

Report to: Audit Committee
Date of meeting: 16 March 2011
Report of: Head of Strategic Finance
Title: Internal Audit Future Arrangements

1.0 **SUMMARY**

1.1 This report provides a preliminary report regarding the provision of an internal audit service.

2.0 **RECOMMENDATIONS**

2.1 The Audit Committee is requested to approve:

2.1.1 That one of the current 3 audit staff be appointed as an interim manager in the short term.

2.1.2 That options for the provision of a fully resourced audit service continue to be explored and a report be made to the next meeting of this committee.

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3.0 Detailed Proposals

3.1 Attached at **Appendix A** is a report submitted to the Shared Services Joint Committee on 7th March which provides information regarding the internal audit service.

3.1.2 In essence the current internal audit manager, Barry Austin, is retiring after a long and distinguished career. I am sure the Audit Committee wish him a long, healthy and wealthy retirement.

3.1.3 As a consequence, the opportunity has been taken to review how the service might be provided in the future and includes outsourcing, a shared service with other local authorities, or buying in a percentage of management time in substitution for the current full time management resource. The current status quo is not seen to be an option as, benchmarking data suggests, the current service is too expensive (and must be judged against service efficiencies required across both councils).

3.1.4 A conclusion has not been reached at this stage (see detail at Appendix A) and an interim arrangement needs to be put in place in the meanwhile.

3.1.5 Earlier on the Agenda of the Committee (Item 11) an audit plan for 2011/2012 will have been considered. It should be considered provisional at this time as further efficiencies from the service are being considered and may result in the number of currently anticipated 'days' being reduced. This will be revisited at the Audit Committee meeting on 30th June 2011.

3.1.6 One minor issue with regard to the report at Agenda Item 11 and the report at Appendix A, and that relates to the proposed Audit Plan for 2011/2012. In the report to the Joint Committee on 7th March there is reference to the total days being 475 across both authorities. The report earlier on the Agenda at Item 11 refers to the total being 510 days. The Audit manager will be able to clarify the apparent difference at the Audit Committee meeting.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Head of Strategic Finance comments that the proposals within the attached report seek to make financial efficiencies which are essential to help meet current central government grant reductions. Should these savings not be realised then further efficiencies from front line services would be probable. The savings referred to within Appendix A have been reflected (proportionately) within the 2011/2012 Revenue Budgets of both councils.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Property Services comments that there are no direct legal implications arising out of this report.

4.3 **Potential Risks**

4.3.1

Potential Risk Score	Likelihood	Impact	Overall
<i>A deterioration in the effectiveness of internal audit could increase the likelihood of fraud and inefficiency. External Audit also rely upon a suitably resourced internal service in determining its level of fees for any financial year.</i>	2	3	6