

REPORT OF: CHIEF EXECUTIVE
TO: ACCOUNTS AND AUDIT COMMITTEE
DATE: 28th JULY 2020

Contact Details: Dean Langton
Tel. No: 01282 661602
E-mail: dean.langton@pendle.gov.uk

DELIVERY OF INTERNAL AUDIT 2020/21 AND 2021/22 ONWARDS

PURPOSE OF REPORT

1. This report informs the Committee of the plan to deliver Internal Audit in 2020/21 and 2021/22 onwards.

FOR INFORMATION

2. This report is provided for information only.

ISSUE

3. Currently, the Council's approved establishment provides for an Internal Audit function comprising two members of staff, with the Audit Manager reporting to the Chief Executive. In addition the service draws on external support from the Mersey Internal Audit Agency (MIAA) for specialist IT related audit services. The approved staffing budget for the Internal Audit service in the forthcoming year is £82k. This provides for an estimated 358 'available audit days' inclusive of IT audits.
4. The work of Internal Audit is performed in accordance with the Public Sector Internal Audit Standards and adopts a risk based approach to defining the audit subject areas. There is an agreed Audit Strategy which covers a three year term together with an annual audit plan. Both these documents are developed in conjunction with the Council's Management Team prior to their consideration and formal approval by the Accounts and Audit Committee.
5. Following the departure of the Internal Audit Manager towards the end of the last financial year, an opportunity was taken to review the provision of Internal Audit. A report on this matter was considered by the Policy and Resources Committee in March 2020 (provided at **Appendix A** to this report) where it was resolved:-

(1) That the Council outsources the provision of its Internal Audit function.

(2) That the Chief Executive (as Section 151 Officer) be authorised to take the necessary Policy and Resources Committee action, in compliance with relevant procurement regulations, to complete the above during 2020/2021.

(3) That a further report be presented to this Committee on the outcome resulting from (2) above.

6. The procurement process to outsource the service is due to start in the near future with the intention that a new provider of the service will commence the provision of the service in April 2021.
7. In the meantime the Council is still required to have an effective Internal Audit Service. To that end, for the remainder of 2020/21, the service is being provided by the remaining member of staff bolstered by additional capacity bought in from the MIAA. The cost of this will be contained within the budget provision for Internal Audit for 2020/21.

IMPLICATIONS

Policy

28. The outsourcing of Internal Audit represents a change of policy compared with current service provision. However, outsourcing is not new to the Council and where it is done well it can deliver positive benefits to the organisation.

Financial

29. There are no financial implications arising from the contents of this report.

Legal

30. There are no legal implications arising from the contents of this report.

Risk Management

31. Internal Audit is a key element of the Council's overall corporate governance framework. At present the service has limited capacity and lacks resilience. This is a risk for the Council. Procurement is also not without risks and these include the level of market interest, suitability of providers and levels of cost. Whilst the Council can take steps to mitigate such risks it remains to be seen how the market will respond to this opportunity.

Health and Safety

32. There are no health and safety implications arising directly from the contents of this report.

Climate Change

33. There are no climate change or sustainability implications arising directly from this report.

Community Safety

34. There are no community safety issues arising directly from the contents of this report.

Equality and Diversity

35. There are no equality and diversity implications arising from this report.

APPENDICES

Appendix A – Report to Policy and Resources Committee on 19th March – Internal Audit Service

LIST OF BACKGROUND PAPERS