

APPENDIX 2



Service Level Agreement

for the provision of Internal Audit Services to

**MOUNTSETT CREMATORIUM JOINT
COMMITTEE**

AGREEMENT FOR THE PROVISION OF AN INTERNAL AUDIT SERVICE

THIS AGREEMENT is made the [23rd] of [September] **two thousand and ten** **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 service 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 immediately and will continue until 31st March 2014 ("the Term")

3. THE COUNCIL'S OBLIGATIONS

3.1. Services

3.1.1. The scope of the Audit Service 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 2003 as amended by The Accounts and Audit (Amendment) (England) Regulations 2006, (Regulations)
- Guidance on the Regulations, which indicate that proper internal control practices are those contained in CIPFA's Code of Practice for Internal Audit in Local Government in the UK 2006.
- All other relevant CIPFA auditing guidelines, best professional practice (e.g. from the Institution of Internal Auditors), and legislation
- The Joint Committee's relevant policies, rules, standing orders, procedures and standards. (These are the policies, rules, standing orders, procedures and standards of Durham County Council adopted by the Mountsett Crematorium Joint Committee)
- The Internal Audit Charter which sets out the detailed 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 and corporate governance support, if required, in accordance with best professional practice, and as provided for in the audit fee provision (see clause 4.1.1 and 5.0).
- 3.1.4. To ensure that the Services are delivered by auditors and such other staff who are appropriately experienced qualified and competent and who receive adequate training and supervision.
- 3.1.5. 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 2011/12 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 31st 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 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. Agreed adherence to Durham County Council's Members Code of Conduct and Constitution
- 4.2.1.4. 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.
- 4.2.1.5. 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.
- 4.2.1.6. 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.
- 4.2.1.7. The management of risks and the effectiveness of the control environment to mitigate risks
- 4.2.1.8. Approving the Internal Audit Charter, Strategic and Annual Audit Plans
- 4.2.1.9. Considering the Annual Internal Audit Report

- 4.2.1.10. Taking whatever action it considers necessary as a result of an audit
- 4.2.1.11. 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).
- 4.2.1.12. Notifying internal audit promptly of any material change in the risks facing the Joint Committee.
- 4.2.1.13. 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. Peter Jackson, (Audit Manager), is responsible for the management and delivery of the 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: peter.jackson2@durham.gov.uk
 - Telephone 0191 383 4872
- 5.2. The Audit Manager will report to the Crematorium Superintendent, the Head of Finance, HR and Business Support and to the Mountsett Crematorium Joint Committee.
- 5.3. The Audit Manager and 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. The Head of Internal Audit & Risk at the Council is ultimately responsible for the performance and effectiveness of 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 the Audit Manager should be referred to the Council's Head of Internal Audit & Risk. Contact details are:

Avril Wallage, Head of internal Audit & Risk, Durham County Council,
County Hall, Durham
e.mail:avril.wallage@durham.gov.uk
Telephone 0191 383 3537

5.5 The Audit Manager will meet with the Crematorium Superintendent each financial year to consider the audit fee for the following financial year. Such meetings will be scheduled in line with the Joint Committee's normal budget timetable. (Final confirmation of the audit fee provision must be agreed no later than the 31st March in each year) and be attended by such other persons as either party may wish.

5.6 The Crematorium Superintendent is responsible for ensuring :

- Responses to draft audit reports are received within timescales specified in the Internal Audit Charter.
- Providing information to substantiate the implementation of audit recommendations when requested.
- Co-operating with Internal Audit staff when required
- Liaising with the Audit manager
- Compliance with relevant Codes of Conduct and Durham County Council Policies and Procedures

6 FRAUD AND IRREGULARITY

6.5 The Audit Manager will inform the Crematorium Superintendent of any suspected irregularity reported to or discovered by any member of the Council's staff.

6.6 The Joint Committee will notify the Audit Manager of all suspected fraudulent irregularities.

6.7 It will be the responsibility of the Joint Committee to determine the extent to which the Council will be requested to assist in any subsequent investigation. Where the Council is requested to investigate, the approach and the day to day management of the investigations will be the responsibility of the Audit Manager.

6.8 A contingency provision (as set out in Schedule 2) will be included in the Audit Plan to allow for unplanned work (whether investigations, counter fraud, assurance VFM of advice) 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

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

7.6 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

8.5 Each party will:

8.5.1 Comply with the Data Protection Act 1998

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

8.5.3 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).

8.5.4 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 1st April 2014 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 may be provided.

Management and Assurance

1. Provision of an independent and impartial audit service in accordance with best professional practice, as outlined by CIPFA's Code of Internal Audit Practice in Local Government in the UK 2006 as may be amended from time to time, and other professional bodies as considered relevant e.g. Institution of Internal Auditors.
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 strategic and annual audit plans in accordance with the agreed Internal Audit Charter, for approval by the Mountsett Crematorium Joint Committee.
4. Carry out audits as detailed in the approved Annual Audit Plan.
5. Follow up, and report upon, progress made by the Crematorium Superintendent in implementing agreed audit recommendations.
6. Maintenance of a comprehensive hard copy or electronic file for each audit in accordance with best professional practice.
7. Monitoring and reporting of progress made in the delivery of agreed annual plans to the Mountsett Crematorium Joint Committee.

Advice

8. Provision of help and advice to the Crematorium Superintendent and other officers and nominated members of the Mountsett Crematorium 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.

Risk Management

10. 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 may include:
 - Taking a leading role in the annual review of the risk management strategy

- Providing advice and guidance on matters of risk management and facilitating risk management training where appropriate
- Supporting risk identification and assessment workshops where appropriate
- Attending the Risk Management Group

Corporate Governance

11. To provide advice and support on corporate governance issues up to a maximum of days to be agreed annually. The scope of this work may include:

- Talking a leading role on the review of the corporate governance framework
- Supporting the preparation of the Annual Governance Statement
- Attending the Corporate Governance Group.

Counter Fraud

12. To provide advice and support on counter fraud activities. The scope of this work to be agreed annually and may include:

- Targeted reviews to prevent or detect fraud
- Development of Counter Fraud Strategy and supporting policies and plans
- Counter fraud awareness training and publicity

VFM Reviews

13. To carry out, or provide support to, VFM reviews. The scope of this work to be agreed annually.

Investigations

14. Investigations into suspected fraudulent irregularities

Contingency

15. A contingency provision will be included in annual plans to allow for a certain level of unplanned reactive and pro-active work, (e.g. investigations, counter fraud, assurance, VFM or advice), 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.

Schedule 2

BUDGET SCHEDULE AND ALLOCATED DAYS

AREA	2010/11	2011/12	20012/13	20013/14
Management and Assurance		£5000	£5000	£5000
Preparation of Internal Audit plan (including risk assessment of audit needs, planning for reviews and production of report)	3	3	3	3
Production of Annual report and opinion	2	2	2	2
Attendance at ad hoc meetings, Committee pre meetings and Committee meetings	1	1	1	1
Regular liaison with relevant staff and follow up of recommendations	1	1	1	1
Fundamental Accounting Systems				
Audit testing in relation to Crematorium sub systems to include Personnel, Payroll, Expenditure/Purchasing, Accounts Payable, Accounts receivable.	2	2	2	2
Crematorium Review				
Establishment audit to include Petty Cash, Budgetary Control and Financial Reporting, Income & Debt Collection, Bank Reconciliation, Asset Management, stock control, Strategic Risks, Operational Risks, Risk Management Assurance Review and Corporate Governance Assurance Review	7	7	7	7
Advice and Assistance	2	2	2	2
Redevelopment of Crematorium	0	0	0	0
Contingency	2	2	2	2
Total	20	20	20	20

Optional Additional Services;	2010/11	2011/12	20012/13	20013/14
Risk Management Support				
Corporate Governance Support				

BASIS OF CHARGE

1. Charges in respect of the period 1st April 2010 to 31st March 2011 will be recharged to the Joint Committee using the existing methodology.
2. The cost of providing the internal audit service for the period 1st April 2011 to 31st March 2014 will be based on planned audit days of 20, at a charge of £250 per day and an estimated cost of £5000 for the year. This excludes any additional work required from the Risk Management and Governance Section.
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. Internal Audit will continue to give assurance on the Crematorium's Risk Management and Governance arrangements as part of its annual review. However, additional support from the Risk Management and Governance Section is available and can be accommodated within this agreement. Where required the maximum number of days are to be agreed annually and the cost of this work will be subject to the agreement of additional fees at the same daily cost as the Internal Audit Service.
6. A recharge for fees payable will be annually in arrears based on the actual audit fee provision and any variances agreed under clauses 4.1.3 and 4.1.5 and 5.0