

Internal Audit

Annual Report 2016-17

Partnership Management Board

June 2017



Auditing for achievement

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.

Review of Devon Audit Partnership 2016/17

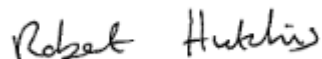
2016/17 was an eventful year for the Partnership. I am pleased to report that we have again made a small operating surplus, and have been able to grow our client base by formerly welcoming Torridge District Council to the Partnership.

During the year our Partners confirmed their confidence in partnership working by agreeing to an extended partnership agreement for the next seven years (subject to a review after 5 years). We know that things can change quickly and pressures and challenges may result in organisations re thinking decisions; as a result our agreement allows each partner to withdraw from the Partnership after giving one years notice; however we consider the new agreement provides the "vote of confidence" and stability that the Partnership needs to continue to invest in and develop quality and services, and look to bring new partners into our arrangement.

With that in mind we are very pleased to note that Mid Devon District Council have expressed their wish to join the Partnership, initially as a "non-voting" member, but as a full member from April 2018.

In September last year we worked with James Patterson on how to ensure our organisation remains LEAN – James provided some excellent advice / guidance and practical knowledge that will be invaluable going forward. And in December 2016 we welcomed Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service, who completed an external validation of the Partnership. Terry concluded that we "generally conforms" * to the Public Sector Internal Audit Standards.

As always, the success of the Partnership is down to the professionalism and hard work of all the team. At the end of the day they provide professional independent assurance on risk and control, helping the many and varied organisations we support achieve their objectives in an effective way.



Robert Hutchins
 Head of Devon Audit Partnership
 June 2017

* Generally Conforms – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

Contents

Page 3 - Contract reduction and diversification

Page 4 - Adding Value

Page 5 - Collaborative Partner Working

Page 6 - Staff and Partner Development

Page 7 – Customer Service Excellence (CSE)

Page 8 - Internal Audit Performance

Appendix 1 - Customer Service Excellence Results – 2016/17

Appendix 2 – Local Performance Indicators 2016/17

Contract reduction and diversification

Budget position

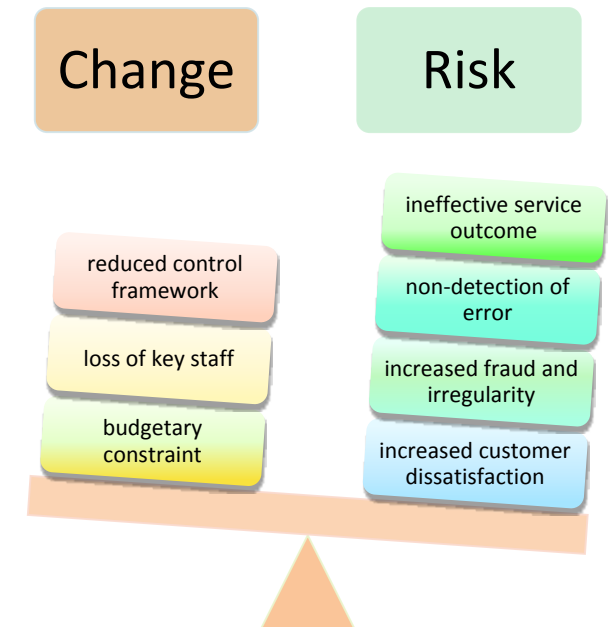
The Partnership has consistently remained within budget and at the end of 2016/17 carried forward a reserve of £181k. The out-turn for 2016/17 shows that a small surplus was achieved (£300). This has been achieved through careful monitoring of the budget and careful use of fixed term and contract staff to deliver the changing work pattern of our clients. Our day rate remains below the national average, as identified from benchmarking with other local authorities via the CIPFA benchmark club.

Service impact and risk

The reduction in core work to the Partner Members is having an effect on the assurance we can offer. The “seesaw” graphic of change v risk was included as part of our annual plans for 2016-17 with each of the Authorities where it is recognised times are changing; the expectation of the public for services provided by the public sector has never been greater; yet the money that is available for these services needs to be reduced.

Wider Assurance

We recognise that partners require assurance at all stages of service design and delivery; our partners continue to transform services for their customers and we are working with them as they develop solutions that will make cost savings but provide better outcomes.



We prepared a newsletter for senior management advising on the challenge of **transformational change**, and how internal audit can assist.

For each audit we consider if the service can be provided in a different way and offer recommendations of how this could be achieved.



"Your life does not get better by chance, it gets better by change." Jim Rohn

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 received from customers **since the turn of the year** who agreed that we have achieved this aim.

Partnership Working “The Auditor is knowledgeable with regard the subject area. The audit [added value](#) by giving the council a clear indication of their current position and possible way forward.

Partnership Working “The delivery of the audits was undertaken extremely well. I can’t think of anything which would improve this process. [Value was added](#) by making my service aware of improvement areas which we may not have identified ourselves. Also enforcing the view that maybe there is a bigger more Council wide issue to be addressed rather than just an element of one/more service areas. I think you provide a good service and my staff value your findings.”

PCI Compliance Throughout the process the auditor was always willing to discuss points where we may disagree and we generally come up solutions to meet both parties. The final report and discussions were particularly helpful. The audit [added value](#) in that it points us in the direction for improvements in control and can also now discuss how other customers may have adapted procedures etc.”

Maintenance of HR/Payroll System “The entire process was very positive. The audit was able to [add value](#) as all the recommendations were appropriate, & even though we had thought about some previously, it has helped us to re-focus and try to move them forwards. The auditor was very professional & pleasant throughout the entire audit process.

Payroll “Initial meetings to determine the terms of reference are an excellent opportunity for us to set the current scene.....from my perspective this is the [most valued](#) element and gives me the opportunity for a ‘critical friend’ to look at areas where I need further support or guidance.

Collaborative Partner Working



Our newsletters have included articles on the following :-

- Joining Up Health and Social Care Audit – Are we getting integrated assurance?
- Local Government & Third Sector Collaboration – How do we get Assurance?
- Organisational Culture – An Effective Approach to Ethics
- Devolution – The Future for Public Services?
- What makes An Effective Audit Committee ?

If we can help by providing further guidance or assistance on any of these subjects then please do let us know.

Partnership Collaboration

We recognise that a number of internal audit partnerships have been developed across the country and that there are opportunities for these partnerships to work together to further improve efficiencies and effectiveness.

We are working with a number of partnerships South West Audit Partnership (SWAP), Shared Internal Audit Services (SIAS) (Hertfordshire), Veritau (Yorkshire) and Southern Internal Audit Partnership (SIAP) (Hampshire) to develop links and effectiveness. We have issued 3 newsletters to senior finance officers and members of audit committee, giving our "internal audit" view of risks and challenges.



Staff and Partner Development

Regional training for Audit Committees

We worked with SWAP, (South West Audit Partnership) to deliver training sessions in September for senior management and audit committee members – (see our flyer details). The events attracted 72 members representing 26 different public sector organisations and gave delegates the opportunity to mix, share experiences and to understand how similar organisations are addressing similar risks and challenges.

The agenda covered a wider range of topics, attracted key note speakers, and we trust was of use to our partners and customers.

Staff Training Programme

We continue to invest a percentage of our budget in the development of staff; we have recognised that, whilst the overall audit budget continues to reduce, the need for high quality assurance services does not. Indeed, with the increasing challenges and complexity facing local government and other public sector services, the need for well trained, motivated and versatile audit staff has never been higher.

In terms of professional training, we have 4 staff who are currently studying for the Institute of Internal Auditors (IIA) qualification; 2 staff are in the final stages of their training and have just one exam to pass; the other 2 have made a good start to their training.

Staff are encouraged to attend courses and seminars that develop their audit skills, develop skills for the partnership and also further develop network opportunities. Events attended over the year included:-

- IIA Annual conference
- Fraud Awareness
- Use of IDEA software

RELIABLE ASSURANCE IN UNCERTAIN TIMES

GETTING THE BEST FROM YOUR AUDITORS

October 2016

Member and Representatives Training

Key Advice and Guidance for Members, Representatives and Senior Officers

Brexit, Transformational Change, Devolution – What do Elected Members and Representatives need to know in order to fulfil their vital role as the guardians of public sector corporate governance? Understanding what your responsibilities are and where you can get the assurance you need will be paramount.



BRITAIN VOTES BREXIT WHAT HAPPENS NOW?

By attending this event you will be better equipped to ask the right questions of the right people at the right time. You will gain an understanding of some of the risks your organisation may be faced with in a rapidly changing environment of uncertainty.

Objectives

By attending this event you will gain new insights on:

- ➔ Role and Effectiveness of the Audit Committee—Ensuring your Audit Committee is ready for the challenges of the next five years—getting the best possible assurance.
- ➔ Tone at the Top –Culture and Ethics—Why do poor corporate cultures exist and what role does Internal Audit play, in conjunction with Members and Representatives, in helping to promote a positive and corrupt free environment.
- ➔ Changes to the AGS—There will be changes to the Annual Governance Statement that Audit Committees are required to approve. This session will provide an External Audit update and view.
- ➔ Brexit—Threat and opportunities—What does this mean for your organisation? How prepared are you to meet the challenges and take advantage of the potential benefits?
- ➔ Transformational Change—The only sure thing is that change will happen. Forewarned is forearmed. What are the challenges ahead and what things do you need to know?
- ➔ The Financial Officers View—Pulling it all together, what does all of this mean for your organisation?

Customer Service Excellence (CSE)

DAP was successful in re-accreditation of the CSE standard during the year.

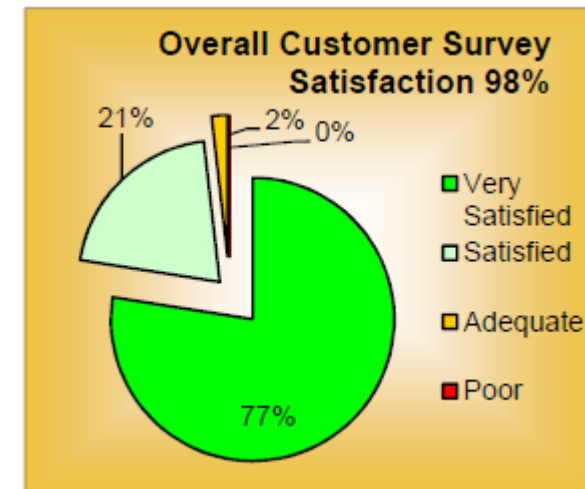
In June 2017, June Shurmer, our assessor, will visit the team to evaluate our customer services against a rolling programme. The CSE standard expects and requires “continuous improvement”

During the year 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 98% 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.

We seek feedback from customers from all sectors that we work in, but receive a good rate of return from schools, be these grant maintained or academy. An extract from some of the feedback received since Christmas is shown below :-

- The whole process was a positive experience for all staff concerned
- Due to staffing changes our original audit date was changed to accommodate which was gratefully appreciated. There was excellent communication from the auditor throughout the audit, she was very approachable and friendly. The school benefitted from the process.
- The auditor was extremely helpful and supportive and provides an effective critical friend role.
- The auditor was very helpful and personable. The process was easily followed and understood.
- The auditors were professional and helpful throughout the process.
- very happy. With regards to planning there was flexibility in the scope to support areas the Leadership raised queries about. Audit delivery took the form of a supportive and collaborative in approach. It was particularly helpful getting regular constructive and supportive feedback through out the audit. All of the audit staff were fantastic and very supportive.
- The auditor was a pleasure to have on site and very accommodating to the school needs and timings. It is always good to have fresh eyes look at what you do to ensure still on the right lines and not missed any new procedures.

DAP – Customer Survey Results 2016/17



Internal Audit Performance

Our provisional outturn analysis of performance for the year ended 31st March 2017 indicates that overall performance was good and generally exceeded our targets. 93% of the respective audit plans were completed (against a target of 90%) and customer satisfaction levels of 98% across the partnership are noteworthy. A breakdown of performance across all partners is shown in Appendix 2.

Devon Audit Partnership

Year end performance (end of March 2017) Inc Schools

Performance to end of March 2017 Inc Schools

Local Performance Indicator (LPI)	Full year Target	Full year Performance	Outturn 2015/16	Direction of Travel (where applicable)
Percentage of Audit Plan Started	100%	99%	100%	→
Percentage of Audit plan Completed	90%	94%	94%	→
Percentage of chargeable time	65%	69.7%	68%	→
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	96%	99%	→
Draft Reports produced within target number of days (currently 15 days)	90%	90%	87%	↑
Final reports produced within target number of days (currently 10 days)	90%	98%	96%	↑
Average level of sickness absence	2%	3.2%	6%	↑
Percentage of staff turnover	5%	21%	3%	↓
Out-turn within budget	Yes	Yes	Yes	→

Staff Turnover

Turnover in 2016/17 was higher than in previous years. However, it should be recognised that a level of staff turnover was expected in order to meet the 10% budget reductions required by the Partners. To meet our budget expectations we had to end the contracts for 3 staff; and in the latter six months two staff left the organisation, one for personal reasons, and the other for promotion to another employer.

Sickness

We acknowledge that employees will, from time to time, be affected by sickness, and "plan" for 2% of time per fte - this equates to 5 days per FTE.

However sickness in 2016/17 was considerably higher than projected. Days lost to sickness in 2016/17 totalled 244 (2015/16 = 349) working out at 8.4 days per FTE. So, we are 1.2% or 3.4 days per FTE over our sickness target.

Our sickness rates have been affected by long term sickness for a number of employees; 4 employees had periods of sickness of 15 days or more, three of which related to operations.

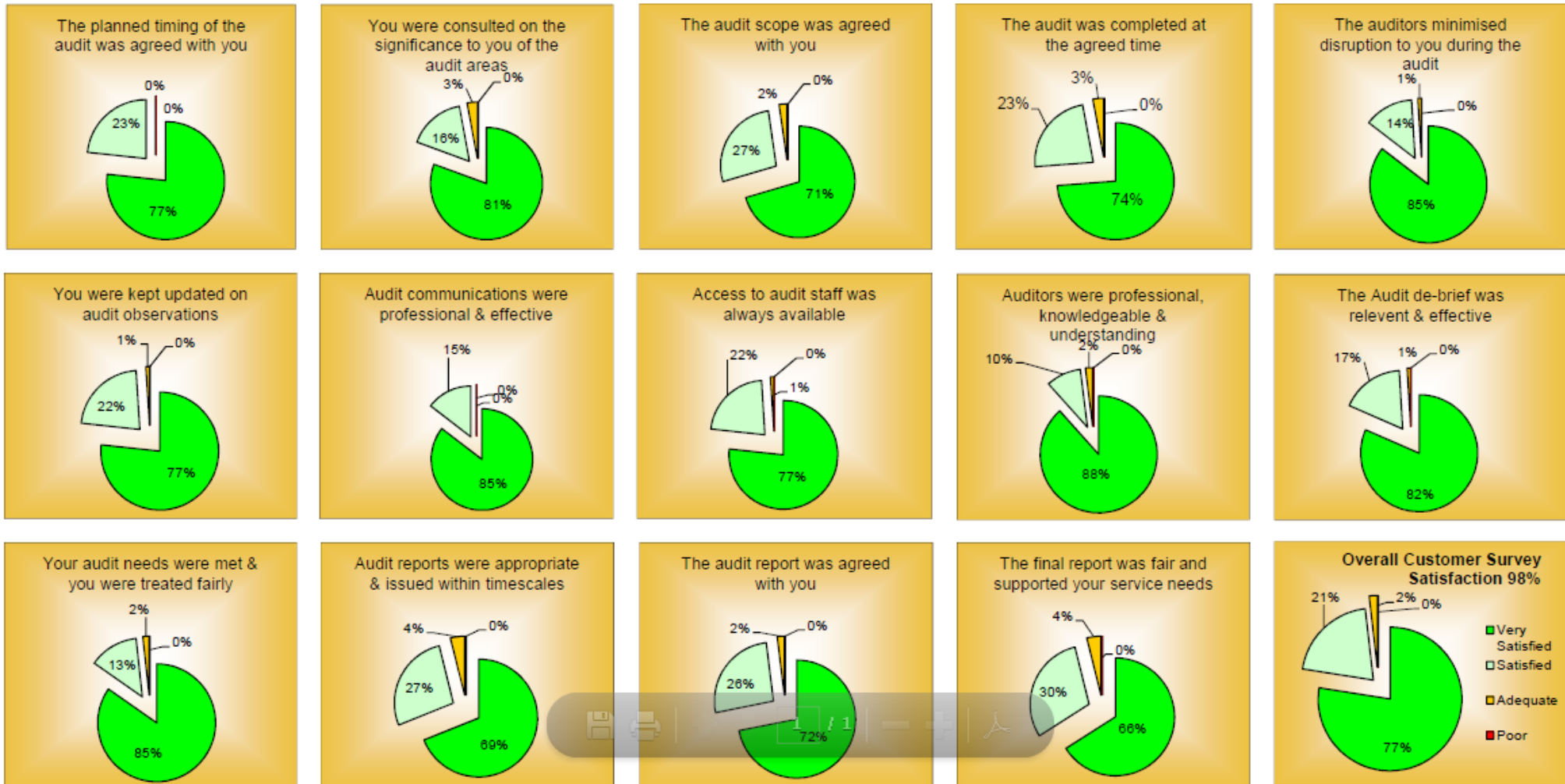
All periods of sickness are dealt with using the Devon CC guidance. We seek input and advice from Wellbeing @ Work and HR colleagues, making "reasonable adjustments" as far as we practically can to ensure a safe and speedy return.

It should be noted that, outside of "long term" sickness for four employees, days lost to sickness for the rest of team was 74 days (2015/16 63 days).

Appendix 1 - Customer Service Excellence Results – 2016/17

Customer Survey Results April - March 2017

The charts below show a summary of 103 responses received.



Appendix 2 – Local Performance Indicators 2016/17

Breakdown of Performance by Client

<i>Local Performance Indicator (LPI)</i>			
	Plymouth	Torbay	Devon
Percentage of Audit plan Completed	94.4%	95.9%	92%
Percentage of Audit Days delivered	81.6%	112.7%	104.7%
Percentage of chargeable time	69.8%	64.3%	68.9%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	98%	94%	98%
Draft Reports produced within target number of days (currently 15 days)	94.9%	85.3%	88.6%
Final reports produced within target number of days (currently 10 days)	98%	99%	97.0%

Explanatory note.

The percentage of days delivered is measured against the original internal audit plan; however the "days delivered" does not directly correlate to audit delivery and output. For example, an audit of the payroll system may take an auditor 10 days, a senior 8 days, a manager 7 days and the Deputy or Head of Partnership 6 days.

Each year we consider the audits for each partner and look at the best staff mix in order to deliver the assurance required; the staff mix employed will reflect the complexity of the audit tasks and also the skills of the team available.