

**AUDIT COMMITTEE**  
**30 MAY 2017**

**REPORT ON INTERNAL AUDIT PROVISION FROM 2017/18**

**Cabinet Member** Cllr Peter Hare-Scott  
**Responsible Officer** Audit Team Leader, Catherine Yandle

**Reason for Report:** To report to the Audit Committee the appointment of its internal auditor from 1<sup>st</sup> May 2017.

**RECOMMENDATION(S):** The Audit committee recommends to Council that:

1. Mid Devon DC appoints Devon Audit Partnership (DAP) as the Audit Manager from 1st May until it joins DAP (nominally 31st July 2017);
2. Mid Devon joins DAP
  - a. as a non-voting member from 1 August 2017 until 31<sup>st</sup> March 2018;
  - b. as a voting member from 1<sup>st</sup> April 2018.
3. The Chair of the Audit Committee be appointed as the nominated Member to represent Mid Devon on the Partnership Committee;
4. The Vice Chair of the Audit Committee be nominated substitute Member to represent Mid Devon on the Partnership Committee in the absence of the Chair.

**Relationship to Corporate Plan:** Effective Internal Audit plays a fundamental role in assisting the Council to deliver its corporate plan.

**Financial Implications:** The Council's budget for Internal Audit in its current form is £124,380 the primary objective here is not to save money but to ensure effective service provision.

**Legal Implications:**

1. The provision of an internal audit service within Local Government is a requirement of the Accounts and Audit Regulations 2015.
2. S151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of its financial affairs.
3. MDDC will have to enter into a financial agreement with an external supplier for the provision of services. The form of agreement will depend upon which route is chosen.

**Risk Assessment:** There is no immediate risk to the Council; however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

**Equality Impact Assessment:** No equality issues identified for this report.

## **1.0 Introduction**

- 1.1 In common with all other services of the Council regular consideration must be given to whether the current model for the internal audit service is the most efficient one and also the best value for money.
- 1.2 At the Special Audit Committee on 21 February 2017 it was resolved that the Management Team be informed that having carefully considered the options available, it was the Audit Committee's opinion that the Council should pursue procuring Audit management via a Service Level Agreement (SLA) or enter into Partnership Arrangements with an External Provider.
- 1.3 Further meetings and negotiations with the potential suppliers have taken place and more detailed costings been obtained. As a result of these it was decided that provision via DAP would be pursued.
- 1.4 This is an exciting development for future Internal Audit provision at MDDC.

## **2.0 Governance Arrangements**

### **2.1 Devon Audit Partnership**

This is a shared service arrangement (currently) between Devon, Torbay, Plymouth and Torridge councils constituted under section 20 of the Local Government Act 2000; DAP was founded in April 2009.

- 2.2 Devon County Council acts as "host" to the Partnership, and provides services such as payroll, insurance, HR and legal services.

### **2.3 Partnership Committee**

This consists of 2 Members each from Plymouth, Torbay, Devon and Torridge councils. For 2017/18, Mid Devon will be invited to send two members to the Committee, in a "non-voting" capacity. From 2018/19, Mid Devon will have 2 voting representatives on the committee. Terms of reference are:-

- receive and consider reports from the Management Board, the Head of Internal Audit Partnership, external assessment reports and the Host Council;
- approving the annual accounts of the Partnership;
- approving the budget in respect of the Audit Partnership functions;
- approving the future appointment and dismissal or removal of the Head of Internal Audit Partnership;
- approving changes to the Partnership Client base, trading agreements, charging policies and other necessary matters pertaining to the future operations of the Partnership;
- resolving any disputes that are still unresolved after reference to the Management Board.

### **2.4 Partnership Board**

This is composed of the S151 officers from Plymouth, Torbay, Devon and Torridge councils plus the Head of Partnership. For 2017/18 the S151 officer

from Mid Devon will be invited to attend the meetings (but as a non-voting representative), but from 1 April 2018, the S151 officer for Mid Devon will be a voting member. Terms of reference are:-

- Recommending the budget subject to the Partnership approval
- Approving all changes to budgets subject to the approval of the Partnership where appropriate
- Receiving and approving performance reports from the Head of Internal Audit Partnership
- The carrying out of any Performance Reviews
- Setting and reviewing the performance of the Partnership
- Resolving Disputes
- Accommodation responsibility

## **2.5 The Future**

2.3.1 The (current) Partners agreed to an extension of the Partnership for a further 7 years from April 2017, with a review after 5 years.

2.3.2 The contract has been agreed and has a “rolling” element that enables the Partnership to enter into longer term contracts in an effective manner.

2.3.3 It is important that internal audit remains “relevant” – the need to make financial savings is recognised and has been achieved; careful consideration will be required when setting future resourcing levels to ensure that the service is properly resourced and funded to continue to provide professional, effective, and pro-active and value added services.

2.3.4 There will be pressure to reduce audit days, however this must be considered against sound risk management processes and the need to have effective and adequate independent assurance to meet Senior Management, s151 Officer and Audit Committee requirements.

2.3.5 In order to ensure that the Partnership can plan effectively in the way it delivers services, the agreement requires Partners to provide 12 months’ notice if they wish to leave the Partnership.

## **3.0 Conclusion and Recommendations**

3.1 Further work will be undertaken to ensure a smooth transitional process is achieved this will take about 3 months.

3.2 Transitional internal audit management provision has already started under an SLA for an initial period of three months which could be extended if necessary to properly complete due diligence and governance arrangements.

3.3 Subject to the DAP Partnership Committee agreeing to admit MDDC to membership, at their meeting on 21 June, that the recommendations detailed at the start of the report are recommended for approval to Full Council on 28 June 2017.

**Contact for more Information:** Catherine Yandle, Audit Team Leader, x4975

**Circulation of the Report:** Management Team and Cllr Peter Hare-Scott, DAP

**List of Background Papers:** Previous Audit Committee papers on this item