

Subject:	Due diligence implications for audit and corporate fraud joining Orbis		
Date of Meeting:	27 September 2016		
Report of:	Executive Director of Finance and Resources		
Contact Officer:	Name:	Graham Liddell	Tel: 01273 291323
	Email:	Graham.Liddell@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE.**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 This report updates the Committee on the progress made in carrying out due diligence for assessing the effectiveness of internal audit at Brighton & Hove City Council provided through Orbis (Orbis IA).

2. RECOMMENDATIONS:

- 2.1 That the Committee notes that Orbis IA is capable of delivering an effective internal audit function at Brighton & Hove City Council.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 At the Policy & Resources Committee on Thursday 3 December it was agreed that a number of the council's support functions, including internal audit and corporate fraud, would join Orbis, a partnership between East Sussex County Council and Surrey County Council. The final decision was subject to a due diligence process and delegated to the Chief Executive, Monitoring Officer and Section 151 Officer.
- 3.2 The Executive Director (Finance & Resources) will update the Policy, Resources and Growth Committee on progress on due diligence for support functions as a whole. The Audit & Standards Committee has specific responsibility to assess the effectiveness of Internal Audit and this report focuses on this aspect of due diligence.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The benefits for delivering the council's internal audit function through Orbis include:
- lower costs driven through economies of scale
 - higher quality audits through:

- auditors deep understanding of Brighton & Hove City Council being supplemented with a broader range of wider knowledge and experience from other local authorities
- sharing of best practice and specialist insights
- the ability to retain and recruit high quality staff
- a more resilient audit team to deliver BHCC audit work

4.2 The key areas that could impact on the ability of Orbis IA to deliver an effective internal audit function are whether Orbis IA will:

- be able to deliver sufficient work at the council whilst meeting savings requirement
- be delivered by IA staff with sufficient experience and understanding of the council
- comply with professional auditing standards.

4.3 The due diligence work for Orbis IA demonstrates that Orbis IAs is capable of addressing these issues.

Key area for delivering an effective internal audit function	Results of due diligence.
Delivering sufficient work at the council whilst meeting savings requirement.	<p>The savings target for Internal Audit and Corporate Fraud is £177k. Our financial modelling shows that:</p> <ul style="list-style-type: none"> • savings of £130k can be achieved outside Orbis (largely through reductions in audit and corporate fraud activity). • the remaining £47k can be delivered through the BHCC IA share of Orbis economies of scale.
Work delivered by IA staff with sufficient experience and understanding of the council.	<p>Staff based in Brighton and with long-standing experience of BHCC will continue to deliver a substantial amount of audit and corporate fraud work at BHCC</p> <p>In addition to this we would expect to reap the benefits of developing greater specialist knowledge in key areas such as IT audit, adult and children's social care and schools.</p>
Comply with professional auditing standards	<p>Each of the three councils carries out an annual assessment of compliance with professional auditing standards. The results of these self-assessments are informing the design of Orbis IA procedures. Orbis IA will also be subject to an external assessment against professional standards in 2017/18.</p>

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 None

6. CONCLUSION

6.1 Sufficient work has been carried out to demonstrate that an effective internal audit function can be delivered through Orbis.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 There are no direct financial implications arising from this report. Paragraph 4.3 sets out how Orbis IA will deliver required savings.

Finance Officer Consulted: James Hengeveld

Date: 14/09/16

Legal Implications:

- 7.2 There are no legal implications at this stage in relation to this report for noting.

Lawyer Consulted: Elizabeth Culbert

Date: 15.09.16

Equalities Implications:

- 7.3 Not applicable.

Sustainability Implications:

- 7.4 Not applicable.

Any Other Significant Implications:

- 7.5 None

SUPPORTING DOCUMENTATION

Documents in Members' Rooms

1. None

Background Documents

1. None

