

28 September 2016

**Provision of Internal Audit & Risk
Management Services 2017-2020**

Report of the Chief Internal Auditor and Corporate Fraud Manager

Purpose of the Report

1. The purpose of this report is to present the Committee with proposals for the continued delivery of Internal Audit and Risk Management Services by Durham County Council to cover the period April 2017 to March 2020.

Background

2. The current service level agreement for the provision of Internal Audit and Risk Management Services, approved by the Joint Committee at its meeting on 30 January 2014 expires on 31 March 2017.

Proposal

3. It is proposed that a 3 year SLA is agreed covering the period 2017/18 to 2019/20. 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 2020. 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 for each of the 3 years, also shown in Schedule 2, is £5,670 for Internal Audit and £580 for Risk Management.
5. The SLA is 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. The Charter is subject to annual review and was last approved by the Joint Committee at its meeting of 29 April 2016.
6. In considering the agreement 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.

7. 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 via external assessment in May 2016, have been considered by the Treasurer to the Joint Committee. A report summarising the findings has been presented for consideration of the Joint Committee as a separate agenda item for this meeting.

Recommendations and Reasons

8. The Joint Committee is asked to
 - Approve the proposed Internal Audit & Risk Management 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.
 - 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 2014 to March 2017
- Public Sector Internal Audit Standards that came into effect 1 April 2013, and CIPFA's accompanying Local Government Application Note (PSIAS and LGAN)
- Annual Review of Effectiveness – Report of Chief Internal Auditor and Corporate Fraud Manager to DCC Audit Committee 29 July 2016

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Appendix 1: Implications

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, Interim Corporate Director: Resources, Durham County Council was consulted on the contents of this report.

Procurement

Purchase of Internal Audit and Risk Management Services as set out in the report

Disability Issues

None

Legal Implications

Compliance with the Account and Audit Regulations 2011