

Committee: Internal Audit Partnership Joint Committee
Date: 17 June 2003
Agenda Item No: 3
Title: Progress Report
Author: Simon Martin (01799) 510422 / (01438) 242426

Summary

- 1 This report provides feedback on the activities of The Stevenage & Uttlesford Audit Partnership since the first Joint Committee in December 2002.

Background

- 2 The Stevenage (SBC) & Uttlesford (UDC) Audit Partnership began on 1 October 2002. A progress report to the first Joint Committee in December 2002 highlighted a successful set up period and confirmed that benefits were being realised. It was agreed that a progress report should be submitted to all future Joint Committee meetings.

Staffing matters

- 3 The Partnership became fully staffed in February when two experienced auditors were recruited (neither Council's Audit Section was fully staffed when the Partnership began). Both are settling in well and have since carried out a number of audits.
- 4 Annual performance appraisals have been completed for all staff. These have allowed them to reflect on performance in 2002/03. It has also meant that the objectives set out in the Partnership's Service Plan for 2003/04 have been cascaded down. Interim reviews will take place later in the year.
- 5 The Partnership is obliged to sponsor two staff that are studying towards qualifications with the Institute of Internal Auditors. Their progress will be reported at future meetings of this Joint Committee. The cost of pursuing these qualifications has increased recently and it now accounts for most of this year's training budget. Next year's budget will need reviewing to ensure all staff receive equal access to training need.
- 6 Since the last Joint Committee the Partnership's Senior Auditor has qualified as a member of the Chartered Association of Certified Accountants. One of the Auditors also completed the Practitioner's qualification with the Institute of Internal Auditors.

Integration

- 7 The previous report to this Joint Committee referred to early progress with the adoption of a common audit approach and working practices. This was necessary if economies of scale were to be achieved and to facilitate cross working between the two offices. It would also encourage the sharing of knowledge and experience of particular audits. This task is now essentially complete and has resulted in:
- a) Staff saving time and effort by using audit work from one Council and where appropriate reproducing it at the other.
 - b) Staff moving freely between the two offices and being able to adopt universal arrangements irrespective of where they are working.
 - c) When working together on an audit, staff use an approach and working practices that are familiar to all.

Partnership agreement

- 8 An agreement was drafted so that the Partnership is set out on a formal footing. Unfortunately this has yet to be signed. This is because when reviewed by the respective Legal Sections it became clear there were differences associated with each council's constitution. This has since been clarified and the agreement is now being modified. It is anticipated that the agreement will be signed in due course.

Partnership work completed in 2002/03

- 9 A plan of audit work from October 2002 until March 2003 was agreed with nominated officers at each council shortly after the Partnership began. Audits carried out during this period centred round providing basic assurance on major financial systems. These audits were:

- | | |
|-------------------------------|-------------------|
| a) Housing Benefits | b) Cash |
| c) Council Tax | d) Business Rates |
| e) Housing Rents | f) Debtors |
| g) Payroll | h) Creditors |
| i) Main accounting (SBC only) | |

Other audits carried out at SBC were:

- | | |
|---------------------------------------|-----------------------------|
| a) Investments | b) Renovation Grants |
| c) Housing Voids | d) Officer's Expenses |
| e) Housing Allocations | f) Gas Boiler Installations |
| g) First Housing/HBIS reconciliations | |

Other audits carried out at UDC were:

- | | |
|------------------------|---------------------|
| a) Housing Allocations | b) Community Safety |
|------------------------|---------------------|

c) Insurance & Investments

d) Risk Management

Audit related advice and assistance was also provided when requested and a number of special investigations were also carried out. A summary of actual work compared to planned work is attached as an appendix to this report.

- 8 Although there was some variation in planned work during this period, the number of overall productive audit days was on target at both councils. Such variations are common as Audit Sections typically respond to unexpected changes in audit need, or matters identified during the course of a planned audit. Nominated officers at both councils have expressed their satisfaction with the Partnership's coverage during this transitional period.

Partnership work planned in 2003/04

- 9 A plan of audit work for 2003/04 was agreed at each council. Although the subjects covered are broadly similar there is some variation because of different audit need. This is consequently reflected in the frequency with which services are reviewed, and in the time allocated for each audit. Planned coverage at the two councils can be summarised as follows:

	<u>UDC</u> (days)	<u>SBC</u> (days)
Major financial systems	102	137
Other systems	268	340
IT audit	30	30
Special investigations	10	42
Audit related advice & assistance	40	25
Following up previous work	30	30
Best Value Performance Indicator health check	5	14
Non-audit duties	0	18

Progress against the plan of audit work is submitted to nominated officers at each council on a monthly basis.

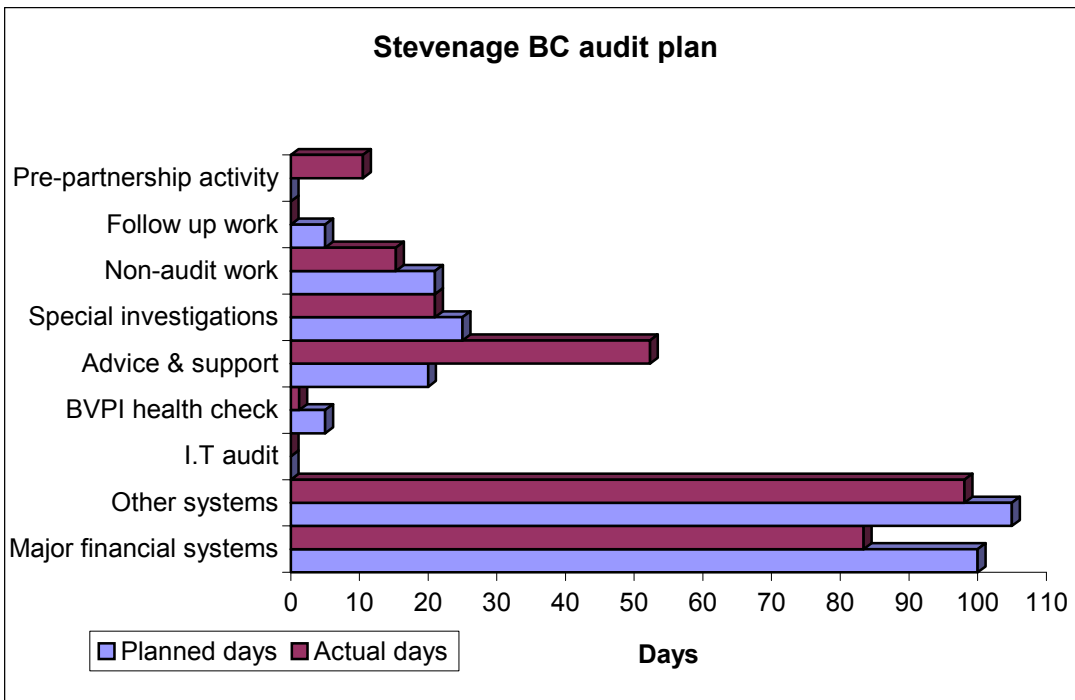
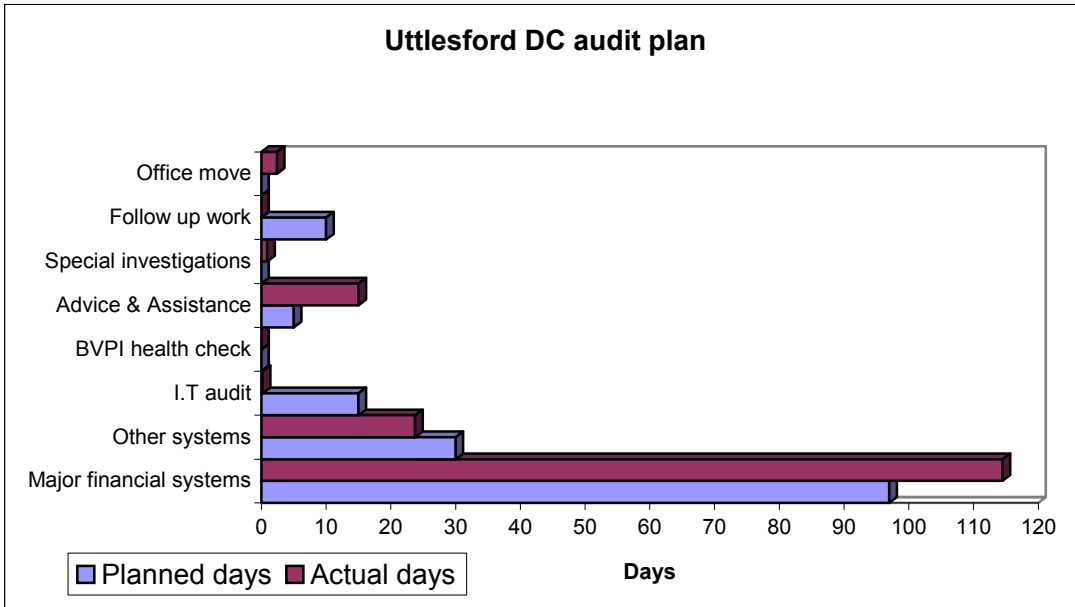
- 10 Some variation to the respective audit plans for 2003/04 has already been agreed with nominated officers. For example, at SBC a major audit of Decent Homes was considered necessary, and at UDC an audit of Property Management has been brought forward from 2004/05. Whilst it remains important that the Partnership responds positively to requests for extra work, such circumstances will need careful management. This is so that core work is not prejudiced. A number of audits started in late 2002/03 also carried over into early 2003/04. A position statement of progress against respective audit plans will consequently be produced in October and discussed with nominated officers.

FOR INFORMATION

Background papers:

Appendix

Summary of actual days compared to planned days



Committee: Internal Audit Partnership Committee
Date: 17 June 2003
Agenda Item No: 4
Title: Trading account, 1 October 2002 – 31 March 2003
Author: Simon Martin (01799) 510423 / (01438) 242426

Summary

- 1 This report comments on the Internal Audit Partnership trading account for 1 October 2002 to 31 March 2003.

Background

- 2 Previous budgetary arrangements at Stevenage Borough Council (SBC) and Uttlesford District Council (UDC) were revised to reflect the setting up of the Internal Audit Partnership in 2002/03. A trading account has now been produced to highlight actual expenditure and the apportionment of costs between SBC and UDC.

Budget position

- 3 A trading account for the Partnership is attached as an appendix to this report. At the time of writing it remains subject to external audit. There was some variance on individual budget heads, the most significant of which was a saving on staff salaries. This was largely because the Partnership was not fully staffed until February 2003.
- 4 The method of cost apportionment agreed between SBC and UDC will result in a payment to UDC of £7,213. This payment will reflect the balance of audit coverage during October 2002 to March 2003 inclusive.

FOR INFORMATION

Background Papers: Respective budget reports

Committee: Internal Audit Partnership Committee
Date: 17 June 2003
Agenda Item No: 5
Title: Revised Audit Partnership Pilot Timescale
Author: Scott Crudgington (01438) 242185
John Dickson (01799) 510300

Summary

- 1 That the pilot period set for the joint Audit Partnership be reduced from two years to 18 months (ending the 31st March 2004).

Background

- 2 The pilot joint Internal Audit Partnership with Stevenage Borough Council and Uttlesford District Council commenced on the 1st October 2002.
- 3 The pilot was originally set to last for two years in order for officers to determine how successful the joint working arrangements had been, and provide sufficient time for officers to address personnel issues, arrangements relating to the host authority and to set up reporting mechanisms.
- 4 Following discussions at the last Audit Partnership Committee, and the completion of an officer review regarding the first 6 months of the Partnerships operation, it was felt that the pilot period should be shortened to 18 months. This would minimise disruption to respective audit plans allow the Partnership to operate on a formal basis with its own agreed constitution.
- 5 A number of tasks will obviously need to be completed prior to April 2004, including the transfer of staff to the host authority, agreement of budget levels, an agreed partnership constitution and the signing off of the audit partnership agreement.

RECOMMENDED that the pilot period for the Internal Audit Partnership be reduced from two years to 18 months (ending the 31st March 2004).

Committee: Internal Audit Joint Committee
Date: 17 June 2003
Agenda Item No: 6
Title: Partnership expansion
Author: Simon Martin (01799) 510422 / (01438) 242426

Summary

- 1 This report updates members on plans to expand the audit partnership and recommends officers explore all available opportunities.

Background

- 2 Officers have previously suggested it is desirable to admit another partner. This suggestion was widely supported at the last Joint Committee, providing the initiative did not prejudice existing arrangements. Steps to identify suitable partners have consequently begun.

The current position

- 3 Joint working arrangements amongst audit sections in Hertfordshire and Essex are becoming increasingly popular. Examples include:
 - a) A group of Hertfordshire councils jointly procuring a computer audit resource.
 - b) An Essex council managing a neighbouring audit section.
 - c) Various benchmarking arrangements within the respective counties.
 - d) A hybrid of in-house staff and bought in private sector management at a Hertfordshire council.

The preference amongst councils appears to be for informal arrangements, although some District Treasurers are increasingly demanding innovative methods of service delivery. Other Treasurers remain supportive of existing arrangements. In essence they are doing what they feel is best for their councils. The Stevenage (SBC) and Uttlesford (UDC) Audit Partnership is largely viewed in isolation, particularly amongst Hertfordshire councils.

- 4 Outside of Hertfordshire and Essex there are various forms of partnership working. The most visible of these include the North Yorkshire Audit Partnership, an audit consortium in Northamptonshire and a partnership on the south coast. A group of councils in North Norfolk are also known to be exploring various partnership options, but have ruled out structural reform at the present time.

- 5 Within this context any opportunities for attracting an additional partner appears fairly limited. However, enquiries are being made with other councils in an attempt to promote interest. These have resulted in:
- a) A Hertfordshire council who expressed some early interest turning down the opportunity of joining the Partnership. This appeared to result from local staffing issues and their wish to further explore benchmarking work within Hertfordshire.
 - b) A Cambridgeshire council not yet responding to offers of discussing partnership working.

Other councils will be contacted in the coming months and a further report will be made to the next meeting of this Joint Committee.

Implications for The Stevenage & Uttlesford Audit Partnership

- 6 Headline benefits have already accrued to SBC and UDC without admitting a third partner. Nevertheless, it remains desirable that expansion is explored so that any remaining benefits are accumulated. In the event that enquiries with other councils do not prove successful, there are a number of other possibilities that officers and members could explore to achieve the same end. These possibilities include:
- a) Submitting tenders for locally outsourced internal audit services.
 - b) Offering a responsive service to other local councils who have difficulty delivering their annual audit plans.
- 7 Officers remain keen that all available opportunities are explored without prejudicing existing arrangements. In the event that expansion does not prove possible in the short term, an alternative strategy would be to continue local networking and attempt to take advantage of any opportunities that arise. This is a less satisfactory approach, but one which may ultimately pay dividends in the longer term.

RECOMMENDED: that officers continue to explore all opportunities for partnership expansion.

Background Papers: