

AUDIT COMMITTEE – 26 JANUARY 2018

FUTURE INTERNAL AUDIT SERVICE DELIVERY

1. Introduction

- 1.1 The Committee received a report at its meeting in August confirming the Council's interim audit arrangements and the need to review its internal audit delivery model from 1 April 18, following the resignation of the principal auditor, and unsuccessful recruitment for a replacement.
- 1.2 This report provides the committee with an update on the agreed approach for the delivery of internal audit with effect from 1 April 2018.

2. Background

- 2.1 The statutory requirement for a local authority to maintain an effective internal audit arrangement to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards, rests with the Service Manager – Finance & Audit.
- 2.2 A review was conducted by the Service Manager, and 2 best options identified;
 - 1) Join the Southern Internal Audit Partnership (SIAP)
 - 2) Contract management resource from another local authority.
- 2.3 The Portfolio Holder and Audit Committee Chairman were consulted during the review and subsequent consultation took place with the employee side. The Council's Executive Management Team has agreed with the recommendation of the Service Manager to proceed with option 1.

3. Future Internal Audit Service Delivery

- 3.1 The SIAP is constituted under S101 of the Local Government Act 1972, and as such NFDC can join the Partnership as a 'discharge of function'. The SIAP is hosted by Hampshire County Council.
- 3.2 The arrangement involves a 5 year contract, and the TUPE of the existing NFDC employed team (those who are spending 70% or more of their time undertaking audit work over a period of time) to HCC. The SIAP will consult with NFDC on an annual audit plan, and auditors will attend NFDC to conduct audits to deliver the plan. A dedicated Senior Audit Manager from the SIAP would be responsible for reporting to the NFDC audit committee.
- 3.3 The Head of the Partnership, Neil Pitman, has prepared a document to give an overview to the Committee on the SIAP; this is included as appendix 1.

3.4 The new service delivery model will remove non-audit functions from the internal audit service (such as the overseeing of contract payments and waivers) and will be more focused on the core audit activity that you would expect from an internal audit service. The new delivery will be based on a 500 day audit plan, which will be produced and brought back to this committee in March for consideration.

4. Financial Implications

4.1 The cost of the audit team for 2018/19, based on the pre-review structure, would have been budgeted at £189k. The new arrangement with the SIAP will result in a contract price of £150k PA, with the Council recharging £5k to the National Park Authority.

4.2 This resultant saving to the Council applicable from 1 April 18 is £44k. This saving has been built in to the 2018/19 budget, and has helped to achieve the Council's balanced budget for 2018/19.

5. NFDC's Current Partners

5.1 The partners that NFDC currently provide audit services to have been kept up to date with progress on the review, and have been informed that we will be terminating existing services with effect from 31 March 2018.

5.2 In all cases, the SIAP's details have been shared with our partners, and the option for them to also utilise the services of the SIAP has been left open to them.

6. Conclusion

6.1 The review to establish the most effective internal audit service for New Forest District Council, following the departure of the previous Principal Auditor has concluded that joining the Southern Internal Audit Partnership is the best option for the Council.

6.2 Work is under way to prepare the necessary documentation for the TUPE of the NFDC employed auditors to the SIAP and the on-boarding contract information which confirms the services to be delivered by the SIAP, to NFDC.

7. Recommendations

7.1 That the committee note the contents of this report and appendix 1.

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