

Report To: Cabinet

Date of Meeting: 5 June 2023

Report Title: Internal Audit Arrangements 2023-24

Report By: Kit Wheeler
Chief Finance Officer

Key Decision: Yes

Classification: Open

Purpose of Report

To consider the Interim arrangements for Internal Audit Services for Hastings Borough Council in 2023-24

Recommendations

- 1) Cabinet approves that the Orbis partnership is procured to provide the management of the Internal Audit Services for the 2023/24 Financial year with immediate effect and delegated decision to Chief Legal Officer to enter into agreement on behalf of Hastings Borough Council.**
- 2) Cabinet approves that a service review of the Internal Audit Team is undertaken with a subsequent report to be brought back to Cabinet with recommendations for new arrangements to be in place by 1st April 2024.**

Reasons for Recommendations

1. Following the retirement of the long-standing Chief Auditor in April 2023 from Hastings Borough Council, the Internal Audit team will now undergo a service review.
2. Given the key role that Internal Audit plays in providing independent, objective assurance advice that adds value to, and improves an organisations operation, it is imperative that a fully resourced and experienced Audit team is in place for the 2023-24 financial year.
3. However, the timescales for looking at the longer-term options will mean that the team will be under resourced for a period of time that is considered unacceptable given the current risks to the organisation and therefore an interim solution is required with immediate effect.
4. Therefore, on an initial interim basis for the 2023-24 financial year it is recommended that Hastings Borough Council enters into an agreement with the Orbis Partnership (which currently includes East Sussex County Council, Surrey County Council, Brighton and Hove City Council and Horsham District Council) to provide Internal Audit Services for Hastings Borough Council.
5. The two current members of the Internal Audit team will continue to provide the 'local' service whilst being supervised and overseen by the Orbis Partnership management Team. This will then allow a service review to be completed and future option analysis to be developed and agreed.
6. The partnership will act as an advisor to the Council and provide the necessary experience and supervision required for this financial year whilst also assisting with the implementation plan for the agreed changes highlighted in the Value for Money Audit report 2020-21. The report was presented by the Councils External Auditors Grant Thornton at Audit Committee on 12th January 2023 and made a number of recommendations.
7. The transfer of the management of the Internal Audit Services to Orbis will allow the service to improve resilience, give the Council access to further audit specialisms and allow the service to be benchmarked from specialists the Council could not afford in operating alone for this financial year.
8. As part of the Councils ongoing commitment to training staff and Councillors, Orbis will also provide in house training for the Audit Committee, Councillors and Senior Leadership Team in order for them to better understand the role of the Audit Committee itself, as well as the role of the Internal Audit Team.

Introduction

9. The Internal audit function supports the organisation in achieving its objectives by bringing a systematic, disciplined approach to the assessment and improvement of the organisation's risk management, control, and governance processes.
10. The *Public Sector Internal Audit Standards*, which apply the Chartered Institute of Internal Auditors' international standards to the UK public sector, set out a range of attributes that define and govern the role of the internal audit function.
11. Table 1 Summarises these attributes.

Purpose, authority and responsibility	The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter.
	The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.
	The mandatory nature of the standards must be recognised in the internal audit charter. The chief audit executive should discuss these standards with senior management and the board.
Independence and objectivity	The internal audit activity must be independent and internal auditors must be objective in performing their work.
	The chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity.
	The chief audit executive must communicate and interact directly with the board.
	Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.
	If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties.
Proficiency and due professional care	Engagements must be performed with proficiency and due professional care.
	Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities.
	Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor.
	Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.
Quality assurance and improvement programme	The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.
	The quality assurance and improvement programme must include both internal and external assessments.
	The chief audit executive must communicate the results of the quality assurance and improvement programme to senior management and the board.

Legal Impact & Responsibilities

12. For Internal Audit the basis of the relationship with Orbis would be one of customer and supplier. It is likely the Council will do this by using Section 101 of the LGA 1972.
13. This section of the Act allows a local authority to discharge any of its functions by another local authority and through Section 1 of the LA (Goods and Services) Act 1970, where a local authority can enter into an agreement for the provision by another local authority of any administrative or professional services.
14. The agreement would be between Hastings Borough Council and one of the partner authorities e.g. East Sussex County Council. We would expect the agreement would reference that a named Head of Internal Audit was responsible for carrying out functions on behalf of and therefore accountable to Hastings Borough Council and attendance at all Audit Committee meetings.
15. The Hastings Borough Council Chief Auditor is required to give an annual opinion to the Authority, on the adequacy and effectiveness of the Authority's risk management, control, and governance processes (The Annual Report and Opinion).
16. This assurance is required in support of the Section 151 Officers responsibilities under the Local Government Act 1972 as the statutory Section 151 Officer to the Authority, which require the Section 151 Officer to make arrangements for the proper administration of the Authority's financial affairs.
17. This assurance is also required in support of the Monitoring Officers responsibility for reviewing annually the effectiveness of, compliance with, the Authority's Local Code of Corporate Governance.

Financial Impact

18. It is anticipated that the agreement will not result in any additional cost to the Council and the savings from the vacant post of the Chief Auditor will cover any additional costs of the Orbis arrangement.
19. The budget for 2023/24 will remain at £245,500.
20. Once the review of Internal Audit has been concluded then a further paper will be brought back to Cabinet for approval regarding the long-term arrangements from April 2024 onwards.
21. Given the financial position the Council finds itself in, it is not anticipated at this stage that any future changes will result in additional costs to Hastings Borough Council, and it will be the aim of the review to identify efficiency and cashable savings within the Internal Audit Team.

Timetable of Next Steps

Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
SLT	Agree Report and Recommendations	9 th May 2023	Chief Finance Officer
CAP	Agree Report and Recommendations	23 rd May 2023	Chief Finance Officer / Lead Member for Finance
Cabinet	Approve Report and Recommendations	5 th June 2023	Chief Finance Officer / Lead Member for Finance

Wards Affected

All

Policy Implications

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues & Climate Change	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	Yes
Local People's Views	No
Anti-Poverty	No
Legal	No

Additional Information

Officer to Contact

Kit Wheeler

kit.wheeler@hastings.gov.uk