

CABINET - 19TH SEPTEMBER 2019

Report of the Head of Strategic Support Lead Member: Councillor Poland

Part A

ITEM 11 SHARED INTERNAL AUDIT SERVICE WITH NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL AND BLABY DISTRICT COUNCIL

Purpose of Report

To present proposals for a shared service arrangement between Charnwood Borough Council, North West Leicestershire District Council and Blaby District Council for the provision of internal audit, with North West Leicestershire being the lead authority.

Recommendations

1. That the Council enter into an arrangement for a shared internal audit service with North West Leicestershire District Council and Blaby District Council, on the basis as set out in Part B of this report for an initial period of five years.
2. That delegated authority be given to the Head of Strategic Support to finalise detailed arrangements and complete any required legal agreements to implement the arrangements.

Reasons

1. To support the delivery of a shared internal audit service between the three authorities, with the aim of increasing resilience, improving service delivery, and potentially generating future cost savings.
2. To allow for the detailed arrangements to be finalised expeditiously.

Policy Justification and Previous Decisions

Although the consideration of internal audit reports is a Council function delegated to the Audit Committee, the function of resourcing the internal audit service is not expressly reserved to Council, and as such is an Executive function that falls to Cabinet.

Implementation Timetable including Future Decisions and Scrutiny

Recommendation 2 seeks to give delegated authority to the Head of Strategic Support to agree the commencement date for the implantation of the shared service arrangements, which will require agreement from the other two authorities involved.

Report Implications

The following implications have been identified for this report.

Financial Implications

The current budgeted staffing costs of the in-house internal audit team are estimated at £102,500 per annum.

The cost of the proposed shared service, including disbursements, is just under £91,000 per annum.

The current financial year (2019/20) is the final year of the ongoing 4 year audit plan cycle, and an audit needs assessment will be undertaken to determine the level of audit days required for future financial years. The £11,500 difference between the current service costs and the proposed shared service arrangement will be retained until the outcome of the audit needs assessment is known, as it may be required to fund additional support.

Risk Management

The risks associated with the decision Cabinet is asked to make and proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
Recruitment difficulties for the proposed Senior Auditor post in the shared service establishment	Unlikely (2)	Significant (2)	Low (4)	If recruitment is unsuccessful the unspent staffing budget would be available to buy-in additional audit days
Potential performance and service delivery problems with the shared service arrangement	Unlikely (2)	Significant (2)	Low (4)	The shared service arrangement has already been in place between NWLDC and Blaby and has proved successful, and the Head of Strategic Support will be responsible for ongoing monitoring of the service. The Audit Committee will also receive regular progress reports.

Equality and Diversity

Equality and diversity implications relating to any existing Council staff will be considered as part of the TUPE arrangements.

Key Decision:

Yes

Background Papers:

None

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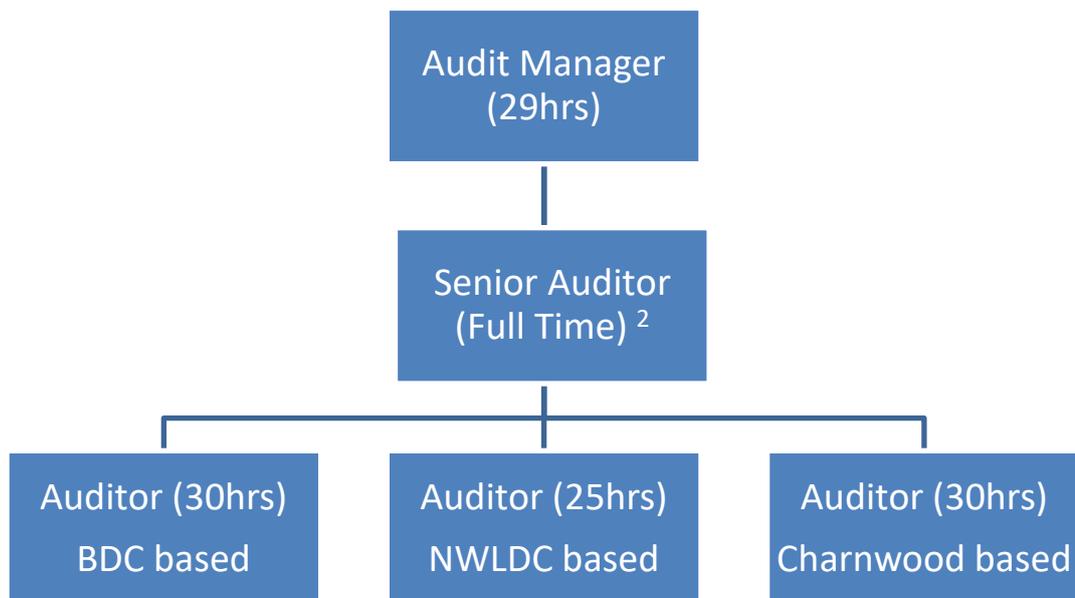
Part B

Background

1. The Council currently operates an on-house internal audit team, with the following staffing establishment:

Post	Weekly Hours	Notes
Audit & Risk Manager	Full-time - 37 hours ¹	Currently vacant
Auditor	Full-time – 37 hours	Currently vacant
Auditor	Part-time – 30 hours	

- ¹ Estimated as spending 33% of time on direct internal audit work (12¼ hours)
2. The Audit & Risk Manager and the full-time Auditor left the Council's employment a few months ago, and the opportunity was taken to review potential alternative options to deliver the internal audit service.
3. A procurement process has been undertaken to buy-in additional support to deliver planned internal audit work that would have normally been delivered by the currently vacant posts within the internal audit team.
4. Exploratory discussions were held with some neighbouring authorities and with various existing local government shared internal audit service providers to identify potential shared service opportunities.
5. Most of the options considered would have resulted in increased costs to deliver a comparable number of audit days to the current arrangements, because the potential providers were either offering a service based on paying a fixed daily rate, or were offering to provide a service based on transferring the total existing budget for the 3 current audit posts on the establishment, although this included non-audit responsibilities which would need to have been funded from elsewhere on a cost-additive basis.
6. The most favourable option identified was a shared internal audit service with North West Leicestershire District Council (NWLDC) and Blaby District Council (BDC), who have already been operating a joint service for a number of years with NWLDC being the lead authority. This was the closest option to a genuine shared service arrangement, with all the participating authorities working together on a partnership basis, and could also be delivered within the existing available budget, including leaving funding available for non-audit responsibilities such as risk management and business continuity. This option is therefore the one that is recommended.
7. The proposed staffing model for the extended shared service for the 3 authorities is set out below:



² Senior Auditor to be recruited if the shared service proposal goes ahead

8. The average weekly split of time to be spent supporting this Council would be:

Audit Manager: 40% (11.6 hours)

Senior Auditor: 66% (24.4 hours)

Auditor: 100% (30 hours)

9. This is a slightly reduced number of hours for internal audit work compared to the existing in-house establishment, and also would replace what was an Auditor post with a Senior Auditor. However, the current financial year is the final year of the 4 year long-term internal audit plan, and therefore an audit needs assessment will need to be undertaken by the Audit Manager of the new shared service. As set out in the financial implications section of this report, the £11,500 saving between the current budget and the shared service budget will be retained and will be available to fund any additional support that may be identified as being required.
10. It is proposed that the remaining Charnwood part-time Auditor would be transferred to be employed by NWLDC under TUPE provisions.
11. It is considered that the shared service proposal presents an opportunity to improve resilience, share experience and knowledge, and in future it also offers potential opportunities for cost savings and service improvements. For example, each authority currently employes external IT audit support, but by pooling their requirements the shared service may be able to directly recruit an experienced IT auditor at some point in the future.
12. Finally, it is proposed that the remaining other functions of the Audit & Risk team; insurance, and risk management and business continuity support, will transfer to the Improvement & Organisational Development team within the Strategic Support service.