

## **EXTENSION OF INTERNAL AUDIT ARRANGEMENTS**

Presented by the Head of Legal

### **EXECUTIVE SUMMARY**

The Authority has been receiving internal audit services from Mazars LLP under a framework arrangement that London Borough of Croydon has with Mazars LLP since 2018. The initial term of the framework arrangement was due to expire on 31 March 2024. The access agreement by which the Authority accessed the framework arrangement expired on 31 March 2024.

London Borough of Croydon recently extended the framework arrangement by two years to 31 March 2026. Officers now propose that the Authority should enter into a new access agreement with London Borough of Croydon to enable the Authority to receive internal audit services for the period 1 April 2024 to 31 March 2026.

### **RECOMMENDATIONS**

- Members Approve:
- (1) the extension of provision of internal audit services by Mazars LLP for two years to 31 March 2026; and
  - (2) subject to (1) above the signing and sealing of the new access agreement between the Authority and London Borough of Croydon.

### **BACKGROUND**

- 1 The Authority externalised its Internal Audit function in 2004. Since 2014 Mazars have been contracted to deliver the service through a framework agreement that is managed by London Borough of Croydon.
- 2 The contract has proven its success over the years both in terms of price, quality and service. The original in-house service (2 FTEs) would have cost significantly more per year than the contract (circa £40k annually) and it would not have provided the broad range of skills and knowledge base of a large firm specialising in Internal Audit.
- 3 The Internal Audit programme is a key part of the Authority's governance

framework. It provides an independent opinion on the adequacy and effectiveness of the system of internal control, which is incorporated in the Annual Internal Audit Report to the Audit Committee. This approach satisfies both the Authority's own governance and control requirements as well as meeting the external auditor requirements.

#### **CONTRACT EXTENSION**

- 4 The current internal audit arrangement was agreed by Members in 2018 (Paper AUD/85/18) and ran for six years, expiring 31 March 2024 in line with the framework agreement.
- 5 Mazars and London Borough of Croydon confirmed during 2023 that they intended to extend the framework for a further two years. At the meeting of the Audit Committee in February 2024 (Paper AUD/142/24) officers reported their intention to extend the current internal audit arrangement.
- 6 The framework was formally extended in March 2024 and the Authority has been sent an access agreement by London Borough of Croydon to enable the Authority to continue to receive internal audit services from Mazars for the period 1 April 2024 to 31 March 2026.
- 7 Once the new access agreement is in place, the Authority may place service orders for the internal audit services that it wishes to receive. There is no obligation on the Authority to place service orders and no limit on the number of service orders that can be placed through the framework.

#### **CONTRACT MANAGEMENT**

- 8 Reports on Internal Audit activity are taken to each Audit Committee, and Mazars colleagues attend meetings where required.
- 9 Officers have been in regular contact with Mazars to complete the 2023/24 internal audit programme and to commence planning for the 2024/25 programme. At the June Audit Committee Members will receive a report on the 2023/24 audits and will be asked to approve the internal audit plan for 2024/25.

#### **ENVIRONMENTAL IMPLICATIONS**

- 10 There are no environmental implications arising directly from the recommendations in this report.

#### **FINANCIAL IMPLICATIONS**

- 11 Currently there is an annual budget provision of £40,000 to fund approximately 90 days of internal audit work. This is a call-off contract (i.e. you pay for what you use) with the annual programme based on five audit projects, follow up of audit recommendations, contract management and some contingency built in for emerging risks and associated work required by Mazars. It is anticipated that this budget will be sufficient to meet the Authority's requirements for 2024/25.

#### **HUMAN RESOURCE IMPLICATIONS**

- 12 There are no human resource implications arising directly from the recommendations in this report.

### **LEGAL IMPLICATIONS**

- 13 The legal implications arising from the recommendations in this report have been set out in the main body of this report.

### **RISK MANAGEMENT IMPLICATIONS**

- 14 There are no risk management Implications arising directly from the recommendations in this report.

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### **PREVIOUS COMMITTEE REPORTS**

Audit Committee	AUD/142/24	Internal Audit Update report	29 February 2024
Audit Committee	AUD/85/18	Award of Internal Audit Contract	22 February 2018