

Integration Joint Board

Date of Meeting: 29 November 2023

Title of Report: Internal Audit Contract

Presented by: Chair Audit & Risk Committee

The Integration Joint Board is asked to:

- Consider the contents of this report and note that the Audit & Risk Committee endorsed the recommendation to extend the current Internal Audit Contract.
- Approve the extension of the Internal Audit Contract with the Argyll & Bute Council Internal Audit Service for a period of 3 years from 1 April 2024 to 31 March 2027.

1. EXECUTIVE SUMMARY

1.1 The IJB is required to have an internal audit service in place. Following a competitive tender exercise, the Argyll & Bute Council Internal Audit Service were appointed by the IJB as its internal auditor for a period of three years from 1 April 2021 to 31 March 2024.

1.2 The Internal Audit Service is a critical aspect of the governance and assurance framework. The service is independent of management and therefore the Audit & Risk Committee is expected to ensure that appropriate arrangements are in place. This matter was considered by the Audit & Risk Committee at its meeting in September 2023 and it recommends that the existing service is extended for three years from 1 April 2024 to 31 March 2027. The rationale for this approach is outlined in the report. The Audit & Risk Committee recommends that a competitive tender exercise is conducted upon conclusion of this extension period.

2. INTRODUCTION

2.1 This report outlines the options for securing an internal audit service from 1 April 2024 and recommends an extension of the existing arrangement for three years. It also confirms the costs, level of audit resource available and provides assurance on the value for money aspect of the proposal.

3. DETAIL OF REPORT

3.1 The IJB is required to have an independent internal audit service in place. The current internal audit service is provided by the Argyll & Bute Council Internal Audit Service. They were appointed for 3 years, following a competitive procurement process, from 1 April 2021 to 31 March 2024.

3.2 The internal audit service is a key part of the governance, control and assurance framework. For it to be effective, the service is required to be independent of management. The main objective of internal audit is to provide a high quality, independent audit service to the IJB which provides annual assurances in relation to internal controls and overall governance arrangements. In addition to this primary assurance role, internal audit also support the Head of Finance (Section 95 Officer) and the Audit & Risk Committee in the discharge of their duties, provide guidance on control implications for new systems or process and support the IJB and the Senior Leadership Team during key transformational / change projects.

3.3 The Public Sector Internal Audit Standard (PSIAS) set out the requirements of the service and the role of the Chief Internal Auditor (CIA). This includes requirements to prepare a risk-based audit plan which takes into account the IJB's strategic objectives, associated risks and the views of senior management and the Committee. It is a requirement that the service should be fully compliant with these standards.

3.4 Options

The options considered by the Audit & Risk Committee were to:

1. Extend the current contract; or
2. Conduct a re-tendering exercise using an appropriate public sector procurement framework.

3.5 Extend Current Contract

It was agreed that an appropriate extension would be for a period of three years as this allows for a strategic, risk based approach to audit planning and coverage. The Chief Internal Auditor has indicated a willingness to extend the service on the basis of 50 days annual audit input being appropriate at a rate of £500 per day or £25,000 per annum, fixed for 3 years.

Advantages

- Continuity of service in context of recent change to External Auditor;
- Efficient and compliant procurement process;
- Maintains local public sector audit capacity and sustainability and is consistent with local workforce planning in this regard; and
- Low risk approach.

Disadvantages

- Risk that IJB is not securing value for money.

In respect of value for money it is worth noting that audit costs have increased substantially and that there are recruitment and retention issues relating to audit services in both the public and private sector. This proposal represents an increase on the current cost of £15,000 per year which has been fixed for three years and did not take cognisance of inflation or pay awards which has been to the advantage of the IJB. The proposed cost reflects the actual cost of providing the service and the skills mix within the Internal Audit team whereby only experienced and qualified staff are allocated to the contract. The day rate proposed is circa 10% lower than that achieved through recent tender exercises conducted by other public bodies.

The extension of the existing contract as described would not breach public sector procurement regulations.

3.6 Re-Tender Service

Advantages

- Ensures that IJB is securing value for money through market testing.

Disadvantages

- Time consuming process that will require the Audit & Risk Committee to evaluate tender responses and recommend a new provider;
- May result in a change of provider at a point in time where the IJB also has a new External Auditor; and
- Higher risk in that the market for audit services is challenging at present and costs may increase or quality may reduce.

It is considered unlikely in the current context that this process will result in improved value for money over option 1.

4. RELEVANT DATA AND INDICATORS

- 4.1 Internal audit contract and feedback from other procurement processes for similar services. Audit & Risk Committee satisfaction with the performance of the current service provider.

5. CONTRIBUTION TO STRATEGIC PRIORITIES

- 5.1 Ensuring that appropriate governance and control measures are in place is a strategic priority for the IJB.

6. GOVERNANCE IMPLICATIONS

- 6.1 Financial Impact – minor impact from the increase in Internal Audit costs.
- 6.2 Staff Governance – none.
- 6.3 Clinical Governance – none.

7. PROFESSIONAL ADVISORY

7.1 None.

8. EQUALITY AND DIVERSITY IMPLICATIONS

8.1 None.

9. GENERAL DATA PROTECTION PRINCIPLES COMPLIANCE

9.1 None.

10. RISK ASSESSMENT

10.1 The proposed extension to the existing service is assessed as being a lower risk option than re-tendering the service at this point in time.

11. PUBLIC AND USER INVOLVEMENT AND ENGAGEMENT

11.1 None.

12. CONCLUSIONS

12.1 The Audit & Risk Committee endorsed the preferred option to extend the existing contract and the IJB is asked to endorse this approach and approve the extension of the contract with the Argyll & Bute Council Internal Audit Service from 1 April 2024 to 31 March 2027. The Audit & Risk Committee recommend that a competitive tender exercise is carried out on conclusion of this extension period.

13. DIRECTIONS

Directions required to Council, NHS Board or both.	Directions to:	tick
	No Directions required	x
	Argyll & Bute Council	
	NHS Highland Health Board	
	Argyll & Bute Council and NHS Highland Health Board	

REPORT AUTHOR AND CONTACT

Audit & Risk Committee Chair