmark for days lost through sickness in Internal Audit sections for 2014/15 stands at 7 days per fte per year.

Appendix 1 - Customer Service Excellence

Customer Survey Results April 2015 - Dec 2015

The charts below show a summary of 42 responses received.



Appendix 2 – Local Performance Indicators April to December 2015.

Breakdown of Performance by Client

<i>Local Performance Indicator (LPI)</i>			
	Plymouth	Torbay	Devon
Percentage of Audit Plan Started	78	89.9	73.5
Percentage of Audit plan Completed	55	61.2	53.6
Percentage of Audit Days delivered	58	70.1	69.8
Percentage of chargeable time	67.8	65.1	66.8
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	99	99	99
Draft Reports produced within target number of days (currently 15 days)	83	68.9	76.5
Final reports produced within target number of days (currently 10 days)	94	96.9	89.7