

Report to: **Audit Committee**

Date: **21 March 2019**

Title: **Devon Audit Partnership – Non-Voting Partner**

Portfolio Area: **Finance – Cllr S Wright**

Wards Affected: **ALL**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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Recommendations:

To RECOMMEND to Council to:

- 1) join the Devon Audit Partnership as a Non-voting partner from 1st April 2019 (or as soon as is reasonably practicable thereafter)**
- 2) delegate the details of the Service Level Agreement (including terms of reference) to the Monitoring Officer and S151 Officer, in consultation with the Executive Member for Finance and the Chairman of the Audit Committee.**

1. Executive summary

- 1.1 The purpose of this report is to inform Members of the opportunity to join the Devon Audit Partnership from the new financial year, 2019/20, as a 'non-voting' partner.

2. Background

- 2.1 In 2014, South Hams District Council and West Devon Borough Council jointly procured the provision of management of the internal audit service. This followed the Councils' Joint Transformation Programme. The successful bidder was Devon Audit Partnership.
- 2.2 The Councils' currently procure 60 days of internal audit management time through the Devon Audit Partnership annually. A summary of the work undertaken is set out in Appendix A.
- 2.3 The Devon Audit Partnership currently provides internal audit services to the following Devon Councils:-
- Devon County Council
 - Plymouth City Council
 - Torbay Council
 - Torridge District Council
 - Mid Devon District Council

3. Outcomes/Outputs

- 3.1 The benefits of becoming a non-voting partner on the Devon Audit Partnership (DAP) are that it would provide:-
- A seat at the Management Board of DAP (which consists of the s151 Officers of the Councils in the Partnership)
 - A seat at the Partnership Committee of DAP (two Councillors would be invited from each Council, one is needed to be quorate – It is envisaged that this would be the Chairman and Deputy Chairman of the Audit Committee)
- 3.2 The 'non-voting' part means that the Council would not be able to vote on:
- The Partnership (DAP) budget
 - The Partnership (DAP) Accounts
 - Admitting new Partners to DAP

4. Options available and Consideration of Risk

- 4.1 There is an option to become a full partner, however the Councils' two internal audit staff would need to be TUPE transferred into the Partnership and be available to the Partnership to utilise on any of the audits of the Councils within the Devon Audit Partnership.

4.2 Being a full partner would also cost the Councils more money for the provision of internal audit services (as a day rate would need to be paid for staff within DAP and the day rate currently exceeds the salaries of having staff in-house). The Senior Leadership Team recommend that the Council retains this service in-house (therefore doesn't become a full partner of DAP), with only the management of the service being outsourced to the Devon Audit Partnership.

5. **Proposed Way Forward**

5.1 It is recommended to Council to join the Devon Audit Partnership as a Non-voting partner from 1st April 2019 (or as soon as is reasonably practicable).

5.2 Devon Audit Partnership bring a number of benefits to customers. DAP provide a local service with senior management support available on site and also access to a wider resource pool and specialist skills.

5.3 Devon Audit Partnership can provide greater resilience and a more effective service through:-

- Economies of scale
- Flexibility of resources
- Specialism and experience in local government
- Experience and expertise in delivering 'value added' work
- Professional standards
- Local presence
- The opportunity to share operational knowledge and best practice
- Access to a larger pool of specialist knowledge
- Opportunity for partnering
- Competitive cost per audit day

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	If the recommendation is approved, a legal agreement (the Service Level Agreement) will be prepared to reflect the 'non-voting partner' status.
Financial	Y	There will be no change in the annual amount paid to the Devon Audit Partnership as a result of becoming a 'non-voting partner'.
Risk	Y	There are no new risks that have been identified as a result of the Council joining the Partnership as a non-voting partner. The legal agreements will set out the service level agreement.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/a
Safeguarding	N	N/a
Community Safety, Crime and Disorder	N	N/a
Health, Safety and Wellbeing	N	N/a
Other implications	N	none

Background Papers

None

The below is a summary of the services provided by Devon Audit Partnership

The purpose of the Service is to provide "internal audit management" for the internal audit function at the Councils. This will include the following:-

- Acting as line manager for the two Specialist staff currently employed by SHDC and WDBC
- Liaise with the Strategic Finance Lead and S151 Officer over risk, control and governance issues.
- Audit Planning
 - Create a risk based 3/5 year plan
 - Update this plan regularly and translate it into an annual plan, considering emerging audit risks and impact on the annual audit plan;
 - Prepare the Internal Audit Charter in line with Public Sector Internal Audit Standards (as set out by the Chartered Institute of Public Finance and Accounting) (PSIAS) and present to the Audit Committee
 - Prepare an Internal Audit Strategy (in accordance with the PSIAS), setting out how the Audit Plan will be delivered;
- Audit Engagements
 - Match the appropriate Specialist auditor to individual audit engagements based on skills, and steer the scope of each audit.
 - Review the work of both Specialists to ensure professional standards (PSIAS) are upheld and the consistency of reports to clients and working papers (electronic or paper).

- Report progress to S.151 Officer/ Monitoring Officer;
 - Liaise over key issues and the risk, control and corporate governance with the S.151 and Monitoring Officers;
 - Liaise with external audit colleagues, and ensure a smooth and effective interaction between their work and the work of external audit.

- Audit Committee
 - Attend the Councils' Audit Committees (estimated at 5 meetings per year) for the following:
 - Approval of the Audit Plans, Charter and Strategy, including any amendments for emerging risks;
 - Progress against the plan (3 quarters) and Opinion summary of key issues from audit engagements;
 - Annual audit report and opinion on the effectiveness of internal control;
 - Annual review of the effectiveness of the system of internal audit;

- To oversee production of the:
 - Annual report to Committee on counter fraud arrangements;
 - Annual letter for Audit Committee Chairman /S.151 Officer to the external auditor;
 - Review of the Systems of Internal Control and produce the Annual Governance Statement;

- Equipment and Audit Management System
 - Provide suitable and effective audit management software (e.g. Mki) for use by the Specialists