

FUTURE PROVISION OF INTERNAL AUDIT SERVICE

Committee: Audit Committee

Date: 17 October 2022

Author: Chief Executive

[X83]

1.0 ISSUE

1.1 The future provision of the Internal Audit Services for East Cambridgeshire District Council from 1 April 2024.

2.0 RECOMMENDATIONS

2.1 Members are requested to extend the current Partnering and Delegation Agreement with North Northamptonshire Council from April 2024 until March 2027.

3.0 BACKGROUND/OPTIONS

3.1 The Audit Committee on 25 July 2022 (ref: Agenda Item 9) resolved to instruct the Chief Executive to report to the Committee on the options for the future provision of the Council's internal audit service. The Director, Finance and Chief Executive are responsible for maintaining an adequate and effective internal audit service.

3.2 The current service is provided under a Partnering and Delegation agreement with North Northamptonshire Council which was entered into on 30 June 2022. This agreement is in place until 31 March 2024.

3.3 The options for the future provision of the service is summarised in the table below, specifically:

Option 1	Extend the current agreement with North Northamptonshire Council (i)
Option 2	Bring the service back in house
Option 3	Identify another public sector provider
Option 4	Full procurement exercise with appropriate private and public sector service providers

Notes (i) – The current agreement allows for an extension with the agreement of both parties.

4.0 ARGUMENT/CONCLUSIONS

4.1 The appraisal of all the options for the Committee should be an assessment of risk to the Council's responsibilities and functions.

- 4.2 **OPTION 1** – Fundamental to the assessment of the status quo is one of performance and value for money. The responsible officers, i.e. the Section 151 Officer and Chief Executive assess the current service as high performing with the audit plan delivered in full each year. The partnership arrangement also provides resilience and access to specialist services, if and where required.

The Council currently receives 210 days of audit support with an annual charge of £70,025 (2021/22 price base) equating to a charge of £333 per day. The Partnering and Delegation Agreement states that this will be increased each year for inflation, by the public sector national pay award, plus 0.5%. An assessment of value for money is more difficult to ascertain without a full procurement exercise, which in itself has an initial cost, but the Committee can make a direct comparison with the in-house option 2.

- 4.3 **OPTION 2** – Prior to 2018, the Council provided its own in-house Internal Audit service, via one unqualified officer. This approach provided an advantage of more regular direct day to day contact between the auditor and relevant officer. Current Public Sector Internal Audit Standards require authorities to have a qualified Chief Internal Auditor. From a financial perspective, it is estimated that the previous in-house service could be provided at a similar cost to Option 1 with specific officer costs (one FTE) at approximately £61,000 plus additional management support, training, office and IT costs. However, to have a qualified auditor, is likely to cost significantly more and would be subject to the Council's pay review process.

The key issue for the Committee is one of recruitment and resilience with one dedicated officer and any access to specialist services being subject to additional cost and risk.

- 4.4 **OPTION 3** – Consideration of another public sector provider, which could be procured without a requirement for a formal tender process, would be about track record. Fundamentally, the question for the Committee is WHY! Why would the Committee wish to enter into a new agreement given the risk of reduced performance.

- 4.5 **OPTION 4** – A full tendering exercise ensures the full testing of the market and value for money. Obviously, the value of such an exercise is dependant on the availability of experienced providers and potentially a risk of appointing a new organisation.

In terms of costs, there are implications in terms of one off costs and officer time for a relatively low value contract. Support for the tendering exercise is likely to be the responsibility of the Section 151 Officer and therefore there is a question of opportunity cost. There is no guarantee that the exercise will generate a low cost given that day rates for private sector companies offering internal audit services (under the current ESPO framework) are currently between £400 and £800 per day.

- 4.6 It is strongly recommended that Option 1 is agreed by the Committee as detailed in paragraph 2.1.

5.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT ASSESSMENT

5.1 The financial implications are outlined in the report, where appropriate.

5.2 There is no requirement for an Equality Impact Assessment (INRA) or Carbon Impact Assessment.

6.0 APPENDICES

6.1 None

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
Audit Committee – 25 July 2022 (Agenda Item 9)	Room 103 The Grange Ely	John Hill Chief Executive (01353) 616271 E-mail: john.hill@eastcambs.gov.uk