



REPORT TO:	AUDIT AND GOVERNANCE
DATE:	24 TH MAY 2021
SUBJECT:	TRANSFER OF INTERNAL AUDIT SERVICE
KEY DECISION:	NO
REPORT AUTHOR:	ADRIAN SIBLEY, SECTION 151 OFFICER
WARD(S) AFFECTED:	ALL
EXEMPT REPORT?	NO

SUMMARY

The Council's internal audit function is currently undertaken through Lincoln City Council. This report seeks to transfer this function to Lincolnshire County Council (LCC) so that there is a greater level of resilience and a consistency in approach across the Alliance.

RECOMMENDATIONS

That the Audit & Governance Committee recommends to Cabinet the transfer of the internal audit function to Lincolnshire County Council.

REASONS FOR RECOMMENDATIONS

To build resilience into the internal audit service and allow a greater consistency in approach across the Alliance in order to ensure ongoing conformity with the professional standards.

OTHER OPTIONS CONSIDERED

The current service provided by the County Council for East Lindsey District Council could transfer to Lincoln City Council. However, there is not the same level of capacity at the City Council to provide the additional resilience.

The service could be provided by private sector organisations. There is though a lower level of expertise for Local Authority functions in the private sector and previous soft market testing has shown that the cost would be significantly higher.

REPORT

Background

1.1 The requirement for an internal audit service is set within the Accounts and Audit Regulations 2015 which state that:

‘A relevant authority must 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’

1.2 The Service is currently provided through a contractual arrangement for around 140 days of cover with Lincoln City Council. However, there are concerns around resilience and now that there is a shared working arrangement with East Lindsey, both through the Alliance and a shared back office provider, there is a real benefit in aligning the Internal Audit function.

1.3 The proposal is to transfer this service to Lincolnshire County Council so that there is a consistent and streamlined approach across the Alliance.

Reason for Review

2.1 Whilst there are no specific issues highlighted with the current service provision, there is an increasing need for specialist audit capacity specifically around areas such as fraud and ICT, and with a relatively small team it is difficult to develop the required range of expertise.

2.2 More generally, a shared approach would allow the following benefits to be secured:

- Streamlined service with single set of personnel for both Councils within the Alliance and PSPS
- Combining all oversight work for both Councils into one principal officer thereby merging liaison meetings, management team and committee attendance and reports
- Combined audit reviews providing assurance across the Alliance that will potentially reduce the number of days on each audit as there will be one audit report and closure process rather than two
- Allow shared intelligence and highlight inconsistent practices.
- A reduced day rate allowing annual savings of around £3k.
- Reduced impact on PSPS as not having two sets of auditors reviewing the same systems.
- Access to other expertise from the Assurance Lincs offer (Risk, Fraud, Health and Safety and Audit specialisms)
- Increased resilience provided by a larger team to mitigate against sickness, loss of key staff etc.

2.3 The provisional date for the transfer of the internal audit service, subject to necessary approvals and agreed contractual terms, is 1st July 2020. Whilst it is not currently proposed to make any changes to the level of audit days, this will be reviewed during the year as the risk environment changes and efficiencies can be achieved.

CONCLUSION

There are a number of benefits to be realised from transferring the Internal Audit function from Lincoln City Council to Lincolnshire County Council and these are outlined within the report.

FINANCIAL IMPLICATIONS

The current budgeted cost of service is £46k. There will be a modest saving of around £3k per annum as the County Council daily charge out rate is slightly lower than the City Council. The number of days is initially not expected to change although this could change as efficiencies and changes to risk assessments are made.

LEGAL IMPLICATIONS

The Accounts and Audit Regulations 2015 provide that as a relevant authority, the Council must have an effective internal audit service. The proposed approach to the delivery of the internal audit service is an identified means of ensuring the ongoing delivery of an effective service as required by law.

CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

None

EQUALITY AND SAFEGUARDING IMPLICATIONS

None

OTHER IMPLICATIONS

None

CONSULTATION

Consultation has taken place both with the current providers and the Portfolio Holder for Finance.

APPENDICES

None

BACKGROUND PAPERS

None

CHRONOLOGICAL HISTORY OF THIS REPORT

A report on this item has not been previously considered by a Council body
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REPORT APPROVAL	
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Approved for publication:	Councillor Noble, Portfolio Holder for Finance
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