

Report to	Cabinet	Item
	14 April 2021	
Report of	Executive Director of Corporate and Commercial Service (Section 151 Officer)	11
Subject	Internal Audit Service Provision	

Purpose

To consider the future operating model for internal audit services.

Recommendation

Endorse the decision of the Executive Director of Corporate & Commercial Services, exercised in accordance with the Executive Scheme of Officer Delegation and in consultation with the Portfolio Holder for Resources, to delegate the provision of internal audit services to South Norfolk Council pursuant to s.9EA of the Local Government Act 2000.

Corporate and service priorities

The report helps to meet the corporate priority healthy organisation.

Financial implications

The indicative costs are within the approved budget for 2021/22. The terms of the agency agreement are being finalised. It is expected that some functions currently carried out by the internal audit team will not be within scope of the agreement. These are intended to be covered outside of the agreement although still within the existing budget.

Ward/s: All Wards

Cabinet member: Councillor Kendrick - Resources

Contact officers

Annabel Scholes, Executive Director of Corporate and Commercial Services (S.151 Officer) 01603 989201

Background documents

None

Report

Background

1. The Council's Internal Audit section is required to operate in compliance with CIPFA's Public Sector Internal Audit Standards (PSIAS), which encompass the mandatory elements of the Chartered Institute of Internal Auditors UK's (IIA) International Professional Practices Framework (IPPF).
2. The definition of internal auditing, adopted by both the IIA and the Chartered Institute of Public Finance & Accountancy (CIPFA) is:
"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."
3. PSIAS Performance Standard updated in 2017 states the mission of internal audit as: *"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."*
4. Under the Local Government Act 1972, the council's Section 151 Officer (Executive Director of Corporate & Commercial Services) is responsible for ensuring that there are arrangements in place for the proper administration of the authority's financial affairs. The work of Internal Audit is therefore directly relevant to these responsibilities.
5. Under the Executive Scheme of Officer Delegation contained in the council's constitution, responsibility for administration of the financial affairs of the council, including the provision of an Internal Audit function, is delegated to the Executive Director of Corporate & Commercial Services.
6. This report considers two options for the future delivery of Internal Audit services with the aim of ensuring a resilient, effective and skilled service.

Options

7. The two options considered are:
 - Option 1: retain the existing in-house internal audit service
 - Option 2: delegate to South Norfolk the provision of internal audit services through the Eastern Internal Audit Services Consortium.

Option 1: In-house team

8. Internal Audit services are currently provided by an in-house team with an establishment of 3 full-time equivalents. There is currently a vacancy in the role of Internal Audit Manager. Specialist audit work (IT audits) is delivered under contracts with third-party providers as required.

Option 2: Join Eastern Internal Audit Services Consortium

9. Delegate under s.9EA of the Local Government Act 2000 the provision of internal audit services to South Norfolk Council. The council would join the

consortium of six other local authorities, known as the Eastern Internal Audit Services (“the consortium”).

10. Current members of the consortium are Breckland, Broadland and North Norfolk District Councils, Great Yarmouth Borough Council, South Norfolk Council and the Broads Authority. This arrangement has been in place since 2003 and is regularly reviewed for value of money.
11. The role of the Head of Internal Audit would be provided by South Norfolk Council and the resources to undertake the audit work provided by an external contractor. The current external contractor to South Norfolk Council is TIAA Ltd.
12. As part of this process, the two current employees of Norwich City Council’s in-house team would TUPE transfer with the service to TIAA Ltd.
13. An agency agreement with South Norfolk District Council will be negotiated and agreed to govern the terms of the delegation, including arrangements such as inspection, complaints, dispute resolution, termination, quality assurance, key performance indicators and specifying the rights of the council to review and scrutinise the work of South Norfolk and its sub-contractors. This is because, despite the delegation, the council will nevertheless remain accountable for the discharge of those functions by South Norfolk and TIAA Ltd.
14. The current roles that Internal Audit have undertaken in relation to the administration of the risk management function and annual governance statement are not part of the service offer from the consortium. These functions would need to be resourced separately either directly through existing or additional council employees, or via a third party arrangement. It is expected these could be delivered within the current budget envelope.

Options Assessment

15. A detailed options assessment is contained in the exempt appendix to the report.

Appraisal of Options Considered within Exempt Appendix

16. It is recommended that Cabinet endorses Option 2 and the decision of the Executive Director of Corporate & Commercial Services, exercised in accordance with the Executive Scheme of Officer Delegation and in consultation with the Portfolio Holder for Resources, to delegate the provision of internal audit services to South Norfolk Council.
17. The primary opportunities presented by this option are increased resilience and access to a wider range of specialist skills. For example, joining the consortium would give the council access to specialist audit functions such as IT audits which would be delivered through the outsourced provider.
18. With the small number of FTE under Option 1, there is a risk of reduced resilience within the Council and the potential for a skills gap in more specialist areas. As part of a well-established consortium there will be greater service resilience.

19. Agreement of the Internal Audit plan and monitoring of the agency agreement would remain the responsibility of the corporate leadership team, the Head of Finance, Audit and Risk and overseen by the Audit Committee, thereby maintaining sufficient council control over the direction and delivery of internal audit services.

Integrated impact assessment



NORWICH
City Council

The IIA should assess **the impact of the recommendation** being made by the report
Detailed guidance to help with the completion of the assessment can be found [here](#). Delete this row after completion

Report author to complete

Committee:	Cabinet
Committee date:	14 th April 2021
Director / Head of service	Executive Director of Corporate and Commercial Resources
Report subject:	Internal Audit Service Provision
Date assessed:	01/04/2021

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	More resilient service and access to a wider range of internal audit skills.
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments

	Impact			
Risk management	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Dedicated resource to be recruited to ensure risk management continues to be embedded across the organisation.

Recommendations from impact assessment	
Positive	
Negative	
Neutral	
Issues	