

## APPENDIX 2



### **Service Level Agreement**

for the provision of Internal Audit and Risk Services to

**MOUNTSETT CREMATORIUM  
JOINT COMMITTEE**

## **AGREEMENT FOR THE PROVISION OF AN INTERNAL AUDIT SERVICE**

**THIS AGREEMENT** is made XX January **two thousand and fouteen**  
**BETWEEN DURHAM COUNTY COUNCIL** ( the Council ) **and MOUNTSETT**  
**CREMATORIUM JOINT COMMITTEE** (“ the Partnership” )

### **1. PROVISION OF SERVICES**

1.1. The Mountsett Crematorium Joint Committee engages the Council to provide an Internal Audit and Risk Services as set out in Schedule 1 and in return for the payments as set out in Schedule 2.

### **2. DURATION**

2.1. This agreement will be effective from 1 April 2014 and will cover the 3 financial years 2014/15 to 2016/17 with work carried out in 2016/17 being concluded and reported by 30 June 2017.

### **3. THE COUNCIL'S OBLIGATIONS**

#### **3.1. Services**

3.1.1. The scope of the Internal Audit and Risk Services available to the Mountsett Crematorium Joint Committee is summarised in Schedule 1.

3.1.2. The Council will provide an Internal Audit service with all reasonable skill and care and in compliance with:

- The Accounts and Audit Regulations 2011
- The UK Public Sector Internal Audit Standards
- The Internal Audit Charter which sets out the terms of reference and audit strategy for how the service is to be delivered
- The terms and conditions of this agreement

3.1.3. The Council will provide strategic risk management support in accordance with best professional practice and the terms and conditions of this agreement..

3.1.4. To submit to the Joint Committee on an annual basis as part of the Annual Audit report a reconciliation of the charges for services provided during the year to be recharged to the Joint Committee in accordance with Schedule 2.

### **3.2. Accommodation**

- 3.2.1. To provide at its own cost its own office accommodation, administrative support and services as may be necessary for the provision of the Service.

### **3.3. Insurance**

- 3.3.1. To ensure that adequate insurance cover is affected and maintained in respect of, any property held by it for the purposes of this agreement, employee liability, public liability and liability for professional negligence.

## **4. THE JOINT COMMITTEE'S OBLIGATIONS**

### **4.1. Audit Fee Provision**

- 4.1.1. To make available such audit fee provision as set out in Schedule 2 for the provision of agreed services for the year 2014/15 and the 2 subsequent years. Notwithstanding the contents of Schedule 2, the audit fee provision will be the subject of annual review and agreement by both parties as part of the Joint Committee's normal budget timetable. Final confirmation of the audit fee provision must be agreed no later than the 31<sup>st</sup> March in each year.
- 4.1.2. Both parties intend that the annual audit fee provision will be set at such a level as to cover the costs incurred by the Council in delivering the annual internal audit plan, any elements of risk management and / or corporate governance work and a contingency provision for unplanned work. An indicative annual budget and number of days allocated to each of these areas as at the date of this agreement is set out in Schedule 2.
- 4.1.3. The parties agree that, without affecting the annual audit fee provision and the principles set out in Schedule 2, at the Joint Committee's request;
- the percentage split between the service elements to be provided can be varied up to 10% provided always that the maximum number of days specified in Schedule 2 is not exceeded.
  - Any surplus (unused) contingency days in any financial year may be used during the same financial year on any element of work as agreed between the two parties.
  - Any surplus (unused) allocated days in any financial year not required for the delivery of the service up to a maximum of 10% (rounded up to the nearest day ) of the total number of

days may be treated as a credit and carried forward into the next financial year.

- Any days which as a result of sickness absence across the Audit Team are unused will not be subject to such carry over. Under such circumstances all efforts will be made to deliver the plan but where this is not possible all available resources will be focused on the highest risk areas to give a reasonable level of assurance. The cost of any such days lost will be deducted from the annual audit fee.
- Any additional days used in any financial year required for the delivery of the service up to a maximum of 10% (rounded up to the nearest day) of the total number of days may be treated as a debit and deducted from the following year's allocation subject to the Mountsett Crematorium Joint Committee being satisfied that such reduction will not have an adverse impact on the delivery of the following year's Audit Plan.

4.1.4. The parties agree that all variations, other than those referred to in the clause 4.1.3 above, require the express written consent of both parties.

4.1.5. Notwithstanding clause 4.1.3 above, the Joint Committee may make in year changes to the Audit Plan so as to bring the delivery of the Audit Plan within budget and within the allocated number of days as set out in Schedule 2 .This includes either deleting low priority planned work from the Audit Plan or requesting an increase in the Audit Plan where the time required for any additional work exceeds the contingency provision set out in Schedule 2. In cases where an increase is requested the Council will endeavour to respond to the request dependent upon the availability of resources and at such additional cost as agreed between the parties.

4.1.6. To pay the Council annually the payments as set out in Schedule 2. The payment principles set out in Schedule 2 will apply for the purposes of determining the payments paid to the Council by the Joint Committee.

## **4.2. Service Delivery**

4.2.1. The Joint Committee is required to make arrangements for:

- 4.2.1.1. Allowing Council staff access to the Joint Committee's business premises at reasonable times for the provision of the Services

- 4.2.1.2. The provision of suitable accommodation for the use of the Internal Audit Service on the Joint Committee's business premises, at its own cost, as may be necessary.
- 4.2.1.3. Allowing Council staff access to all relevant assets, records (including those belonging to third parties, subject to the Joint Committee having lawful authority to do so) documents, correspondence, electronic files, software and other systems as may be necessary for the provision of the Service.
- 4.2.1.4. Providing free of charge access to the Joint Committee's network and IT applications including email, intranet and internet and to grant such licenses as are necessary to enable a maximum of 6 Council staff to access the Joint Committee's computer networks at the Joint Committee's offices using the Council's ICT equipment subject to the Council signing a security declaration.
- 4.2.1.5. Allowing and facilitating where necessary direct access by the Audit Manager to the Chair of the Joint Committee and the Treasurer (or his nominated representative) for the purpose of delivering the Service.
- 4.2.1.6. The management of risks and the effectiveness of the control environment to mitigate risks
- 4.2.1.7. Approving the Internal Audit Charter and the annual audit plan
- 4.2.1.8. Considering the Annual Internal Audit Report
- 4.2.1.9. Taking whatever action it considers necessary as a result of an audit
- 4.2.1.10. Reviewing its internal control system, including its corporate governance and risk management arrangements, and preparing its annual governance statement to comply with responsibilities under the Accounts and Audit Regulations and relevant CIPFA guidance (including the maintenance of an Audit Committee or equivalent).
- 4.2.1.11. Notifying internal audit promptly of any material change in the risks facing the Joint Committee.
- 4.2.1.12. Agreeing variations to the audit plan during its currency to allow Internal Audit to respond to changing risks.

## 5. MANAGEMENT OF THE SERVICE

5.1. Stephen Carter, (Audit Manager), is responsible for the management and delivery of the Internal Audit Service and will in practice fulfil the role of the Head of Internal Audit for the Joint Committee. Any queries arising from specific audit reports and general day to day enquiries about the service should be addressed to the Audit Manager:

- In person at Durham County Council, County Hall, Durham
- E-mail: [stephen.carter@durham.gov.uk](mailto:stephen.carter@durham.gov.uk)
- Telephone 03000 269665

5.2. The Audit Manager will report functionality of the audit service to Mountsett Crematorium Joint Committee who will undertake the role of the “Board” for the purpose of the PSIAS and Internal Audit Activity. For operational management purposes the Audit Manager will report to Paul Darby, the Head of Financial Services within Durham County Council who is authorised to act on behalf of the Corporate Director Resources, the Treasurer to the Joint Crematorium Committee.

5.3. The Audit Manager and the Head of Financial Services and /or the Crematorium Superintendent will meet periodically to review performance on delivering agreed services and agree any changes to the delivery of the Service. Such meetings may be attended by other such persons as either party may wish.

5.4. Teresa Morgan, Strategic Insurance and Risk Officer, is responsible for the provision of risk management support.

5.5. The Chief Internal Auditor and Corporate Fraud Manager at Durham County Council is ultimately responsible for the performance and effectiveness of Internal Audit and Risk Management services provided to the Joint Committee under this agreement. Any issues concerning any aspect of the delivery of the service or terms of this agreement that can not be satisfactorily resolved with other officers should be referred to him. Contact details are:

Paul Bradley, Chief Internal Auditor and Corporate Fraud Manager,  
Internal Audit & Risk Services  
Resources Service Grouping  
County Hall, Durham  
e.mail:[paul.bradley@durham.gov.uk](mailto:paul.bradley@durham.gov.uk)  
Telephone 03000 269645

5.5 In response to audit findings, the Crematorium Superintendent is responsible for ensuring :

5.5.1 Responses to draft audit reports are received within timescales specified in the Internal Audit Charter.

5.5.2 Providing information to substantiate the implementation of audit recommendations when requested

## **6 FRAUD AND IRREGULARITY**

6.1 The Audit Manager will inform senior management, Corporate Director Neighbourhood Services, the Director of Resources and other appropriate client lead officers of any suspected irregularity reported to or discovered by any member of the Council's staff.

6.2 Client lead officers will notify the Audit Manager of all suspected fraudulent irregularities.

6.3 It will be the responsibility of the Audit Manager in consultation with senior management to determine the most appropriate way to investigate the allegations. Where it is agreed an internal audit investigation is to be carried out the day to day management of the investigations will be the responsibility of the Audit Manager.

6.4 A contingency provision (as set out in Schedule 2) will be included in the Audit Plan to allow for unplanned work to be undertaken. Use of the contingency provision allocation will be agreed between the parties and the provisions of clause 4.1.3, (surplus/insufficient contingency days), will apply.

## **7 INFORMATION AND CONFIDENTIALITY**

7.1 Each party will provide all information within its control necessary to enable the other to discharge its obligations under this agreement.

7.2 Neither party shall, without the written consent of the other party, make use of for its own purposes or disclose or allow to be disclosed to any person, (except as may be required by law or by an authorised body in evaluating the Internal Audit work e.g. external audit), this Agreement or any material connected with it.

## **8 DATA PROTECTION AND FREEDOM OF INFORMATION**

8.1 Each party will:

8.1.1 Comply with the Data Protection Act 1998

8.1.2 Maintain the confidentiality of personal data to which it has authorised access under the terms of this Agreement

8.1.3 Take reasonable technical and organisational measures against the unauthorised or unlawful processing of personal data and against the accidental loss of destruction of or damage to personal data (including adequate back up procedures and disaster recovery systems).

8.1.4 Provide such assistance and/ or information reasonably required by the other in connection with any requests for information received by that party under the Freedom of Information Act 2000.

**9 TERMINATION**

9.1 Either party may terminate the agreement before the 1<sup>st</sup> April 2017 by giving the other not less than 12 months prior written notice.

**10 VARIATION**

10.1 The terms of this agreement may only be varied by written agreement signed by both parties.

**AS WITNESSED**

**Signed by:**.....

Duly authorised for and on behalf of **DURHAM COUNTY COUNCIL**

**Date**

**Signed by:**.....

Duly authorised for and on behalf of the **MOUNTSETT CREMATORIUM  
JOINT COMMITTEE.**

**Date**



**SERVICES TO BE PROVIDED**

The following services are to be provided.

**INTERNAL AUDIT**

**Management and Assurance**

1. Provision of an independent and impartial audit service in accordance with the Public Sector Internal Audit Standards.
2. Preparation of and annual review of an Internal Audit Charter, setting out the terms of reference and audit strategy of how the service is to be delivered, for approval by the Mountsett Crematorium Joint Committee.
3. Preparation of risk based audit plans in accordance with the agreed Internal Audit Charter, for approval by the Mountsett Crematorium Joint Committee.
4. Carry out audit (s) as detailed in the scope and terms of reference for each annual audit.
5. Follow up, and report upon, progress made by the Crematorium Superintendent in implementing agreed audit recommendations.
6. Maintenance of a comprehensive electronic file for each annual audit in accordance with best professional practice.
7. Monitoring and reporting of progress made in the delivery of the agreed annual audit to Senior Management and the Mountsett Crematorium Joint Committee.

**Advice & Guidance**

8. Provision of help and advice to the Crematorium Superintendent and other officers and nominated members of the Mountsett Crematorium Joint Committee on all audit matters.
9. Provision of advice on the risk and control implications of new or changes to existing systems or service activities.

**Contingency**

10. A contingency provision will be included in annual plans to allow for a certain level of unplanned reactive and pro-active work to be undertaken. Use of the contingency provision will be agreed between the parties and the provisions of clauses 4.1.3, (surplus/.insufficient contingency days), will apply

## **RISK MANAGEMENT**

11. To provide advice and support on developing strategic risk management up to a maximum of days to be agreed annually. The scope of this work will include:

- Providing advice and guidance on matters of risk management and facilitating risk management training where appropriate
- Supporting risk identification and assessments
- Supporting the quarterly review of strategic and operational risk registers
- Providing a quarterly update report to the Joint Committee on of risk registers

**BUDGET SCHEDULE AND ALLOCATED DAYS**

	2014/15	2015/16	2016/17
<b>INTERNAL AUDIT ANNUAL FEE</b>	<b>£5,225</b>	<b>£4,950</b>	<b>£4950</b>
<b>Management and Assurance</b>			
Preparation of Annual Audit Review (including review, update and agreement of Control Risk Assessment (CRA) scope and terms of reference)	1	1	1
Production of Annual Report and opinion and annual review of Internal Audit Charter and periodic review of SLA	3	2	2
Attendance at ad hoc meetings, Committee pre meetings and Committee meetings	1	1	1
Regular liaison with relevant staff and follow up of recommendations	1	1	1
<b>Fieldwork</b>			
Detailed audit testing of financial and non-financial key systems of internal controls, including: Budget setting and monitoring, financial reporting, income, debt collection, creditor payments, petty cash expenditure, taxation (VAT/PAYE,NI), bank reconciliation, asset and investment management, stock control, specific strategic and operational service risks and key elements of corporate governance, as agreed in the TOR for each annual audit review.	11	11	11
<b>Advice and Assistance/Contingency</b>	2	2	2
<b>Total</b>	19	18	18
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/173</b>
<b>RISK MANAGEMENT FEE</b>	<b>£550</b>	<b>£550</b>	<b>£550</b>
Risk Management Support	2	2	2
<b>OVERALL DAYS</b>	<b>21</b>	<b>20</b>	<b>20</b>
<b>OVERALL FEE</b>	<b>£5,775</b>	<b>£5,500</b>	<b>£5,500</b>

## **BASIS OF CHARGE**

1. Charges in respect of the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2017 will be recharged to the Joint Committee on an annual basis.
2. The cost of providing the internal audit service for the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015 will be based on planned audit days of 19 audit days at a charge of £275 per day and an annual audit fee of £5225, and 18 days in 2015/16 and 2016/17. The charge for risk management is £550 per annum based on 2 days support each year at the same daily rate. **The combined fee under this agreement for 2014/15 is £5775 and £5,550 for the 2 subsequent years.**
3. This audit fee set out above covers the cost of all planning, management, research, preparation, audit visits, follow-up, production of reports, and presentation of reports to managers and members, discussions and travelling time. The daily charge is inclusive of all travelling costs and other overheads.
4. Any requests for additional services, including VFM studies, special investigations and specific consultancy/project work that can not be accommodated from the contingency provision and the provisions of clause 4.1.3 (surplus/insufficient contingency) plans will be considered against the availability of the necessary resources and skills. The cost of this work will be subject to the agreement of additional fees at an appropriate daily charge, depending on the nature of the work required, in accordance with clause 4.1.5.
5. A recharge for fees payable will be annually in arrears based on the actual audit and risk management provision and any variances agreed under clauses 4.1.3 and 4.1.5.