



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Governance and Audit Committee

29 September 2021

Report of: Councillor Adam Stokes

Cabinet Member for Finance and
Resources



Appointment of Internal Auditors

In accordance with the terms of reference, Governance and Audit Committee is asked to approve the appointment of Assurance Lincolnshire as the Council's internal auditors.

Report Author

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Corporate Priority:	Decision type:	Wards:
High Performing Council	Administrative	All Wards

Reviewed by:	Alison Hall-Wright, Head of Finance	10 September 2021
Approved by:	Alan Robinson, Deputy Chief Executive	21 September 2021
Signed off by:	Councillor Adam Stokes, Cabinet Member for Finance and Resources	21 September 2021

Recommendation (s) to the decision maker (s)

- Governance and Audit Committee is asked to approve the appointment of Assurance Lincolnshire as the Council's internal auditors with effect from 1 April 2022 for a period of five years.**

1 The Background to the Report

- 1.1 The internal audit function is an integral element of the Council's overall risk management and control arrangements. For a number of years the Council has procured audit services from external providers due to the required level of expertise and resource required to deliver the Council's annual audit requirements.
- 1.2 The current contract is with RSM and has been in place since 1 April 2016 (for a period of five years with the option to extend up to a further two years) at an annual cost of £59k. The Council agreed a one year extension to the contract which is due to expire on 31 March 2022.
- 1.3 As part of the preparatory work, and in order to ensure a seamless transfer of internal audit services, the Council has been consulting with other providers to explore new opportunities to procure audit services.
- 1.4 Assurance Lincolnshire (AL) which is hosted by Lincolnshire County Council provides quality audit services to a wide range of local councils including:
 - Lincolnshire County Council
 - North Kesteven District Council
 - East Lindsey District Council
 - West Lindsey District Council
 - Boston Borough Council
 - Gainsborough Town Council
 - Newark and Sherwood District Council
 - South Holland District Council (key control testing)
- 1.5 Appendix A provides a summary of the range of services that AL will be providing the Council drawing on their expertise and specific specialisms as public sector internal audit providers. The Council will be able to benefit from the experience that AL have working with the public sector family but also the arrangement will enable the Council to participate and share best practice from other local authorities thus adding value beyond internal audit activities.
- 1.6 AL recognise the important role the Committee undertakes as part of the overall governance framework and will take an active role in supporting the Committee as required. AL has also confirmed they are flexible in how reports are prepared and presented in order to ensure members get the maximum support and advice throughout the contract period.
- 1.7 It is proposed that both parties enter into a formal Agreement that will cover the obligations and responsibilities of both the Council and AL over the term of the five year period. This Agreement has been compiled by Procurement Lincolnshire and is the same Agreement that is in place with all other partners.
- 1.8 Appendix B provides an example of AL's Combined Assurance Statement Report (in this case it is the report for Lincolnshire County Council) which provides a structured means of identifying and mapping the main sources and types of assurance within a council and coordinating them to best effect.

1.9 Officers have undertaken an analysis of the work undertaken by AL from both a cost and quality perspective. This analysis has confirmed that the Council will receive a quality service from AL from a team that is highly experienced and fully aware of the challenges local authorities are facing.

1.10 From a procurement perspective it is confirmed that the Council can directly procure the services without a formal competitive process as AL is a shared service and not a trading entity. This will ensure the Council does not incur unnecessary costs in procurement activity. The Council will procure the audit services within the established budgets and therefore there will not be financial impact upon this proposal.

2 Consultation and Feedback Received, Including Overview and Scrutiny

2.1 N/a

3 Available Options Considered

3.1 Other options available are:

- Extend contract for a further one year period – this will be the final year of the current contract and no further extensions will be available. Therefore the Authority will still to seek a new internal audit service arrangement. This proposal is bringing forward a proposal.
- Undertake a market procurement process – this is a viable proposal but there are costs and officer time that would be incurred and no evidence that that the market will respond positively. The proposal set out in the report enables a cost efficient and seamless transfer to a local authority hosted service that has a strong track record of providing a quality service to a range of other local authority customers.
- Bring the service in-house – this is not seen as a viable option as the Authority does not have the necessary staffing resource to provide a quality internal audit service and would need to recruit to acquire the necessary skills. This would still leave the Authority exposed to resilience and capacity difficulties if a small team was established. This risk is mitigated if the option proposed in this report.

4 Preferred Option

4.1 The proposed option is set out in the recommendation for the reasons set out in the report.

5 Reasons for the Recommendation (s)

5.1 The reasons are set out in the report.

6 Next Steps – Communication and Implementation of the Decision

6.1 Should the recommendation be approved by the Committee, then officers will work on a migration plan with both RSM and Assurance Lincolnshire to ensure a seamless transfer between the remainder of 2021/22 and the commencement of the partnership from 2022/23.

7 Financial Implications

7.1 There is no budgetary impact of the proposal as the cost will be met from established budget levels.

Financial Implications reviewed by: Richard Wyles, Assistant Director of Finance and s151 Officer

8 Legal and Governance Implications

8.1 There are no legal and governance implications arising which are not already referred to in the body of the report.

Legal Implications reviewed by: Graham Watts, Deputy Monitoring Officer

9 Equality and Safeguarding Implications

9.1 None.

10 Risk and Mitigation

10.1 These are contained within the report where appropriate.

11 Community Safety Implications

11.1 None.

12 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?

12.1 The recommendation will have a neutral effect on the Council's declaration of a climate emergency.

13 Other Implications (where significant)

13.1 None.

14 Background Papers

14.1 None.

15 Appendices

15.1 Appendix A: Assurance Lincolnshire – Provision of Internal Audit Services Overview

15.2 Appendix B: Combined Assurance Status Report 2020/21