

Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Future Arrangements for Internal Audit

Meeting/Date: Corporate Governance Committee – 18 March 2026 (Capitals)

Executive Portfolio: Executive Councillor for Governance & Democratic Services - Councillor Jo Harvey

Report by: Corporate Director – Finance and Resources

Ward(s) affected: All

Executive Summary:

This report provides an overview of the future provision of the Council's Internal Audit service. Since March 2025, Internal Audit has been delivered by RSM, who have undertaken the full programme of audit work on behalf of the authority. The report sets out the current arrangements and outlines the intention for future provision. It is presented to the Committee for information and discussion.

Recommendation(s):

The Committee is

RECOMMENDED

Note and comment on the future arrangements for Internal Audit outlined in the report.

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to inform the Committee of the intended future arrangements for the provision of Internal Audit services. In line with the Committee's terms of reference, this report seeks the Committee's comments.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 Internal audit is a statutory and essential element of the Council's governance framework, providing independent assurance on the effectiveness of internal control and governance arrangements. To ensure the Council continues to meet its statutory requirements and maintains a robust system of internal control, it is important to consider how Internal Audit will be provided in the future.
- 2.2 Officers have considered the options available for the future arrangements for Internal Audit Provision, and consider that the most effective way forward would be to continue to engage RSM as the provider of this function. It is considered that the function has performed well under RSM, and the continuation will provide continuity and stability, and provide scope for further improvement.

3. OPTIONS CONSIDERED/ANALYSIS

- 3.1 As the current contract with RSM comes to an end, Officers have considered the options available, and consider that the most effective way forward would be to continue to use RSM for the Internal Audit function. Officers are therefore looking to make a direct award to RSM via a framework from 1 April 2026 for a two-year period, with the option to extend for a further year. Officers consider that this provides the most stable arrangement for Internal Audit, particularly in the context of LGR.
- 3.2 Officers consider that a change in provider at this point would introduce unnecessary risk and disruption at a critical time. Officers note the breadth of specialisms which can be provided by RSM for technical work such as cyber security and forensic accounting, which a single, manager would not likely be able to supply.

4. KEY IMPACTS / RISKS

- 4.1 Officers consider that continuing with RSM as the Council's Internal Audit provider presents the lowest risk option for the authority. Retaining the existing provider ensures continuity of service and avoids the operational and governance risks associated with transitioning to a new provider. In particular, it mitigates the risk of any reduction in audit quality, delays in delivery, or gaps in assurance coverage that could arise during an onboarding period.

- 4.2 Officers also consider that maintaining the current arrangements provides stability both for the Internal Audit function and for the wider officer teams who rely on timely and consistent audit activity to support effective risk management. Moving to an alternative provider at this stage could introduce uncertainty, disrupt planned audit work, and increase the likelihood of delays or inconsistencies in the assurance process.

5. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 5.1 The existing contract with RSM is due to conclude on 31 March 2026. It is intended that the new contract would be put in place from 1 April 2026, as set out in section 3.1 of this report.

6. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND/OR CORPORATE OBJECTIVES

- 6.1 Ensuring that robust arrangements are in place for Internal Audit services supports the Corporate Plans' 'Priority 3 – Ensuring we do our core work well' with its focus on good control and compliance.

7. CONSULTATION

- 7.1 The Council's Leadership Team (CLT) has been consulted on the proposed approach to future Internal Audit provision. In addition, the matter has been taken through the Council's Procurement Board in accordance with established internal processes, ensuring that the proposed way forward aligns with procurement requirements and governance expectations.
- 7.2 The Corporate Governance Committee is responsible for reviewing proposals relating to the appointment of external providers of internal audit services. As such, the proposal to continue to appoint RSM as the Council's Internal Audit provider is presented to the Committee for its consideration and comments.

8. LEGAL IMPLICATIONS

- 8.1 It is intended that RSM shall be appointed via the YPO Managing Consultancy and Professional Services Framework Agreement. This ensures the Council remains compliant with Procurement legislation.

9. RESOURCE IMPLICATIONS

- 9.1 A specific budget for the provision of Internal Audit services was set aside as part of the budget approved by Council at its meeting on 25 February 2026.

10. REASONS FOR THE RECOMMENDED DECISIONS

- 10.1 The approach intends to support the Council in continuing to fulfil its statutory responsibilities in relation to internal audit. Ensuring that a reliable and effective Internal Audit service is in place is essential for maintaining a robust governance framework, safeguarding public funds, and enabling the Council to manage risk appropriately.
- 10.2 As set out at section 6, maintaining continuity of provision aligns with the Council's commitment to delivering high quality and stable services, and supports the effective delivery of the Corporate Plan through strong internal controls and assurance. The approach outlined in this report is consistent with the Council's procurement requirements and to ensures that any future arrangements provide value for money and operational resilience, and provide flexibility for LGR.
- 10.3 As set out above, the Corporate Governance Committee is responsible for reviewing proposals relating to the appointment of external providers of internal audit. Following consultation, the appointment will be made by the Corporate Director – Finance and Resources.

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