

# Crawley Borough Council

## Report to Audit Committee

14<sup>th</sup> December 2021

### Provision of Internal Audit Services

Report of the Head of Corporate Finance – FIN/540

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#### 1. Purpose

- 1.1. With the retirement of all three members of the internal audit service over the past 10 months and the legal requirement to provide an internal audit service it will be proposed that the Council enter into the Joint Working Agreement to receive internal audit services from [Southern Internal Audit Partnership](#) (SIAP) for the period of four years from 1 April 2022.
- 1.2. There is a statutory requirement to provide an internal audit service. The internal audit work is currently being undertaken by temporary members of staff with the management of the audits being undertaken on a temporary basis by SIAP until 31<sup>st</sup> March 2022. This is because of the short notice of period of staff involved.
- 1.3. The decision whether to approve that SIAP provide the Council's Internal Audit Service will be considered by the Cabinet at its meeting on 13 January 2022. This report seeks the Audit Committee's view on the matter prior to its consideration by the Cabinet.

#### 2. Recommendations

- 2.1. That the Committee consider the report and decide what comments, if any, it wishes to submit to the Cabinet.

#### 3. Reasons for the Recommendations

- 3.1. To ensure that a statutory internal audit function is provided for the Council. By joining an existing shared service there will be access to qualified internal audit staff and specialisms not available to a team of two.

#### 4. Background

- 4.1. Internal Audit is a statutory requirement in local government as defined in the Local Government Act 1972. The Accounts and Audit Regulations 2015 (Regulation 5) require the Council to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes; taking into account public sector internal auditing standards or guidance".

- 4.2. The Council has delegated this responsibility to the Head of Corporate Finance (Section 151 officer). Until recently the service has been provided by a small team employed by the Council. Prior to 1<sup>st</sup> April 2021 the team provided an internal audit service to Mid Sussex District Council. A member of the Audit team retired in April 2021 and as a result Crawley Borough Council stopped providing the service to Mid Sussex.
- 4.3. On 10<sup>th</sup> October 2021 the Audit and Risk Manager retired from the Council, leaving a final team member who also retired on 7<sup>th</sup> November 2021. This has left the Council with no permanent Audit staff.

## **5. Provision of Internal Audit Services**

- 5.1. As a result of the remaining two members of the Audit team retiring in the last four months the Internal Audit service is currently being provided by temporary staff and some additional support from SIAP, with oversight until 31<sup>st</sup> March 2022 also being provided by SIAP. SIAP are fulfilling the Audit and Risk Manager role to ensure that an adequate Audit Plan is completed and reported to the Audit Committee for the current financial year.
- 5.2. Joining an existing shared service offers a number of advantages as they have local Government knowledge and are not for profit. They can provide flexibility, resilience and independence whilst also offering added value and sharing best practice.
- 5.3. SIA are able to provide a strong proposal, they currently provide services to a range of other organisations including schools, Local Government pension funds and other District and Borough Councils, including Mole Valley who form part of the shared procurement service.
- 5.4. Recruiting to the two vacant posts would not give access to a range of specialist auditors including IT auditors or the resilience afforded through access to a pool of available auditors.
- 5.5. A separate report is being considered at this meeting of the Audit Committee on future provision of External Audit services.

## **6. The Southern Internal Audit Partnership**

- 6.1. The Southern Internal Audit Partnership (SIAP) is hosted by Hampshire County Council. It was established in 2012 and has a diverse portfolio of 25 public sector clients and provides 7,500 audit days.
- 6.2. SIAP's emphasis is on quality, professionalism and value adding services. They have a range of in-house specialists covering IT, procurement and contract management. SIAP have been externally assessed as compliant with the Public Sector Internal Audit Standards.
- 6.3. A report will be put before the Cabinet meeting in January 2022 recommending that the Council join as a partner as this would provide a number of advantages, rather than joining as a client where days can be requested annually. As a partner, the Council would become a member of the Key Stakeholder Board which would result in the Council having a say in the future direction of the Partnership, business planning, performance reporting, resourcing and updates. The Head of Corporate Finance (s151 officer) or their representative would represent the Council's interests

by becoming a voting member of the Southern Internal Audit Partnership Key Stakeholder Board.

- 6.4. If the Council joins with effect from 1 April 2022, it would have a commitment of four years (to 31 March 2026). Should the Council wish to exit the SIAP after that initial four year period, it is required to give 12 months' written notice in order to bring its participation to an end as of a financial year end.
- 6.5. If Cabinet agree the recommendation, the Head of Corporate Finance will work with SIAP to agree the Audit Plan with effect from April 2022, the current year internal Audit Plan is also being revised to ensure that SIAP have the assurance that corporate risks are being mitigated.

## **7. Implications**

### Financial

- 7.1. The SIAP option would be on par with the cost of two full time salaries that that Council has budgeted for within Internal Audit. The day rate will be reviewed annually and any increase over the previous year shall be in line with inflation. There is no cost of joining the partnership.
- 7.2. There will therefore be no financial implications arising from this report as the cost of the service will be met from within existing budgets.

### Legal

- 7.3. Under the Accounts and Audit Regulations 2015 the Council is required to ensure that it has a sound system of internal control which; (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the Authority is effective; and (c) includes effective arrangements for the management of risk.
- 7.4. As is outlined above, if agreed by Cabinet, the Council will be entering into a Joint Working Agreement as a partner. The Joint Working Agreement regulates the relationship between all the partner authorities, including the governance structure, the roles and responsibilities of each partner Authority towards the other partner authorities, the financial contribution arrangements, information sharing protocols, withdrawal/exit provisions together with the scope of internal audit services.

## **8. Background Papers**

None.

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