



ORIGINATOR:
Peter Skelton, Chief Financial
Officer

DECISION NUMBER: 04/2018

SUBMITTED TO: Martin Surl, Police & Crime Commissioner for Gloucestershire

SUBJECT: Contract for Internal Auditors for 2018/19

EXECUTIVE SUMMARY:

Following discussions at Audit Committee and the decision at Governance Board, discussions have been held with South West Audit Partnership (SWAP) regarding the provision of internal audit services for 2018/19. The paper shows the benefits of joining SWAP. A fee for 2018/19 has been agreed based upon 100 days at £286 per day, giving a saving of £8k based upon the fee charged by Gloucestershire County Council for 2017/18.

Discussions have also been held regarding the Internal Audit Plan for 2018/19 and these will continue if it is decided to join SWAP.

The paper was discussed at Audit Committee on 14th December and members approved the recommendation to Governance Board to join SWAP.

RECOMMENDATION:

That the PCC and the Chief Constable apply for membership of the South West Audit Partnership from 1st April 2018, subject to completion of all the necessary legal and other formalities, with an annual contribution of £28,600 (subject to annual agreed increases).

OUTCOME/APPROVAL BY:

Signature:

Date: 23 January 2018

<p>Public Access to Information</p> <p><i>Information in this form and associated reports is subject to the Freedom of Information Act 2000 and the Elected Local Policing Bodies (Specified Information) Order 2011. Where it has been indicated that this is a decision of significant public interest, all of this form except Part Two will be made available on the website of the OPCC.</i></p> <p><i>Any information that should not be automatically available on request should not be included in Part One but instead on a separate Part Two form.</i></p>	
<p>Is this a decision of significant public interest?</p> <p><i>This includes a decision with any impact on the community, expenditure in excess of £50,000, or any decision that would be of obvious interest to the media or the general public</i></p>	<p>No</p>
<p>Is there a Part Two form?</p> <p><i>This section should only include information that, if published:</i></p> <ul style="list-style-type: none"> <i>a) would, in the view of the chief officer of the police, be against the interests of national security;</i> <i>b) might, in the view of the chief officer of police, jeopardise the safety of any person;</i> <i>c) might, in the view of the chief officer of police, prejudice the prevention or detection of crime, the apprehension or prosecution of offenders, or the administration of justice; or</i> <i>d) is prohibited by any enactment.</i> <i>e) breaches commercial sensitivity</i> 	<p>No</p>
<p>ORIGINATOR CHECKLIST (MUST BE COMPLETED)</p>	<p>Comments including who has approved the report if applicable</p>
<p>Has legal advice been sought on this submission if required?</p>	<p>Procurement advice obtained from SWPPD. Legal advice on joining SWAP from Chief Executive.</p>
<p>Has the Chief Finance Officer been consulted, if required?</p>	<p>Yes</p>

Have equality, diversity and human rights implications been considered, as appropriate?	N/A
Is the recommendation consistent with the objectives of the Police and Crime Plan?	N/A
Has consultation been undertaken with people or agencies likely to be affected by the recommendation?	Yes. Approved by Audit Committee on 14 th December 2017.
Has communications advice been sought on areas of likely media, community, staff or partner interest and how they might be managed?	N/A
Have all relevant implications and risks been considered?	Yes

PART ONE – For publication**1. Purpose of the report**

To report on the discussions held with regard to joining the South West Audit Partnership to obtain internal audit services.

2. Background

2.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act and the Accounts and Audit Regulations 2015. This work is currently provided by Gloucestershire County Council (GCC) who agreed to charge £37,080 for this service in 2017/18, i.e. 120 days at £309 per day.

2.2 Following discussion with SWPPD three options were provided for internal audit services for 2018/19:

2.2.1 Option 1 – join the South west Audit Partnership (SWAP) through a Teckal type agreement.

2.2.2 Option 2 - run a tender through a framework

2.2.3 Option 3 – run a full tender allowing all potential suppliers to bid for the contract.

2.3 It was agreed by Governance Board, following a recommendation by Audit Committee, that we should look to join SWAP and start discussions with them about this. A number of meetings have been held with SWAP to discuss internal audit services for 2018/19. A number of benefits from moving to SWAP were identified:

2.3.1 Devon and Cornwall, Dorset and Wiltshire Police are already members so SWAP will be providing internal audit services for most of the region's forces. Staff will not be used exclusively on police audits but will have experience of police work.

2.3.2 Forces will be represented on the SWAP Management Board. It is proposed to have one representative for the four forces.

2.3.3 SWAP would like to see the four forces agree to share audit reports.

2.3.4 SWAP employ experts in the audit of IT systems, rather than buying in services.

2.4 At the last meeting discussions were held regarding the audit plan for 2018/19. It was agreed that the following areas should be included:

2.4.1 Partnership Governance – deferred from 2017/18

2.4.2 Finance system audits, following self-assessment of systems, personnel and controls. SWAP will require an annual self-assessment to identify changes in personnel and systems before determining the extent of the audit work. For the last five years there have been no changes in system or personnel.

2.4.3 ICT audits – to be agreed

2.4.4 General Data Protection Regulations (GDPR) – SWAP have sent their benchmarking exercise and would like to look at our preparedness for this early, before starting on 1st April.

2.5 SWAP have made the following comments on the audit plan for 2018/19:

In terms of formulating a risk-based plan of work, we would obviously want to fully assess force risk registers as well as holding more detailed discussions with yourself. However, based on some of the emerging issues and risks across our current partners, we would probably recommend some coverage of Cyber Security, the upcoming General Data Protection Regulations, Procurement, potentially IT transformation, as well as some form of audit data analytics work; possibly on the key financial controls. We would also be keen to undertake self-assessment

questionnaires on the key financial control areas, in order to maximise coverage and ensure our resource is focused on the areas of highest risk.

Audit work that we have recently carried out at our Police partners includes audits of Fleet Services, Control of Firearms, and Property Stores – these could also be areas of interest to include within any plan.

Following on from the above, we are keen to establish more formal agreement from Police partners to share the results of common audits between all forces that we cover i.e. circulation of the key findings and risks from a review of Property Stores (for example) across all forces. This will enable greater oversight and knowledge-sharing, without the need to necessarily carry out full audits at each Partner.

- 2.6** Testimonials were also taken from Directors of Finance, Audit Committee chairs and finance staff with Forces who use SWAP. All the testimonials that came back were very positive.
- 2.7** SWAP have provided the joining documents and these have been reviewed by the Chief Executive and the CFO. A few questions were identified, most of which have been addressed. Any decision to join would be subject to the Chief Executive and CFO agreeing the final paperwork.
- 2.8** Gloucestershire County Council have been told that we are in discussions with SWAP about joining them from 1st April 2018. It was stressed that this was a consequence of the procurement exercise, and we have always been pleased with the level of service provided. GCC are planning to complete all their audit work by 31st March 2018, and report their audit opinion to the June Audit committee.
- 2.9** As SWAP is a Teckal company joining is not a procurement process. However, it is important to show that joining represents value for money.
- 2.10** At the last meeting with SWAP the costs for 2018/19 were discussed. It was agreed that SWAP would provide 100 days audit. They were happy that they could provide an audit opinion for the year based on this level of work. They provide 90 days per year for Wiltshire Police. This was discussed, but it was felt that initially a reduction to 100 days would be more realistic. This will be reviewed regularly. The cost per day for all members of SWAP is £286 per day, compared to £309 per day with the County Council. SWAP stated that the rate had increased for 2018/19 for the first time for many years and is unlikely to increase again in the next few years. The cost quoted by SWAP would give a saving of £8k compared to the agreed cost with GCC.
- 2.11** A benchmarking exercise has not been done comparing the daily rates of other providers of internal audit services. However £286 per day seems reasonable and any reduction on this, if it could be identified, is unlikely to be significant.
- 2.12** The paper was discussed at Audit Committee on 14th December 2017 and members supported joining SWAP from 1st April 2018. All the feedback obtained was positive and members had been impressed with SWAP at the meetings held with them.

3. Recommendation

That the PCC and Chief Constable for Gloucestershire apply for membership of the South West Audit Partnership from 1st April 2018, subject to completion of all the necessary legal and other formalities, with an annual contribution of £28,600 (subject to annual agreed increases).

4. Financial and resource implications

The contract with Gloucestershire County Council for internal audit services for 2017/18 is for 120 days audit at a cost of £309 per day – total cost £37,080. Following discussions, SWAP are proposing to provide services for 2018/19 for 100 days audit at a cost of £286 per day – total cost £28,600, a saving of £8,480 per year.

It was agreed that the number of days provided per year will be reviewed regularly to see if this can be reduced further.

5. Risk assessment

The main risk is that SWAP will not be able to form an audit opinion for the year based upon the number of days audit provided. However, in mitigation:

- The County Council will provide 100 days audit for 2017/18 and have stated that they can give an audit opinion.
- SWAP provide 90 audit days per year to Wiltshire Police and are able to provide an audit opinion.

6. Equality & Diversity impact assessment

None

7. Environmental impact assessment

Auditors may travel further to undertake audits. However, unless GCC were reappointed, this is likely to be the case.

8. Consultation

- Audit Committee members
- Head of Governance and Compliance
- Chief Executive
- CFOs and Audit Committee chairs from other Police forces.

9. Discussed with Communications & Engagement

N/A

10. Conclusion

That the PCC and the Chief Constable should apply for membership of the South West Audit Partnership (SWAP) with an annual contribution of £28,600 for the provision of internal audit services.

ORIGINATOR APPROVAL

Name: Peter Skelton

Job title: Chief Finance Officer

Signature: Peter Skelton

Date: 15/12/17

CHIEF EXECUTIVE APPROVAL

I am satisfied that relevant advice has been taken into account in the preparation of the report and that this is an appropriate request to be submitted to the PCC.

Signature:



Date: 19/12/17