

17 March 2015		ITEM: 8
Standards & Audit Committee		
Internal Audit Service Contract Update and Draft 3 month Internal Audit Plan 2015/2016		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Sean Clark – Head of Corporate Finance		
Accountable Head of Service: Sean Clark – Head of Corporate Finance		
Accountable Director: Graham Farrant – Chief Executive		
This report is public		

Executive Summary

In October 2006, following a tendering process, the Council's Internal Audit Service was outsourced to Baker Tilly (formerly RSM Tenon). This contract was extended twice and is due to expire on 31st March 2015. This report sets out the decision agreed by Directors Board that the Internal Audit Team will TUPE transfer back in to the Council from the 1st April 2015 or as soon after as practicable.

As a result of this decision, it was agreed with the Head of Corporate Finance that an initial 3 month Draft Audit Plan 2015/16 should be presented to the Standards & Audit Committee with a full Three Year Strategy and Annual Plan 2015/16 being presented to the first meeting in the new municipal year.

1. Recommendation(s)

That the Standards & Audit Committee:

- 1.1 Note the decision to TUPE transfer the Internal Audit Team from Baker Tilly back into the Council.**
- 1.2 Receive the Draft 3 month Internal Audit Plan 2015/16 and agree for officers to report back to the Standards & Audit Committee at the first meeting in the new municipal year with a full Three Year Strategy and Annual Plan 2015/16.**

2. Introduction and Background

- 2.1 With the success of some of the Council's services in working in partnership with other local authorities e.g. the Corporate Fraud Team's partnership

arrangements with Southend, and the close alignment between the work of the Fraud Team and Internal Audit, initial discussions were held with the Head of Internal Audit from Southend to determine whether there was a common interest in exploring partnership working between the two Internal Audit Teams further. It was agreed there were potential advantages to both authorities. Therefore, a paper was presented to Directors Board and it was agreed that the Internal Audit Team should TUPE transfer back in to the Council and potential opportunities to work with other local authorities be explored further.

2.2 At its meeting of the 5th March 2014, a Draft Strategy for Internal Audit 2014/15 to 2016/17 was presented to the Standards & Audit Committee. This followed a comprehensive Audit Needs Assessment process involving Directors and Heads of Service which resulted in the development of a new Strategy for Internal Audit 2014/15 to 2016/17. The Annual Plan 2014/15 was the first year of this new three year plan.

2.3 Due to the issues highlighted at 2.1 above, it was agreed by the Head of Corporate Finance that it would be prudent to present a draft 3 month Internal Audit Plan to the Standards & Audit Committee to ensure that come the 1st April 2015, there was an agreed programme of work which would allow the Internal Audit Team to start delivering reviews. This would also allow some scope to develop the team and look at new ways of working, including getting automated software and relevant training as the current software is provided by Baker Tilly.

3. Issues, Options and Analysis of Options

3.1 With the contract for the provision of internal audit services, currently being provided by Baker Tilly, due to end on the 31st March 2015, the Council has had to look at how the service can be provided in the future. A number of options were considered including the use of a framework agreement, a full tendering exercise and having the service provided by an in-house team.

3.2 With the team coming back in-house, Internal Audit will revisit the Three Year Strategy this year to reflect the changes that have occurred through restructures, new legislation and changes in working practices. This will involve further meetings with Directors and Heads of Service. These meetings will be scheduled in for April/May. Once these meeting have been carried out and the strategy and plan updated to reflect management priorities, the report will be presented to Directors Board for final comments. As a result of the above, some changes will be made to the plan and it is likely that some work will be brought forward from future years to the current year and some reviews will be moved back or cancelled, as they are no longer applicable.

4. Reasons for Recommendation

- 4.1 To provide the Standards & Audit Committee with an update as to the future provision of the Council's Internal Audit Service.
- 4.2 For the Standards & Audit Committee to satisfy itself that provisions have been put in place to provide members with assurance that work will continue to be carried out to satisfy the legislative requirements of "The Accounts and Audit (England) Regulations 2011" whilst the service is being brought back in-house.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The decision to agree to bring the Internal Audit Team back in-house was discussed and agreed by Directors Board on 19th February 2015. Discussions were also held with the Head of Audit Services from Southend Council.
- 5.2 Whilst no formal consultation took place around the 3 month Draft Internal Audit Plan 2015/16, full consultation did take place when the three year strategy was agreed and management have been contacted to ensure the timing of the work in the 3 month plan can be met.
- 5.3 The Internal Audit Service also met with the Council's External Auditors on 7th January 2015 to ensure that respective audit plans provide full coverage whilst avoiding duplication and to determine that the Internal Audit Plan 2015/16 would provide them with some assurance for the preparation of their Annual Account work at the end of the financial year 2015/16.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The achievement of corporate priorities is a key consideration of the senior management and internal audit when they are discussing the areas that need to be included within the annual audit plan.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Acting Chief Accountant

Whilst there will be financial implications arising from this report, they are unknown at this stage. However, they will be contained within existing budgets.

7.2 Legal

Implications verified by: **David Lawson**
Deputy Head of Legal Services

The Council has the legal obligation to maintain an adequate and effective system of internal audit and the Council has delegated this responsibility to the Standards & Audit Committee. The report recommends that the Standards & Audit Committee receives the Draft 3 month Internal Audit Plan 2015/16. The final Strategy and the Annual Plan which will be presented to the next Standards & Audit Committee will identify how the Section 151 Officer will deliver an effective internal auditing service for the Council, therefore there are no obvious adverse legal implications associated with receiving this report.

7.3 Diversity and Equality

Implications verified by: **Teresa Evans**
Equalities and Cohesion Officer

There are no direct diversity implications arising from this report.

7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

In terms of risk and opportunity management, the Internal Audit Plan and its outcomes are a key part of the Council's risk management and assurance framework. The Internal Audit Plan is based on risk assessments that include a review of the Council's risk and opportunity register.

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Internal Audit Strategy 2013/14 to 2015/16
- Accounts and Audit (England) Regulations 2011.

9. Appendices to the report

- Appendix 1 - Draft 3 month Internal Audit Plan 2015/2016.

Report Author:

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