

INTERNAL AUDIT PARTNERSHIP

1 INTRODUCTION

- 1.1 The Council entered a 3 year partnership for internal audit with KPMG in February 2002. The Council requires to consider options available on expiry of the current partnership. This report outlines the approach proposed for giving consideration to this.

2 RECOMMENDATION

- 2.1 The Audit Committee agree the approach outlined in this paper.

3 DETAIL

- 3.1 Following the initial review of internal audit by Audit Scotland and the establishment of an audit committee it was agreed to enter into a 3 year partners for internal audit. In February 2002 KPMG were appointed as our internal audit partners for a 3 year period. The main objective of the partnership was to move the Council into band 1 in terms of compliance with the Code of Practice on Internal Audit within a 3 year period.

- 3.2 Band 1 status has been achieved. This is confirmed by the follow-up review on internal audit by Audit Scotland. The current partnership ends in February 2005. There are still areas where further development is required and an action plan to address these is being progressed. However, with the relatively small size of the Council's internal audit team there is a lack of specialist skills, in particular areas e.g. IT audit. This together with the resources available within a major accountancy firm for ongoing development and support suggest it is worthwhile to consider some form of further partnership. Audit Scotland in their follow-up review have advocated partnership arrangements and recommend Councils carry out an options appraisal exercise on the use of a partnership.

- 3.3 Approval of the Strategic Policy Committee (SPC) to appoint consultants (this is in the nature of consultancy contract) is required where the cost exceeds £5,000. Approval will be sought from the SPC on 7 October 2004. Acceptance of contracts over £100,000 requires approval of the SPC. Based on the timetable in paragraph 3.4 below the Audit Committee of 4 March 2005 can make a recommendation to the SPC on 17 March 2005.

3.3 In order to take this issue forward the following action is proposed.

<u>Timescale</u>	<u>Action</u>
September/October	- Carry out an evaluation of partnership with KPMG
September/October	- Assess scope of further support/development regime for internal audit and options for delivery
September/October	- Prepare specification, tender documentation and evaluation criteria for a further partnership
7 October	- Obtain approval of SPC for consultancy contract exceeding £5,000.
3 December	- Report outcome of evaluation, proposed scope of a new partnership and tendering proposals to Audit Committee
December/January	- Invite tenders (4 weeks return period)
January/February	- Evaluate tenders received (4 week period)
4 March	- Report outcome of tendering exercise to Audit Committee with recommendation
17 March	- Recommendation to SPC on preferred partner.
March	- New partnership commences.

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