



REPORT TO:	Cabinet
DATE:	19 th July 2022
SUBJECT:	APPOINTMENT OF INTERNAL AUDITORS
PURPOSE:	To detail the approach proposed for Internal Audit Services at South Holland District Council from the 1 October 2022
KEY DECISION:	No
PORTFOLIO HOLDER:	Cllr Rodney Grocock, Portfolio Holder – Assets & Planning
REPORT OF:	Samantha Knowles, Assistant Director - Finance
REPORT AUTHOR:	Samantha Knowles, Assistant Director - Finance
WARD(S) AFFECTED:	All
EXEMPT REPORT?	No

SUMMARY

The Council's internal audit function is currently undertaken through Eastern Internal Audit Services (the Consortium). This report seeks to transfer this function to Assurance Lincolnshire (AL), which is hosted by Lincolnshire County Council (LCC), so that there is a greater level of resilience and a consistency in approach across the S&ELC Partnership.

RECOMMENDATIONS

Cabinet is asked to approve the appointment of Assurance Lincolnshire as the Council's Internal auditors with effect from 1st October 2022.

REASONS FOR RECOMMENDATIONS

To build resilience into the internal audit service and allow a greater consistency in approach across the Partnership in order to ensure ongoing conformity with the professional standards.

OTHER OPTIONS CONSIDERED

1. Continue contract with Eastern Internal Audit Services – this is not possible as formal notice has been served on the Council by the consortium.
2. Undertake a market procurement process – this is a viable proposal but there are costs and officer time that would be incurred and no evidence that the market will respond positively. The proposal set out in the report enables a cost efficient and seamless transfer to a local authority hosted service that has a track record of providing a quality service to a range of other local authority customers, including Boston Borough Council and East Lindsey District Council.

1. BACKGROUND

- 1.1** The requirement for an internal audit service is set within the Accounts and Audit Regulations 2015 which state that:

‘A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.

- 1.2** The current internal audit contract is with Eastern Internal Audit Services (the Consortium) and has been in place since 1 April 2017 at an average annual cost of £78k. South Holland District Council has received a letter confirming the Consortium wishes to terminate the agreement that is currently in place for the provision of Internal Audit Services.
- 1.3** The recommended proposal is to transfer this service to Assurance Lincolnshire so that there is a consistent and streamlined approach across the S&ELC Partnership.

2. REPORT

- 2.1** The internal audit function is an integral element of the Council’s overall risk management and control arrangement.
- 2.2** Assurance Lincolnshire (AL) which is hosted by Lincolnshire County Council provides quality audit services to a wide range of local councils including:
- Lincolnshire County Council
 - North Kesteven District Council
 - South Kesteven District Council
 - East Lindsey District Council
 - West Lindsey District Council
 - Boston Borough Council
 - Gainsborough Town Council
 - Newark and Sherwood District Council

- 2.3** Assurance Lincolnshire also undertakes the internal audit work for the audit areas where PSPS deliver the services; Human Resources and Payroll, Customer Services, ICT, Revenues and Benefits and Financial Services.
- 2.4** More generally, a shared approach would allow the following benefits to be secured:
- Streamlined service with a single set of personnel for all Councils within the Partnership and PSPS.
 - Combining all oversight work for all three Councils into one principal officer thereby merging liaison meetings, management team and committee attendance and reports.
 - Combined audit reviews providing assurance across the Partnership that could potentially reduce the number of days on each audit as there is an opportunity for one audit report and closure process rather than three.
 - Allow shared intelligence and highlight inconsistent practices.
 - Reduced impact on PSPS as not having multiple sets of auditors reviewing the same systems and key controls.
 - Access to other expertise from the Assurance Lincs offer (Risk, Fraud, Health and Safety and Audit specialisms).
 - Increased resilience provided by a larger team to mitigate against sickness, loss of key staff etc.
- 2.5** The provisional date for the transfer of the internal audit service, subject to necessary approvals and agreed contractual terms, is 1st October 2022. Whilst it is not currently proposed to make any changes to the level of audit days, this will be reviewed during the year as the risk environment changes and efficiencies can be achieved.
- 2.6** From a procurement perspective it is confirmed that the Council can directly procure the service without a formal competitive process as Assurance Lincolnshire is a shared service and not a trading entity. This will ensure the Council does not incur any unnecessary costs in procurement activity. The Council will procure the audit service within the established budgets and therefore there will be no financial impact as a result of the proposal.

3. CONCLUSION

- 3.1** It is recommended that Cabinet approve the transfer of internal audit services to Assurance Lincolnshire.

EXPECTED BENEFITS TO THE PARTNERSHIP

To build resilience into the internal audit service and allow a greater consistency in approach across the Partnership in order to ensure ongoing conformity with the professional standards.

IMPLICATIONS

SOUTH AND EAST LINCOLNSHIRE COUNCILS PARTNERSHIP

As identified in 'Expected benefits to the Partnership'.

CORPORATE PRIORITIES

Our Council – Continue to ensure that our regulatory and statutory services remain fully compliant with all current and emerging legislation.

STAFFING

None

CONSTITUTIONAL AND LEGAL IMPLICATIONS

The Accounts and Audit Regulations 2015 provide that as a relevant authority, the Council must have an effective internal audit service. The proposed approach to the delivery of the internal audit service is an identified means of ensuring the ongoing delivery of an effective service as required by law.

DATA PROTECTION

None

FINANCIAL

There is no budgetary impact of the proposal as the cost will be met from established budget levels.

RISK MANAGEMENT

The Risk Based Internal Audit approach will ensure that the Council's key risks are accurately reviewed and updated and thus the Internal Audit Service is adding value and auditing the key risk areas.

STAKEHOLDER / CONSULTATION / TIMESCALES

Discussion has taken place with the Governance and Audit Committee and the Portfolio Holder for Finance, Commercialisation, & Partnerships.

REPUTATION

None

CONTRACTS

SHDC will enter into a formal agreement with Assurance Lincolnshire that will cover the obligations and responsibilities of both the Council and Assurance Lincolnshire, this agreement has been compiled with Procurement Lincolnshire and is the same agreement that is in place with all the other partners.

CRIME AND DISORDER

None

EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING

None

HEALTH AND WELL BEING

None

CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

None

ACRONYMS

EIAS - Eastern Internal Audit Services

AL – Assurance Lincolnshire

LCC – Lincolnshire County Council

APPENDICES

None

BACKGROUND PAPERS

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

CHRONOLOGICAL HISTORY OF THIS REPORT

A report on this item has not been previously considered by a Council body.

REPORT APPROVAL

Report author:	Samantha Knowles, Assistant Director - Finance
Signed off by:	Christine Marshall, Deputy Chief Executive Corporate Development & S151 Officer
Approved for publication:	Clr Rodney Grocock, Portfolio Holder – Assets & Planning