



Audit and Standards

30 November 2021

Report of: Director for Corporate Services

Provision of Internal Audit Services

Corporate Priority:	Ensuring the right conditions to support delivery
Relevant Ward Member(s):	All
Date of consultation with Ward Member(s):	N/A
Exempt Information:	No

1 Summary

- 1.1 The council's current internal audit delegation comes to an end on 31.3.22. The service is currently high performing and represents good value for money with a high level of resilience and access to specialist services should they be required. As a result, the report proposes a new service level agreement is entered into to continue the delegation with the same internal audit team.

2 Recommendations

That Committee recommends that Council:

- 2.1 Delegates its internal audit service to North Northamptonshire Council from 1st April 2022;
- 2.2 Delegates authority to the Director for Corporate Services in consultation with the Assistant Director for Governance and Democracy to finalise the delegation agreement with North Northamptonshire Council for the provision of internal audit services.
- 2.3 Delegates authority to the Director for Corporate Services to:
 - 2.3.1 review the agreement every 5 years to ensure best value;
 - 2.3.2 make any in-year changes to the delegation agreement as required to reflect any legislative and/or organisational changes.

3 Reason for Recommendations

- 3.1 The service provided over the past 5 years under the existing delegation has been a high performing one with high resilience and access to specialist services as and when needed. The current agreement is due to end on 31 March 2022 and therefore a new arrangement needs to be entered into to ensure a high performing internal audit service continues to be provided.
- 3.2 The recommended proposal to continue with the current service provided through the new employing Council provides the opportunity to continue to receive a similar level of service delivered by the same officers with an uplift in cost in line with inflation which provides the council with good value for money. The underlying agreement will be reviewed and updated to ensure it remains fit for purpose.

4 Background

- 4.1 The current internal audit service is provided through a delegation agreement which was entered into in 2017 with Cambridgeshire County Council, Northamptonshire County Council and Milton Keynes Council who were originally operating under the banner of Local Government Shared Services (LGSS). The agreement was negotiated and entered into as a shared service agreement with the former Welland authorities which as well as a number of former Northamptonshire councils included Harborough District Council and Rutland County Council. This followed a number of years with Rutland hosting the service where difficulties were frequently experienced relating to resilience due to recruitment issues. Delegating the service in 2017 led to significant improvements in performance and quality as well as stabilising costs.

5 Main Considerations

- 5.1 The current delegation agreement ends on 31.3.22 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 have offered to continue to provide the current service with an inflationary uplift to the rate charged, which is also applied each year under the current agreement. The service level agreement would be updated to reflect current service requirements.
- 5.2 Rutland County Council and Harborough District Council are progressing this option and therefore there is the opportunity to negotiate and update the agreement collectively. This will enable the same level of service to be provided across the councils with best practice being shared, particularly if the current practice of coordinating audit plans across partners is pursued so that similar audits can be undertaken at the same time.
- 5.3 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.
- 5.4 Before entering into the current delegation agreement in 2017 extensive research was undertaken into the alternative options available. It is considered that due to little change in the internal audit market there is no compelling reason to change providers from 1 April 2022 when this agreement ends. There are the following justifications for this recommendation:

- The existing internal audit team are currently working with Melton 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 the same;
- The cost of the service which currently provides value for money would remain stable with an inflationary increase only;
- 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 5 years.

6 Options Considered

- 6.1 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 recommended for the reasons set out above.

7 Consultation

- 7.1 There have been discussions with other shared service partners to assist in developing the associated service level agreement.

8 Next Steps – Implementation and Communication

- 8.1 The final approval to delegate the service will need to be made by Council and therefore the recommendation is for the committee to make that proposal to the Council.
- 8.2 The service level agreement will continue to be refined and delegation is requested for the Director for Corporate Services to finalise this.

9 Financial Implications

- 9.1 The council currently receives 235 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 £62k

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

- 10.1 In accordance with Section 6 of the Accounts and Audit Regulations 2011, the Chief Finance Officer and the Chief Executive shall be 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. The Internal Audit Section shall comply with the current CIPFA Code of Practice for Internal Audit in Local Government, in undertaking its functions.

- 10.2 An authority can delegate any of its functions to another local authority under Section 101 of the Local Government Act 1972. The delegation is covered by an agreement, which is not a contractual relationship and as such is not subject to a procurement exercise. The effect of the delegation is to hand over the control of the service provision to the authority providing the service. As this is not a contractual relationship there are no remedies for failures to perform under the agreement, however the Council would be able to remove the delegation.
- 10.3 A delegation agreement and associated schedules is still being refined as each Welland partner needs to take its own legal advice

Legal Implications reviewed by: Monitoring Officer

11 Equality and Safeguarding Implications

- 11.1 There are no direct equalities and safeguarding implications as a result of this report

12 Community Safety Implications

- 12.1 There are no direct community safety implications as a result of this report.

13 Environmental and Climate Change Implications

- 13.1 There are no direct environmental and climate change issues as a result of this report.

14 Other Implications (where significant)

- 14.1 There are no other implications as a result of this report.

15 Risk & Mitigation

Risk No	Risk Description	Likelihood	Impact	Risk
1	The key risk is that the delegated service fails to deliver a well performing service or that fee increases are applied resulting in the service no longer being value for money.	Low	Marginal	Low Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High				
	4 Significant				
	3 Low		1		
	2 Very Low				
	1 Almost impossible				

Risk No	Mitigation
1	This is mitigated through a legal agreement that will be in place setting out the required outputs and how performance will be measured, monitored and reported. The basis for annual increases in line with inflation will also be built into the agreement. The agreement will also include exit arrangements with appropriate notice periods for seeking to vary or terminate the service

16 Background Papers

16.1 None

17

18 Appendices

18.1 None

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