

REPORT TO CABINET

Open	Would any decisions proposed :			
Any especially affected Wards	(a) Be entirely within Cabinet's powers to decide YES			
None	(b) Need to be recommendations to Council NO			
	(c) Be partly for recommendations to Council NO and partly within Cabinets powers –			
Lead Member: Nick Daubney E-mail: nick.daubney@west-norfolk.gov.uk		Other Cabinet Members consulted: Brian Long		
		Other Members consulted: Audit Committee		
Lead Officer: Lorraine Gore E-mail: Lorraine.gore@west-norfolk.gov.uk Direct Dial: 01553 616432		Other Officers consulted: Management Team		
Financial Implications YES	Policy/Personnel Implications YES	Statutory Implications (incl S.17) YES	Equal Opportunities Implications NO	Risk Management Implications YES

Date of meeting: 2 August 2016

Internal Audit Partnership Proposals – Shared Internal Audit Manager

Summary

To consider a proposal for partnership arrangements for delivery of the Council's Internal Audit function.

Recommendations

Cabinet are recommended to approve:

- To proceed with the partnership with Fenland District Council to provide shared management of each council's Internal Audit teams with effect from 1 April 2017.
- Approve that King's Lynn and West Norfolk Borough Council enter into a Section 113 (of the Local Government Act 1972) agreement to enable officers to be at the disposal of each authority to discharge their functions.
- In consultation with the Portfolio Holder for Resources and the Leader, delegate to the Assistant Director (S151 Officer) and the Monitoring Officer to finalise the agreement.

Reason for the Decision

To continue to provide an effective internal audit function and achieve cost savings for the Council.

1. Background

- 1.1 The overall financial position of the Council requires all Service Managers to review current service delivery arrangements with a view to achieving cost reductions.
- 1.2 The Accounts and Audit Regulations 2015 sec 5(1) state – ‘A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance’. The arrangements for internal audit must conform to the CIPFA statement on the ‘Role of the Head of Internal Audit’. The Council’s Annual Governance Statement includes a note to this effect and it is also a key role of the Council’s Chief Finance Officer (Section 151 Officer) to ensure these arrangements are in place.
- 1.3 The Audit Committee at its meeting on 11 July 2016 considered a number of options for partnership arrangements for delivery of the Council’s Internal Audit function. The proposal with Fenland District Council will deliver savings and with a manageable reduction in the audit plan continue to provide an effective internal audit function.
- 1.4 The Audit Committee recommended that the proposal for the provision of a shared Internal Audit Manager between King’s Lynn and West Norfolk Borough Council (BCKLWN) and Fenland District Council (FDC) be approved.

2. Internal Audit Partnership Proposal with Fenland District Council

- 2.1 The proposal has been developed based on the following objectives:
 - To generate efficiency savings for both Councils;
 - To create a shared service with a joint Internal Audit Manager to oversee the delivery of the Internal Audit function between the two Councils;
 - For Internal Audit staff at both Councils to report in to the Shared Internal Audit Manager;
 - The Shared Internal Audit Manager will support both Councils 50% of the time subject to peaks and troughs in workloads at either site;
 - To retain the existing quality of the audit provision with a need to recognise that by moving towards a different model, a reduction in audit days may be required;
 - The Internal Audit Manager will work with both Chief Finance Officers to support their Corporate Governance/Audit Committees and respective External Auditors;
 - It is recognised that when the partnership between the two Councils reaches sufficient maturity that there may be an opportunity to trade the service to other Councils.
- 2.2 The Internal Audit Manager would work for 2.5 days in each council, balancing the management of the team and also delivering operational audits for each council.

- 2.3 The current Internal Audit Manager carries out 110 days of operational audit work, maintains and reports on the Risk Management Register and undertakes ad hoc investigation work. For this partnership to be successful, the new Internal Audit Manager will need to relinquish the risk management role and will have less capacity to undertake operational audit work and ad hoc investigation work.
- 2.4 This proposal would mean as well as managing the two internal audit teams, the Internal Audit Manager would be able to deliver 22 days of operational audit work. The reduction in audit days could be accommodated by removing 'Low' risk audits from the plan, reducing the number of 'Medium' risk audits by two per year, and reducing the amount of contingency time allowed. This would still ensure a good coverage to enable the Internal Audit Manager to provide the assurance required by management and Members, and issue an Audit Opinion for the Annual Governance Statement.
- 2.5 The responsibility for the Risk Management Register would transfer to Policy and Performance.
- 2.6 The Internal Audit Team includes a full time Investigations Officer/Internal Auditor. This officer spend 50% of his time on investigations work relating to local council tax support and council tax discounts ie single person discount fraud and it is proposed that the post holder will report to the Revenues and Benefits Manager for this area of his work.
- 2.7 Each Council's Chief Finance Officers feel that these arrangements will mean that the appropriate legislation and responsibilities will be discharged.
- 2.8 The current Internal Audit Manager at BCKLWN has indicated her intention to retire in March 2017. The FDC role is also vacant, if this proposal is agreed, an external recruitment process would commence for the shared role. It is expected that the role would be recruited to the FDC establishment and BCKLWN would buy-back 50% of the shared manager's time from FDC.

3. Financial Implications

- 3.1 The estimated annual savings from this proposal is £34,000.

4. Personnel Implications

- 4.1 The shared Internal Audit Manager will be recruited to the FDC establishment and would be an employee of FDC. BCKLWN would buy-back 50% of the shared manager's time from FDC. The shared manager would report to the Assistant Director during the time spent working for BCKLWN.
- 4.2 There are no changes to the terms and conditions for the other members of the BCKLWN internal audit team. Team members will report to the shared manager, who will be trained in all BCKLWN employment procedures to

ensure the team continues to be managed in accordance with appropriate policies.

- 4.3 The transfer of the corporate risk register to the Policy and Performance Team can be accommodated within existing resources.

5. Statutory Considerations

- 5.1 King's Lynn and West Norfolk Borough Council will be required to enter into a Section 113 (of the Local Government Act 1972) agreement to enable officers to be at the disposal of each authority to discharge their functions

6. Consultations

Portfolio Holder for Resources

Audit Committee

Management Team

6. Access to Information

Audit Committee 11 July 2016 (Agenda Item 13 Proposals for the Future Delivery of the Internal Audit Function – Exempt Report)

Fenland District Council Cabinet 21 July 2016 (Agenda item ?)