

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**CORPORATE LEADERSHIP TEAM'S  
REPORT TO**

**Audit & Standards Committee**  
**05 February 2024**

**Report Title:** Future Delivery of the Internal Audit Service

**Submitted by:** Service Director for Finance (S151 Officer)

**Portfolios:** Corporate & Service Improvement, People & Partnerships and Finance, Town Centres and Growth

**Ward(s) affected:** All

<b><u>Purpose of the Report</u></b>	<b><u>Key Decision</u></b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
<p>Our current service contract is reaching the end of its term; and therefore, this report provides rationale as to the need for the service and informs the Audit and Standards Committee of the outcome of the tender process regarding the procurement of Internal Audit Service.</p>	
<p><b><u>Recommendation</u></b></p> <p><b>That Committee:</b></p> <ol style="list-style-type: none"> <li>1. Note the requirement of an Internal Audit Service.</li> <li>2. That the Committee notes the outcome of the procurement exercise to tender for an Internal Audit Service and Counter Fraud function provider.</li> </ol>	
<p><b><u>Reasons</u></b></p> <p>To continue to provide an Internal Audit Service provision together with fraud detection and prevention.</p> <p>The Accounts and Audit Regulations include the statutory requirement for the provision of an adequate and effective internal audit function. The Public Sector Internal Audit Standards (PSIAS) place a duty on Internal Audit to plan effectively to ensure it contributes to the Council's objectives at strategic and operational levels. Planning also enables Internal Audit to demonstrate that they are making the best use of available resources.</p>	

1. **Background**

1.1 The primary purpose of an Internal Audit service is to provide an independent, objective assurance and consulting service to the organisation; and through the efficient delivery of this service seeks to add value and improve the organisation's operations and controls to effectively deliver the council's Strategic Priorities. Internal Audit assists the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

1.2 The Public Sector Internal Audit Standards (PSIAS) apply to all internal audit service providers, whether in-house, shared services or outsourced. Assessment against the Standards provides assurance that the service is being delivered to a satisfactory level and in conformance to the standards.

1.3 In February 2019 the Council entered into a Service Level Agreement with Stoke-on-Trent City Council for the provision of management of the Council's Internal Audit activities, the internal audit team and the provision of the audit plan.

1.4 In addition to the Internal Audit management provision, the Council also entered into a Partnership Agreement with Stoke-on-Trent City Council to provide a full counter fraud service covering all types on non-benefit and corporate fraud, including the detection and investigation as well as work to prevent fraud and share learning coming out of its activities both within the partnership and more broadly.

## 2. **Issues**

2.1 The 3 year Internal Audit Service Level Agreement came to an end on the 31 March 2023 and required extending for 12 months in order to continue to provide the Internal Audit and Counter Fraud arrangements. This 12 month extension ends on 31 March 2024 and therefore requires re-tendering in order to ensure best value.

## 3. **Proposal**

3.1 Note the requirement of an Internal Audit Service.

3.2 That the Committee note the results of the procurement exercise to tender for an Internal Audit Service to provide the function.

## 4. **Reasons for Proposed Solution**

4.1 In conducting a procurement exercise the internal audit service provision will be maintained, the Council will be able to access skilled staff in respect of audit and fraud issues together with evidencing and achieving value for money.

## 5. **Options Considered**

5.1 The service arrangements with Stoke-on-Trent City Council have been going well however as the Council is in the fourth year of the three year agreement with the option to extend, it is prudent to test the market in order to evidence and achieve best value for money.

5.2 The procurement exercise was completed and had a closing date of 5 December 2023. The Council had a good response and received 6 tender submissions including a submission from the current provider.

5.3 The submission were scored based on 50% quality of service provision and 50% on costs.

5.4 The contract was offered to Staffordshire County Council on 8 January 2024 who will be commencing the service provision from 1 April 2024.

## 6. **Legal and Statutory Implications**

6.1 The Accounts and Audit (England) Regulations 2015, state that "A relevant authority [the Council] 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." (para 5(1)).

6.2 Section 151 of the Local Government Act 1972 states that every local authority should make arrangements *'for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'*. CIPFA has defined *'proper administration'* in that it should include *'compliance with the statutory requirements for accounting and internal audit'*.

6.3 The activities of Internal Audit are planned in accordance with the Accounts and Audit Regulations which place a duty upon the Chief Internal Auditor to report to members on a regular basis. By acting upon recommendations within internal audit reports, the council is demonstrating its commitment to maintain an adequate and effective system of internal control, as required by these regulations. Satisfactory delivery of the audit plan assists the Service Director for Finance (Section 151 Officer), in discharging her duties under section 151 of the Local Government Act 1972.

6.4 S9EA of the Local Government Act 2000 and the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012 permit the discharge of an authority's functions by another authority.

## 7. **Equality Impact Assessment**

7.1 There are no equality impact issues identified from the proposal.

## 8. **Financial and Resource Implications**

8.1 The cost of providing the Internal Audit and Counter Fraud function for 2024/25 is within the budget allocation.

8.2 The allocation of funds will continue to be made as part of the Council's Medium Term Financial Strategy due to the function being statutory in nature.

## 9. **Major Risks**

9.1 The key risk to be considered by not approving the tender of the Internal Audit Service is that the Council will not be fulfilling its statutory requirement of having an adequate and effective internal audit function as set out on the Accounts and Audit Regulations.

## 10. **UN Sustainable Development Goals and Climate Change Implications**

10.1 The Internal Audit and Counter Fraud Arrangement supports UNSG and Climate Change objectives in a number of ways. Principally, through partnership working and supporting sustainable cities and communities via the correct use of public monies. The following UNSGs are supported.



## 11. **Key Decision Information**

11.1 The contract value of over £100,000 each makes this a key decision item.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Approval to complete a procurement exercise and award a contract was provided at the Cabinet meeting on the 7 November 2023.

13. **List of Appendices**

13.1 None.

14. **Background Papers**

14.1 None.