

Proposal:

Provision of Internal Audit Services Arun District Council



Southern Internal Audit Partnership

Assurance through excellence
and innovation

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1. Background & Context

The Southern Internal Audit Partnership (SIAP) was established in 2012. The Partnership is hosted by Hampshire County Council and is one of the largest providers of public sector internal audit in the region, employing approx. 50 audit professionals and delivering approximately 8,000 audit days across a diverse portfolio of 28 public sector organisations (Appendix 1).

The SIAP brings together the professional discipline of internal audit, pooling expertise and enabling a flexible, responsive and resilient service to our partner and client portfolio. To provide optimum benefits to our partners and clients, we work with management to improve their control environment, assisting in the achievement of their objectives. This is reflected through our *'Vision'* of:

'A collaborative Partnership delivering an innovative, customer focused service aligned to business needs and improved outcomes'

Our core values underpin the way we deliver our vision.



Customer focus – to remain aware of the needs and requirements of all of our stakeholders in providing the optimum customer experience.

Working together – to build trust, develop common understanding and take collective action to improve our service.

Improvement & innovation – to be a modern and motivated organisation providing an efficient, cost effective and value adding service.

Valuing all – to treat all colleagues and customers with respect and understanding, valuing equality and diversity in all of our pursuits.

Quality – at the heart of everything we do. Our measure of quality is customer satisfaction and our goal is to provide a service that meets or exceeds those expectations.

2. Services

To enable effective outcomes, the SIAP provide a combination of assurance and consulting activities. Assurance work involves assessing how well systems and processes are designed and operating, with consulting activities available to help improve those systems and processes where necessary.

Value for Money: examination of an organisation’s activities to assess economy, efficiency and effectiveness.

Developing Systems: systems under development assessed to identify potential weaknesses in control and risk management.

IT: our IT auditors are experienced in covering all aspects of established and emerging technologies.

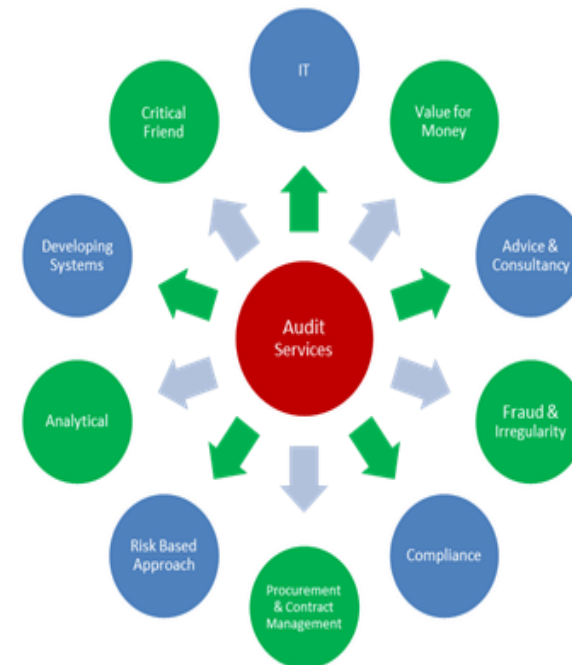
Fraud and Irregularity: we have a team of trained fraud specialists who carry out a range of reactive investigations and proactive fraud work as required by our customers.

Procurement & Contract Management: experienced in procurement and contract audit of complex capital projects and revenue contracts.

Risk Based Audit: risks and controls associated with the achievement of defined business objectives are identified, and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of management's objectives.

Analytics: analytical skills of the Southern Internal Audit Partnership used to support key aspects of organisational activities.

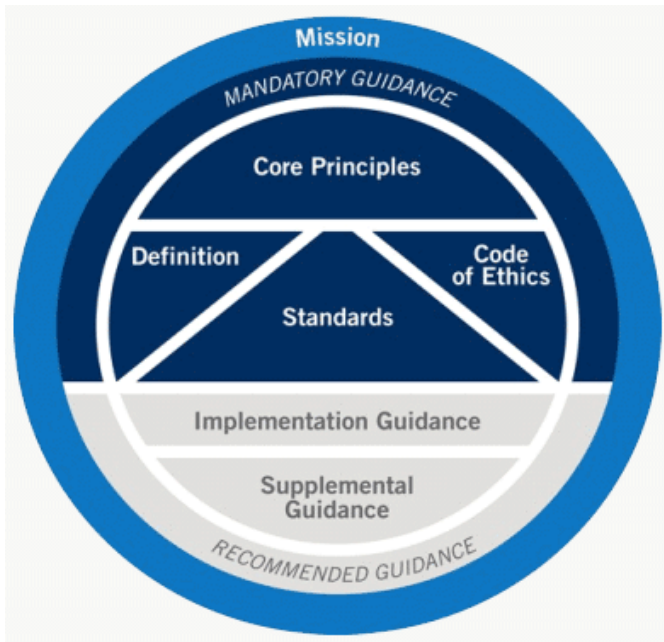
Consultancy & Advisory: provided through formal review and reporting or more informally through discussion, on the framework of control, risk and governance.



3. Quality

Our measure of quality is customer satisfaction and our goal is to provide a service that meets or exceeds those expectations. We aim to provide a service that remains responsive to the needs of our customers and maintains consistently high standards. Our most recent stakeholder survey (Audit Committee, Chief Executives, Directors, Key audit contacts) demonstrated an average client satisfaction level of 98% across all Partners.

Professional Standards – the SIAP have been externally assessed as compliant with the Public Sector Internal Audit Standards. In September 2020 the Institute of Internal Auditors were commissioned to complete an external assessment of the SIAP.



The assessment included review of a wide range of documentary evidence; interviews and surveys with representative stakeholders (including Chief Executives, Audit Chairs and S151 Officers) across existing partnering organisations in addition to members of the SIAP staff.

In considering all sources of evidence the External Assessment Team concluded:

‘The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.’

4. Working with our Partners

For Partnering organisations, a Strategic Lead will be allocated from the SIAPs Senior Management Team who will assume the Chief Internal Auditor role for the organisation. They will be supported by one of our Audit Managers who will be responsible for the day-to-day delivery of the internal audit plan. This arrangement provides a continuity of engagement for the organisation and an ability for SIAP to build an understanding of the Council's strategic and cultural objectives, values, governance, and risk.

The delivery of the internal audit plan will be undertaken through our multidisciplinary pool of auditors, all of which are appropriately qualified with a wealth of experience of auditing in a local government environment. As the need requires our specialist IT and Counter Fraud teams will fulfil work in specialist areas.

Over the last 18 months we have necessarily adapted our operating model to enable new and effective ways of working virtually, minimising the necessity of an onsite presence, and increasing the agility and timeliness of our audit reviews.

It is fully intended that as restrictions lift, we will look to retain the technological advancements in our use of collaboration software such as Teams and Zoom to optimise our service offering.



5. Ways of engaging with the Southern Internal Audit Partnership

Our current portfolio of clients engage with the SIAP either through on-boarding as a key stakeholder through accession to the Partnership Agreement or on a fixed term contractual basis. The form of engagement is at the discretion of the organisation and their individual needs and requirements.

Partnering (Key Stakeholder)

Local Authorities - the Southern Internal Audit Partnership is constituted under S101 (5) of the Local Government Act 1972. As such those Local Authorities joining the Partnership do so as a 'discharge of function' and therefore negate the requirement to undergo costly and resource intensive procurement / tendering exercises.

The underlying Partnership Agreement was refreshed in February 2018. Any accession to the Agreement requires an initial five-year commitment after which the Agreement runs in perpetuity. Should any organisation wish to withdraw from the Agreement following the initial five-year period or at any time in the future it may do so by serving 12 months written notice.



Partnering Governance - the governance of the SIAP affords each participating organisation membership of the Key Stakeholders Board. The Board meets bi-annually (minimum) and is constituted by each organisation's S151 officer (or representative), providing the opportunity to engage in performance reporting, business planning, resourcing, updates, and future direction of the Partnership. An overview of the governance structure is provided at Appendix 3.

An analysis of the benefits and risks associated with the option to 'partner' with the Southern Internal Audit Partnership are set out in Appendix 4.

Contracting



Whilst all local authorities that have joined the Southern Internal Audit Partnership have done so through the above ‘discharge of function’ we do have a number of clients that engage by way of a contract as part of a formal tender procedure for which the SIAP have submitted proposals and been assessed and awarded works against an open field of providers. Clients can also commission one off, individual reviews or a programme of work as required.

Typically, contracts are of a fixed term nature (generally three years with the option to extend for a further two). Due to the short(er) term nature of the arrangements the SIAP’s rates are indicatively higher than those experienced by our ‘partners’. This is partly to contribute to the risk of increasing capacity for a fixed term arrangement and further to contribute to our own costs of compiling tender submissions and managing client / contractor relationships.

An overview of benefits and risks associated with the option to ‘contract’ with the Southern Internal Audit Partnership are set out in Appendix 5.

6. Costing

The Southern Internal Audit Partnership charge against an agreed commitment of audit days (as per the Accession Agreement / contract) using a composite day rate.

The composite day rate is valid for all internal audit activity agreed as in scope i.e. if IT audit and fraud and irregularity audits are included as part of the audit needs to be delivered by the SIAP, these will be charged at the composite rate. If, however, such provision is excluded from the accession, it can still be commissioned from the SIAP, however, this will be charged at our professional rate for specialist services.



There is provision as a partner to flex agreed audit days to meet business needs i.e., if there is agreed provision of 400 days and in year one 430 days are required, there will be no additional charge to the partner organisation as long as parity is restored over a three-year period i.e. 385 days in years two and three. If this cannot be achieved within the three-year period, the standard day rate of £350 will be charged for excess days provided. There will always be an opportunity to increase/ decrease audit days through appropriate governance routes within the Partnership Agreement.

In accordance with the partnership agreement the composite rate will be reviewed annually and any increase over the previous year shall be calculated based on pay costs (National Pay Awards). The rate will be formalised with a fee letter.

Partnership Rates

Indicative composite day rate	£325
Additional standard audit day rate	£350
Additional specialist audit day rate (IT / Fraud)	£400

The above table reflects 2020-21 day rates and are subject to annual review

Contract Rates

Contract rates, should this be a desired direction of travel, will be discussed and agreed on an individual basis or submitted as part of a formal tender exercise (as a guide these should be expected to be approx. 20% - 25% higher than the composite partnership day rate).

7. References

To assist in your process of ‘due diligence’ a list of referees are included from across our local authority partners.

Organisation	Contact	Designation	Email
West Sussex County Council	Katharine Eberhart	Director of Finance & Support Services	Katharine.Eberhart@westsussex.gov.uk
Hampshire County Council	Carolyn Williamson	Chief Executive	Carolyn.williamson@hants.gov.uk
East Hants District Council & Havant Borough Council	Gill Kneller Lidia Morrison	Chief Executive S151 Chief Finance Officer	Gill.Kneller@easthants.gov.uk Lydia.Morrison@easthants.gov.uk
Mole Valley District Council	Nick Gray	Director of Finance & Deputy Chief Executive	Nick.gray@molevalley.gov.uk

8. Conclusion

The Southern Internal Audit Partnership would welcome the opportunity of working with colleagues at Arun District Council in the future provision of their internal audit services and in forming a mutually beneficial collaboration to meet both immediate and future challenges.

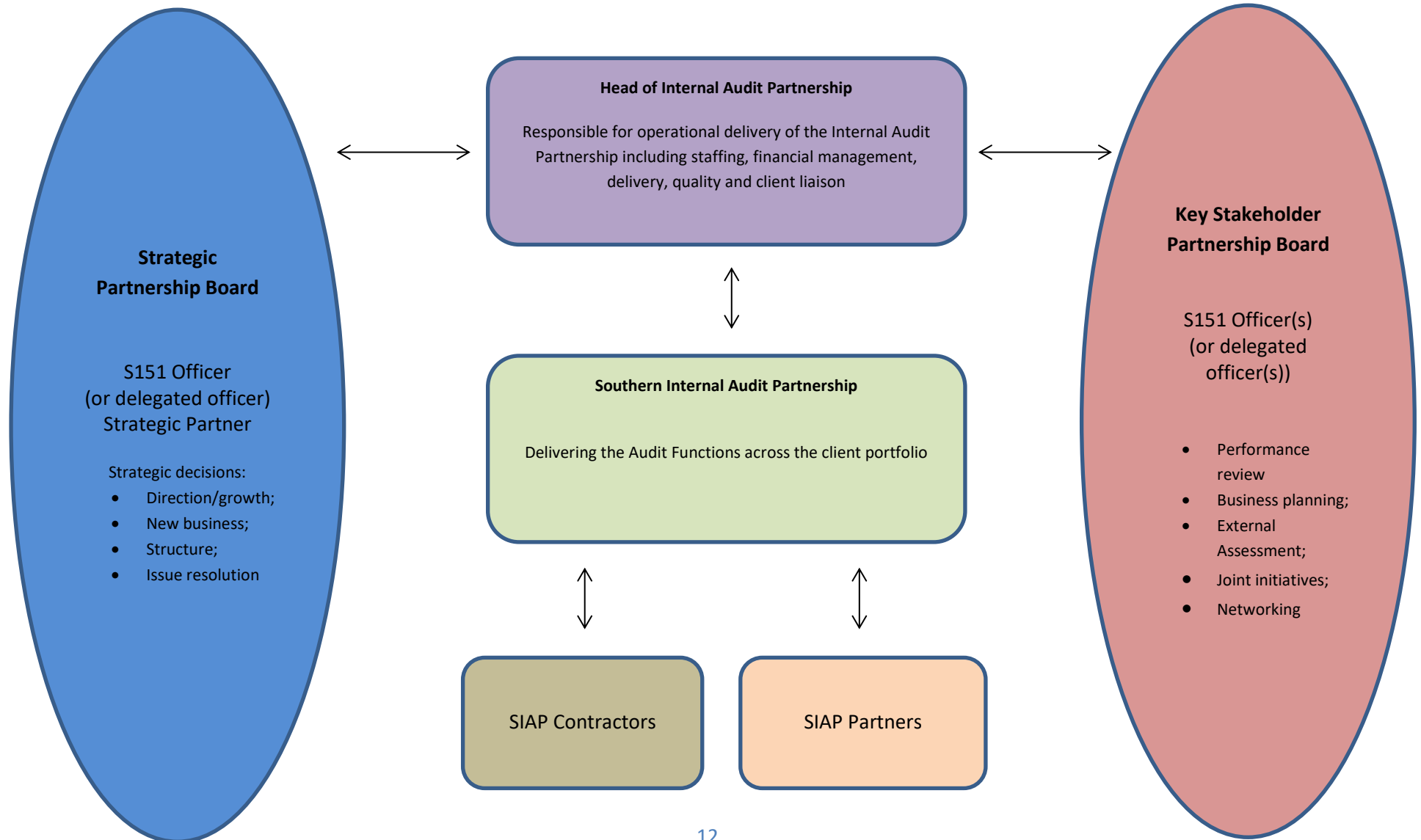
Should you require any additional information to further inform your future direction of travel please do not hesitate to contact Neil Pitman, Head of Southern Internal Audit Partnership (neil.pitman@hants.gov.uk).

Appendix 1

Southern Internal Audit Partnership Portfolio

Strategic Partner	Key Stakeholder Partners	Contracted Clients
<ul style="list-style-type: none"> • Hampshire County Council 	<ul style="list-style-type: none"> • West Sussex County Council • Havant Borough Council • East Hampshire District Council • Winchester City Council • New Forest District Council • Mole Valley District Council • Reigate & Banstead Borough Council • Tandridge District Council • Epsom & Ewell Borough Council • Hampshire & IOW Fire & Rescue Service • West Sussex Fire & Rescue Authority • Hampshire Office Police & Crime Commissioner • Hampshire Constabulary • Sussex Office Police & Crime Commissioner • Sussex Police Force • Surrey Office Police & Crime Commissioner • Surrey Police Force • New Forest National Park Authority 	<ul style="list-style-type: none"> • Waverley Borough Council • Hampshire Pension Fund • West Sussex Pension Fund • Highbury College • Isle of Wight College • Portsmouth College • Lymington & Pennington Town Council • Ringwood Town Council • Chichester Harbour Authority

Southern Internal Audit Partnership - Governance Structure



Benefits / Risks of Partnering with the SIAP

Benefits	Risks
<ul style="list-style-type: none"> ● No resource intensive and costly tendering ● High level of sector experience / knowledge ● Cost - lower rates as Not for Profit & longer term commitment ● Public Sector to Public Sector relationship ● Shared best practice ● Specialist auditors (fraud / IT at composite rate*) ● Resilience / capacity ● Compliant with Standards ● Independent ● Fresh approach ● Flexibility ● Fully trained / qualified workforce ● Effective and inclusive governance arrangements ● Budget assurances – through ability to flex day requirements in year to meet business need (parity to be restored over the course of three years) ● Networking with peers ● Shared training opportunities (Members) ● Advisory / consultancy services ● Receipt of quarterly information bulletin ● Industry / sector insight 	<ul style="list-style-type: none"> ● Some initial dilution of local knowledge (applicable to any new provider) ● Business acceptance (applicable to any new provider)

Appendix 4

Benefits / Risks of Contracting with the SIAP

Benefits	Risks
<ul style="list-style-type: none"> ● Competitive rate ● Specialist auditors ● Resilience / capacity ● Compliant with Standards ● Independent ● Fresh approach ● High level of sector experience/ knowledge ● Fully trained / qualified workforce ● Availability of advisory / consultancy services ● Ability to formally test the market ● Shorter term agreement should the service not meet organisational needs* 	<ul style="list-style-type: none"> ● Resource intensive and costly procurement process ● Some initial dilution of local knowledge (applicable to any new provider) ● Business acceptance (applicable to any new provider) ● Day rates will be greater than those available in the partnering model ● Reduced ability to flex audit resource at no additional cost over financial years ● Requirement for client-side administration