
PROVISION OF INTERNAL AUDIT SERVICES

Committee: Audit Committee

Date: 10th January 2022

Author: Finance Manager

[W131]

1. ISSUE

- 1.1 The Council's current internal audit partnering and delegation agreement comes to an end on 31st March 2022.

2. RECOMMENDATION

- 2.1 Members are asked to approve the contents of this report and enter into a delegation agreement for our Internal Audit Service with North Northamptonshire Council for five years from 1st April 2022, authorising the Finance Manager, in consultation with the Legal Services Manager, to finalise the delegation agreement.

3. BACKGROUND / OPTIONS

- 3.1 In accordance with Section 6 of the Accounts and Audit Regulations 2011, the Chief Finance Officer and the Chief Executive are responsible for maintaining an adequate and effective internal audit of the Council's accounting records, control systems and financial transactions including any operations affecting the financial arrangements or the finances of the Council.
- 3.2 The delegation of functions to another local authority is permissible under sections 101 and 102 of the Local Government Act 1972 and sections 19 and 20 of the Local Government Act 2000.
- 3.3 The current internal audit service is provided through a delegation agreement which was entered into in October 2016 with Cambridgeshire County Council, Northamptonshire County Council and Milton Keynes Council who were originally operating under the banner of Local Government Shared Services (LGSS). This followed a number of years when the Council had its own internal audit team of one, which clearly raised significant issues relating to the resilience of service delivery. Delegating the service in 2016 therefore led to significant improvement in resilience as well as stabilising costs.
- 3.4 The current delegation agreement ends on 31st March 2022 and therefore it is necessary to enter into a new agreement if the Council wishes to continue with the current service provision. North Northamptonshire Council who will become the new employer of the current internal audit team (following the winding up of LGSS as an entity and the local government reorganisation in

Northamptonshire) have offered to continue to provide the current service with an inflationary uplift to the rate charged, which has also applied each year under the current agreement. The service level agreement (SLA) / partnering agreement would be updated to reflect current service requirements and the new lead authority.

- 3.5 The service is currently high performing; the audit plan is delivered in full each year, with reports being of high quality, and further represents good value for money with a high level of resilience and access to specialist services should they be required.
- 3.6 The Internal Audit Team have demonstrated their ability to be independent in the way they work and report. The delegated service provides an embedded service which remains independent of the Council, with staff employed by another local authority. As a result, this report proposes a new service level agreement is entered into to continue the delegation with the same Internal Audit Team.
- 3.7 Other councils that are currently operating the same service delivery model; Rutland County Council, Melton Borough Council and Harborough District Council are also progressing this option and therefore there is the opportunity to negotiate and update the agreement collectively. This will ensure the same level resilience of service as is currently enjoyed as well allowing best practice to be shared across the councils, particularly if the current practice of coordinating audit plans across partners is pursued so that similar audits can be undertaken at the same time.
- 3.8 For information the SLA has already been extended by six months to the 31st March 2022, to bring us in line with the other councils mentioned above.
- 3.9 The alternate option to this delegation is for the council to progress the provision of audit services with an alternative supplier either through partnering or procurement or to employ an internal audit team directly in house.
- 3.10 Before entering into the current delegation agreement in 2016 research was undertaken into the alternative options available. It is considered that due to there being little change in the internal audit market since this time there is no compelling reason to change providers from 1st April 2022 when the current agreement ends. There are the following justifications for the approach being moved forward:
 - The existing internal audit team are currently working well and have demonstrated that they can deliver what is needed;
 - Current performance levels are very good and there are no resilience issues;

- There would be minimal disruption as the audit lead would remain with the current lead officer and the audit team would remain mostly unchanged;
- The cost of the service which currently provides value for money would remain stable with only an inflationary increase each year;
- The internal audit team have developed good relationships with senior management and members;
- The Council would continue to have access to a bigger team with wider skills particularly in specialist areas which have been utilised in the past five years.

3.11 As set out above the alternative to entering into a further agreement is to partner with an alternative Council, run a procurement exercise or employ the team directly in house. These are not considered either necessary or appropriate at this time for the reasons set out above.

4 OPTION TO BE IMPLEMENTED

4.1 The Council delegates its internal audit service for five years from the 1st April 2022 to North Northamptonshire Council.

4.2 Delegate to the Finance Manager, in consultation with the Legal Services Manager, to finalise the delegation agreement with North Northamptonshire Council for the provision of internal audit services prior to the service starting on the 1st April 2022.

5 FINANCIAL IMPLICATIONS / EQUALITY AND CLIMATE IMPACT ASSESSMENTS

5.1 The Council currently receives 210 days of audit support which includes management time, committee attendance, training, liaison with external audit etc. The cost of the service for 2021/22 is £70,026, which equates to a charge £333.46 per day.

This compares with the estimate that if we had continued to have our own one person audit team, the direct cost of that employee would be around £61,000, with then additional management support, training and office and IT on-costs. Clearly with this option we would lose the resilience issues detailed in the paper and also the specialist skills we can call upon for specific audits.

5.2 Equality Impact Assessment (INRA) not required.

5.3 Carbon Impact Assessment (CIA) not required.

Background Documents

Location

Room 206
The Grange
Ely

Contact Officer

Ian Smith
Finance Manager
Tel: (01353) 616470
E-mail: ian.smith@eastcambs.gov.uk