

	<p style="text-align: center;">Audit Committee Monday 26th March 2007</p> <p style="text-align: center;">Report from the Director of Finance and Corporate Resources</p>
For Action	Wards Affected: ALL
<p>Report Title: Joint Provision of Internal Audit Services</p>	

1 Summary

- 1.1 The purpose of this report is to advise the inaugural meeting of the Audit Committee of the Internal Audit arrangements for the Council. It also explains the background to the procurement of internal audit services from Deloitte and Touche Public Sector Internal Audit Ltd and how the in-house audit team will work in partnership with Deloitte to deliver the audit plan.

2 Recommendations

- 2.1 The Committee note the content of the report.

3 Detail

Background

- 3.1 The Local Government Act 1972 and the Accounts and Audit Regulations 2003 require the Council to have an internal audit function. The purpose of this function being to evaluate the control environment across the Council and report on the adequacy of those controls as a contribution to the economic, efficient and effective use of resources. Internal Audit is also a key feature of the Use of Resources part of the Comprehensive Performance Assessment and the Council's overall Corporate Governance arrangements.
- 3.2 The provision of internal audit services is changing from 1st April 2007. The Council has entered into a partnership arrangement with Deloitte and Touche following a joint procurement exercise with the London Boroughs of Ealing and Hammersmith and Fulham.

4 Detail

- 4.1 The procurement of internal audit services has been the subject of three previous reports to the Executive dated 10th April 2006¹, 17th July 2006² and 15th January 2007³. At its meeting of the 17th July 2007 the Executive gave approval for the award of a Framework Agreement to Deloitte and Touche for the provision of part of the Council's internal audit function following a joint procurement exercise with the London Boroughs of Ealing, Hammersmith and Fulham.
- 4.2 The reasons for joint procurement were set out fully in the previous reports to the Executive. By providing services to a consortium of Boroughs, the provider will be able to identify best practice across the boroughs and provide a more efficient internal audit service (those efficiencies are already built into the contract price).
- 4.3 The Core Internal Audit Services Framework is for the provision of some of the Council's internal audit service. The Council has retained a small core of three posts which will deliver part of the audit plan in partnership with Deloitte.
- 4.4 The Council expects the Internal Audit provider to:
- Drive organisational change to improve processes and service performance;
 - Ensure continuous improvement in terms of quality and efficiency;
 - Assist the Audit Committee to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;
 - To work with the Fraud Investigation Team and Risk Management teams to ensure a proactive approach to corporate governance issues;
 - To improve Intranet and Internet information resources to e-enable internal audit services;
 - To improve the reliance placed on internal audit work through the continuous revision and enhancement of joint-working protocols;
 - To improve the Comprehensive Performance Assessment ratings especially in relation to the Use of Resources; and
 - To work in conjunction with other internal departments to review and recommend enhancements to corporate governance arrangements in line with regulatory and statutory requirements.
- 4.5 The Council's Head of Audit and Investigation and Audit Manager will monitor Deloitte against these criteria together with additional performance criteria as set out in the contract, such as timeliness of reports, achievement of the audit plan etc.
- 4.6 The Audit Committee will also have a significant role in monitoring the performance and quality of the whole Internal Audit Service, including performance of Deloitte's.
- 4.7 The Head of Audit and Investigation, in conjunction with Deloitte's will produce a detailed annual audit plan for approval at the next meeting of this committee. A broad outline of this plan is set out in Appendix 1 to this report.

5 Financial Implications

5.1 There are no financial implications arising from this report.

6 Staffing Implications

6.1 There are no staffing implications arising from this report.

7 Legal Implications

7.1 There are no legal implications arising from this report.

8 Diversity Implications

8.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications.

9 Background Information

1. Report to the Executive from the Director of Finance and Corporate Resources: Joint Procurement of Internal Audit Services, 10th April 2006
2. Report to the Executive from the Director of Finance and Corporate Resources: Joint Procurement of Internal Audit Services, 17th July 2006
3. Report to the Executive from the Director of Finance and Corporate Resources: Joint Procurement of Internal Audit Services, 15th January 2007

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