

28 February 2006

Report of the Director  
of Performance and  
Resources

## **PROVISION OF INTERNAL AUDIT SERVICES TO THE POLICE AUTHORITY**

### **INTRODUCTION**

1. Internal Audit services have been provided to the Authority by North Lincolnshire Council's Internal Audit Section under a service level agreement (SLA). This report seeks approval to extend this arrangement to 31 March 2007, incorporating review arrangements in October in order to maintain flexibility for both the Authority and the Council against the background of uncertainty generated by the current proposals being considered for force amalgamations.

### **BACKGROUND**

2. Prior to my appointment, Simon Driver acted as the Treasurer to the Police Authority.
3. The Treasurer is responsible for the proper administration of the financial affairs of the Authority as required by sections 112 and 114 of the Local Government Finance Act 1998 and has a responsibility under the Accounts and Audit Regulations 1996 to maintain an effective internal audit function.
4. In his Annual Audit Letter for 2004/05 reported to the Police Authority meeting held on 13 December 2005, the District Auditor gave details of his assessment that the Internal Audit service provided by North Lincolnshire Council was an effective service overall.
5. His Audit letter referred to the need for Members to assess their future needs for internal audit following the restructure and appointment of additional staff to the Secretariat. The report also suggested that any review should be carried out in conjunction with the requirements of the Force Audit Board.
6. In the light of these comments the internal audit arrangements have been reviewed. Discussions have taken place with Simon Driver and subsequently with Carol Andrews, Audit & Risk Manager at North Lincolnshire Council who have indicated their willingness to continue to provide internal audit service to the Authority using the same team that has and is currently delivering the service. Details of progress against the Audit Plan and monitoring reports are regularly presented to this Committee with the latest detailed at Agenda item 13.
7. A range of options are available to ensure that an efficient internal audit function is carried out and these include either extending the current arrangement with North Lincolnshire Council, seeking a new public or private sector supplier of the service or carrying out the work in house.

8. Against the background of the uncertainty created by the current debate on force amalgamations and given other pressures on the Secretariat staff, the preferred option at this time is to seek approval for North Lincolnshire Council to continue to provide the service. The service is regarded as effective by the District Auditor and the function has been satisfactorily delivered for a number of years. Any change would require a significant commitment in resources from staff within the Secretariat. It is unlikely that other potential public sector service providers will have additional capacity available to carry out the work and seeking a private sector provider could expose the Authority to significant increase in costs. It is not considered appropriate to bring the service in house at this time.
9. Given that the outcome of the proposed restructuring of Police forces in England and Wales in terms of both configuration and timescales remains uncertain it would seem appropriate for any extension of the provision of services by the North Lincolnshire Council to be subject to review later in the year. The Council currently have the staff available to do the work. If and when the preferred option of a Regional Force or other alternative proposals for the Authority come forward then there may well be prescription as to the nature of ongoing contract commitments that can be entered into and a range of alternative ways in which this particular service can be provided given that other forces do have in house capacity currently or buy in services from alternative providers. It would seem therefore sensible for the arrangements for the provision of internal audit services beyond 31 March 2007 to be reviewed in October 2006. This would give the Authority and North Lincolnshire Council the opportunity to take account of any potential changes in their policy and financial planning for 2007/08 and later years.
10. The Director of Performance and Resources and the Assistant Chief Executive have participated in the work of the Force Audit Board and a report on its activities is included elsewhere on the agenda detail the activities of the Board. This work will continue and the Police Authority will continue to seek to ensure that the in force audit capacity is utilised in a manner that is complementary with the planned internal audit activity and is informed by ongoing discussions with the Audit Commission's Audit Manager and the District Auditor to minimise costs and maximise resources available.

## **RECOMMENDATIONS**

11. It is recommended that:-
  - (i) The agreement for the provision of Internal Audit services to the Authority by North Lincolnshire Council be extended to 31 March 2007,
  - (ii) The arrangements be reviewed in October 2006 and
  - (iii) The Director of Performance and Resources be authorised to agree the terms and to complete the necessary Service Level Agreement.
  - (iv) The reports on the activities of the Force Audit Board be required as a standing item on the agenda of this Committee.

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**Background Papers:-** File ref:-JB/IA/02/06