

# Mountsett Crematorium Joint Committee

30 January 2014

## Provision of Internal Audit & Risk Management Services 2014-2017



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## Report of the Manager of Internal Audit & Risk

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### Purpose of the Report

1. The purpose of this report is to present the Joint Committee with proposals for the continued delivery of Internal Audit and Risk Management Services by Durham County Council, via an extension to the existing service level agreement (SLA) to cover the period April 2014 to June 2017.

### Background

2. The current service level agreement for the provision of Internal Audit and Risk Management Services, approved by the Joint Committee in September 2010 expires 31 March 2014.

### Proposal for extension

3. It is proposed to extend the existing SLA for a further 3 financial years covering the period 2014/15 to 2016/17. In practice as the annual reporting of work carried out and the annual audit opinion is not concluded until after the financial year end the proposed agreement will continue up to June 2017. The proposed SLA, covering both internal audit and risk management services is attached at Appendix 2.
4. The proposed annual plan of work to be carried out under this agreement, reflecting the same level of service as currently supplied, is set out in Schedule 2 of the SLA. The annual fee, also shown in Schedule 2 is £5,775 for 2014/15 (an increase of £275 from 2013/14) and £5,500 for 2015/16 and £2016/17. This is based on a daily rate of £275.
5. Information provided through the CIPFA Internal Audit Benchmarking Club identified that in 2012/13, the average cost per audit day of unitary authorities was £317.
6. The SLA will be supplemented by a detailed Internal Audit Charter which sets out the terms of reference and audit strategy for how the internal audit service is to be delivered.
7. The Charter has been updated to reflect the requirements of Public Sector Internal Audit Standards that came into effect 1 April 2013, and CIPFA's accompanying Local Government Application Note, which are now the proper practices that underpin the requirements of the Accounts and Audit Regulations (England) 2011, which require relevant public bodies to undertake an adequate and effective internal audit of its

accounting records and its system of internal control. The updated Charter is attached at Appendix 3.

8. The organisations to which CIPFA's Application Note applies are identified in the PSIAS as local authorities, the offices of the police and crime commissioners, constabularies, fire authorities, national park authorities, joint committees and joint boards in the UK.
9. All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations (England) 2011 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards as well as CIPFA's Local Government Application Note.
10. Within the PSIAS, the terms 'board' and 'senior management' must be interpreted in the context of the governance arrangements within each individual organisation, as these arrangements vary in structure and terminology between sectors and from one organisation to the next within the same sector.
11. It is expected that the audit committee, where one exists, will fulfil the role of the board in the majority of instances, but it is still the responsibility of each individual organisation and their Chief Audit Executive (Head of Internal Audit) to consider every occurrence of the term 'board' and 'senior management' within the PSIAS and decide which committee or other such group best fits the role in that situation, bearing in mind the need to preserve the independence and objectivity of the internal audit function.
12. A mapping exercise has therefore been carried out to determine who the most appropriate body is to fulfil these roles in relation to the provision of internal audit services to the Joint Committee.
13. The PSIAS and the Local Government Application Note require that decisions relating to who is to fulfil the role of the board and senior management for the purpose of internal audit activities be documented in the Internal Audit Charter. The proposed Internal Audit Charter therefore reflects the outcomes of the mapping exercise (Appendix C of Charter).
14. In considering the proposed extension of the SLA, the Committee is reminded that each year the County Council's Audit Committee carries out a review of the effectiveness of the Internal Audit Service, in accordance with the requirements of the Accounts and Audit Regulations 2011. As a smaller body under these regulations, there is no requirement for the Joint Committee to carry out such a review. However in accordance with previous practice, the outcomes of the last review carried out by the Audit Committee in June 2013 have been considered by the Treasurer to the Joint Committee. A report summarising his findings has been presented for consideration of the Joint Committee as a separate agenda for this meeting.

## **Recommendations and Reasons**

15. The Joint Committee is asked to

- Approve the proposed extension of the Internal Audit & Risk Services SLA with Durham County Council covering the next 3 financial years as attached at Appendix 2.
- Approve the proposed annual audit plan and fee as set out in Schedule 2 of the SLA.
- Approve the Internal Audit Charter attached at Appendix 3
- When considering the above, to have regard to the report prepared by the Joint Committee's Treasurer relating to the effectiveness of Durham County Council's Internal Audit Service.

## **Background Documents**

Existing SLA covering the period April 2010 to March 2014

PSIAS and LGAN

Annual Review of Effectiveness – Report of Corporate Director Resource to DCC Audit Committee 27 June

Benchmarking Report considered by Durham County Council Resources Management Team, September 2013

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## **Appendix 1: Implications**

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### **Finance**

The annual audit fee is set out in the report.

### **Staffing**

None

**Risk** – Not a key decision

### **Equality and Diversity**

None

### **Accommodation**

None

### **Crime and Disorder**

None

### **Human Rights**

None

### **Consultation**

Paul Darby, Head of Financial Services Durham County Council was consulted on the contents of this report.

### **Procurement**

Purchase of Audit Services as set out in the report

### **Disability Issues**

None

### **Legal Implications**

Compliance with the Account and Audit Regulations 2011