

Report to: **Audit Committee**

Date: **23rd July 2020**

Title: **Devon Audit Partnership – Non-voting partner**

Portfolio Area: **Internal Audit – Cllr J Pearce**

Wards Affected: **ALL**

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

Date next steps can be taken: **N/A**

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Recommendations:

That the Audit Committee endorse the continued membership of the Devon Audit Partnership as a non-voting member.

1. Executive summary

- 1.1 Members of the Audit Committee requested if a report could be brought to Members outlining the benefits and impacts of being a 'non-voting' partner of the Devon Audit Partnership, in comparison to being a "full" partner.

2. Background

- 2.1 In 2014, South Hams District Council and West Devon Borough Council (the Councils) 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. This arrangement worked well and the Councils then explored the possibility to join the Partnership.
- 2.2 At a meeting of the Audit Committee on 21 March 2019 (and subsequently Council), it was agreed to join the Devon Audit Partnership as a Non-voting partner from 1st April 2019.
- 2.3 The option to become a full partner was considered, however the Councils' two internal audit staff would need to be TUPE transferred into the Devon Audit Partnership and be available to the Partnership to utilise on any of the audits of the Councils within the Devon Audit Partnership. The Councils also did not want to lose the knowledge and expertise built up by the Councils' two internal audit staff on the processes and procedures at South Hams and West Devon and to retain continuity of the internal audit staffing provision.
- 2.4 It was identified that being a full partner would 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).
- 2.5 Instead the Councils voted to become a non-voting partner on the Devon Audit Partnership (DAP); this provides:-
- 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 are invited from each Council to the Partnership Committee)
- 2.6 However, being a 'non-voting' partner means that the Council is unable to vote on:
- The Partnership (DAP) budget
 - The Partnership (DAP) Accounts
 - Admitting new Partners to the Devon Audit Partnership

3. Current position

- 3.1 The current non-voting membership of DAP has worked well. The S151 Officer has a seat at the DAP Management Board and is able to influence the direction of the Partnership and shape the delivery of internal audit and other assurance services.

3.2 Members (from both South Hams and West Devon) are invited to attend (and have attended) the DAP Partnership Committee, receiving reports on the performance and direction of DAP and have helped shape its future.

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 extra cost would be around £5,000 to £8,000 per annum. Budgets are already under pressure from the impact of Covid19 on all Councils nationally.

4.3 As a non-voting partner the Councils enjoy the majority of benefits that partnership working brings;

- Access to wider DAP skills
- Access to a wider audit team should one of the auditors fall ill (albeit at extra cost)
- Ability to shape the direction of DAP and the internal audit service (but not vote)
- Dedicated internal audit staff to South Hams (and West Devon)

4.4 Being a full partner does bring benefits (but it is also more expensive by around £5,000 to £8,000):-

- Being able to vote on key DAP decisions
- Share of surpluses should they arise (but also possible share of losses)
- Potentially greater resilience in covering for absence of our auditors
- Potential for our staff to further develop by completing audits in other organisations (e.g. Devon County Council, Unitaries etc.)

4.5 It is recommended that the Council remains a 'non-voting' partner of DAP, which is the most cost-effective model, with only the management of the service being outsourced to the Devon Audit Partnership.

4.6 If the Council were to move to 'full partner status', this would also require the approval of West Devon Borough Council, due to the fact that the internal audit staff are part of the Councils' shared workforce.

5. **Proposed Way Forward**

- 5.1 It is recommended that the Council retains the internal audit service in-house and remains a 'non-voting' partner of DAP.
- 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
- 5.4 By being a 'non-voting' partner, South Hams and West Devon Councils can access these benefits, without the additional cost.
- 5.5 The amount paid to the Devon Audit Partnership is currently £17,900 for the financial year (SHDC share).

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Council is required to have an internal audit function. An annual Service Level Agreement is signed to reflect the 'non-voting partner' status.
Financial implications to include reference to value for money	Y	There are no financial implications if the Council's 'non-voting partner' status is retained.
Risk	Y	There are no new risks from continuing with the current arrangements. An annual service level agreement is signed with the Devon Audit Partnership.
Supporting Corporate Strategy		The internal audit process supports all six of the Corporate Strategy Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.
Climate Change – Carbon / Biodiversity Impact		None directly arising from this report.
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

Audit Committee – 21st March 2019 – Devon Audit Partnership
Non –voting partner

Appendix A – Services provided by DAP

APPENDIX A

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

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 Corporate Director for Strategic Finance (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 Officer and Monitoring Officer;
 - 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