
FULL COUNCIL REPORT

Date Written	12 th July 2018
Report Author	Mark Thomas/Steve Jones
Service Area	Corporate Services
Exempt/Non Exempt	Non-exempt
Committee Date	25 th July 2018

To: Mayor, Ladies and Gentlemen

PROPOSAL TO INCORPORATE THE INTERNAL AUDIT SERVICE INTO AN EXISTING SHARED SERVICE

1.0 SUMMARY OF THE REPORT

- 1.1 The purpose of the report is to set out a proposal for the Council's Internal Audit Service to join an existing Regional Internal Audit Shared Service (RIASS) hosted by the Vale of Glamorgan Council.
- 1.2 This report sets out a proposal for the Council's Internal Audit Service to join an existing RIASS to create a more resilient and efficient service and enable better workforce development and broadening of staff expertise.
- 1.3 The proposal was approved by Cabinet on 20th June 2018 subject to the necessary consultation with Staff, Trade Unions and Audit Committee before final decision by Full Council.
- 1.4 The proposal was presented to Audit Committee on the 9th July and a number of questions answered by officers along with the views of the Audit staff present at the meeting also sought.
- 1.5 Trade Unions and staff are fully aware of the proposals. As part of the transfer process to the Vale of Glamorgan Council, engagement with staff, Trade Unions and Human Resources would take place, in line with agreed arrangements for TUPE (Transfer of Undertakings - Protection of Employment Regulations).
- 1.6 In addition, support is to be provided by the Council's Legal Service to update the Partnership Agreement to underpin the delivery of the RIASS.

2.0 RECOMMENDATIONS that

- 2.1 The proposal for the Council's Internal Audit Service to join the existing RIASS in place between the Vale of Glamorgan Council and Bridgend County Borough Council be approved
- 2.2 Powers be delegated to the Chief Finance Officer and Head of Corporate Services in consultation with the Council's Legal Service to make the necessary arrangements to implement the proposal, including updating the Partnership Agreement.

3.0 BACKGROUND INFORMATION

- 3.1 All local authorities in Wales have a legal duty to maintain appropriate and effective internal audit arrangements as set out in the Accounts and Audit (Wales) Regulations 2018 (and prior to this, the Accounts and Audit (Wales) Regulations 2014 & 2015).
- 3.2 The Council has a consistent track record of meeting this legal duty through the delivery of annual internal audit plans; forming evidence based opinions on the standard of internal control across the Council; ensuring recommendations to improve the standard of internal control have been implemented; and supporting the Council's Audit Committee to deliver its Terms of Reference.
- 3.3 As Members will be aware, the Council has a proactive approach to exploring opportunities to develop and improve service provision, including collaborative working, where it is in the Authority's best interest to do so. In line with this approach, the Chief Finance Officer (the Council's Section 151 officer) and the Head of Corporate Services along with counterparts within Bridgend, Rhondda Cynon Taf and the Vale of Glamorgan Councils have undertaken a business case review to consider extending the RIASS currently in place for Bridgend and the Vale of Glamorgan Councils to include Rhondda Cynon Taf and Merthyr Tydfil County Borough Councils.
- 3.4 The current RIASS in place between Bridgend and the Vale of Glamorgan Councils has been fully operational under a formal partnership agreement since February 2013. During this time, both Councils report that:
 - The RIASS has delivered consistently against the approved annual risk based plans and achieved the necessary coverage in order to issue a robust, evidence based audit opinion at the end of each year; and
 - Benefits have been realised by bringing the sections together, some of which included the effective use of the total audit resource, knowledge sharing and harmonising working practices and systems.
- 3.5 Following on, Management at both Councils indicate that the RIASS has and is achieving the following objectives:
 - The service is affordable and is delivering efficiencies and economies of scale;
 - The service enhances the professionalism and quality of audit services provided to both Councils through shared knowledge and best practice;

- The service is flexible and can respond to changing service requirements and priorities;
- The service can extend access to specialist audit services and other related disciplines to both Councils; and
- The service conforms with the Public Sector Internal Audit Standards, with no significant deviations noted.

3.6 The current arrangements set out above provide assurance that the internal audit functions in place for both Merthyr Tydfil and the RIASS are sound. Furthermore, based on the outcomes delivered by the RIASS to date, it is considered that there would be business benefits for Merthyr Tydfil if it were to become part of a regional service. This includes providing opportunities:

- To further improve the resilience of the service by creating a larger team of staff compared to the current set up of smaller separate teams across a number of local authorities;
- To develop in-house specialist audit skills not currently in place, such as contract and computer auditing, that will add value to key areas of the Council's business and provide development opportunities for team members;
- To further modernise the service by applying consistent working practices and optimising the use of information technology and agile working; and
- To take advantage of the economies of scale and in-house specialist audit skills to develop a more commercial approach whilst ensuring the Service's core business is maintained.

4.0 AN EXPANDED REGIONAL INTERNAL AUDIT SHARED SERVICE – THE PROPOSED WAY FORWARD

4.1 As set out in Section 3, there are clear business benefits for Merthyr Tydfil in joining the current RIASS. A proposed way forward is set out below.

Partnership Agreement

4.2 The existing RIASS Partnership Agreement should be up dated to reflect Merthyr Tydfil County Borough Council becoming a partner local authority based on Section 101 / 102 of the Local Government Act 1972 (that delegates the function and formalises the provision of services and basis for cost apportionment).

4.3 All partner local authorities will be required to 'sign-up' to the up dated Partnership Agreement for a period of no less than three years from the date of 'sign-up'.

4.4 The Vale of Glamorgan Council will be designated as the single employing authority and the Council's staff currently employed within its Internal Audit Service will be subject to TUPE (Transfer of Undertakings - Protection of Employment Regulations) and transferred to the Vale of Glamorgan Council.

- 4.5 Subject to Council approval and consideration of appropriate implementation arrangements, it is envisaged that the new RIASS would become operational during this financial year, that is, 2018/19.

Governance Arrangements

- 4.6 Oversight of the RIASS will be in the form of a Joint Partnership Board and would comprise of Section 151 Officers (or their nominees) from each Council. The Board will monitor the performance of the Shared Service to ensure that it delivers the standards and expectations set out in the Partnership Agreement.
- 4.7 Whilst the Board will jointly oversee the performance of the Shared Service, the responsibility for the adequacy of the Council's whole system of internal audit will continue to remain with the Council and cover, amongst other things, being responsible for approving audit plans and monitoring delivery via Audit Committee. This will be fully compliant with the Terms of Reference for Audit Committee and ensure the requirements of the Accounts and Audit (Wales) Regulations 2018 and Public Sector Internal Audit Standards are met.
- 4.8 The Council will also continue to be responsible, via Audit Committee, for overseeing the effectiveness of the internal audit function, governance, risk management and control arrangements and holding the Head of Internal Audit to account for delivery of the approved Audit Plan. In addition, the existing arrangements in place to hold managers to account to implement recommendations made by Internal Audit will remain unchanged.

Annual Audit Planning

- 4.9 The Annual Audit Plan for 2018/19 will be delivered and the draft 2019/20 Audit Plan compiled by the RIASS and reported to Audit Committee for consideration and if deemed appropriate, approval. Subject to an annual Audit Plan being approved for 2019/20, this being delivered by the RIASS.
- 4.10 As part of the annual audit planning process for 2019/20, the Head of the Regional Internal Audit Service will undertake an assessment of risk and 'audit need' across all partner local authorities to ensure audit coverage is appropriate and optimum use is made of available resources. This approach is in line with existing arrangements and will also take into account the new business benefits a RIASS will provide as set out in paragraph 4.6.

Staffing Arrangements

- 4.11 A key principle underpinning the proposal is that all existing employees will be transferred to the new RIASS on current grades and terms and conditions. As part of the transfer process, engagement with staff, Trade Unions and Human Resources would take place, in line with agreed arrangements.
- 4.12 Following the transfer process, a proposed staffing structure for a new RIASS would be consulted upon with staff and Trade Unions, with the proposed staffing structure having sufficient posts for all existing employees to be recruited into. As such there will be no requirement to consider compulsory redundancies.

Audit Committee

- 4.13 As a result of Cabinet's approval for the RIASS, the Audit Committee has been consulted before a final decision to be made by Full Council. It is envisaged that Audit Committee would oversee implementation arrangements during 2018/19.

5.0 FINANCIAL IMPLICATION(S)

- 5.1 In line with the review work undertaken, it is estimated that budget savings to the Council of approximately £19,000 would be delivered in the first full year of operation. Following the first year and subject to developing a more commercial emphasis, it is anticipated that additional income generation will reduce the net cost of the service to all partner local authorities.

6.0 EQUALITY IMPACT ASSESSMENT

- 6.1 An Equality Impact Assessment (EqIA) form has been prepared for the purpose of this report. It has been found that a full assessment is not required at this time. The form can be accessed on the Council's website/intranet via the 'Equality Impact Assessment' link.

GARETH CHAPMAN
CHIEF EXECUTIVE

COUNCILLOR ANDREW BARRY
CABINET MEMBER FOR GOVERNANCE
AND CORPORATE SERVICES

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Proposal to Incorporate the Internal Audit service into an Existing Shared Service	Cabinet 20 th June 2018	Cabinet agenda and minutes
	Audit Committee 9th July 2018	Audit Committee Agenda and minutes
Does the report contain any issue that may impact the Council's Constitution?		No

Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.