

AUDIT COMMITTEE

Internal Audit Management - Collaboration with Wyre Borough Council

28 June 2017

Report of Chief Officer (Resources)

PURPOSE OF REPORT

To receive endorsement to the arrangements regarding the Internal Audit and Assurance Manager role as a 12 month pilot.

This report is public

RECOMMENDATIONS

- (1) That the Committee endorses the 12-month pilot collaboration arrangement with Wyre Borough Council, to cover the Internal Audit and Assurance Manager (IAAM) role and to develop the Internal Audit function and team as set out in the report.
- (2) That future proposals (beyond the pilot) be considered by the Committee in due course, and in the meantime the Committee be informed of any significant changes or developments as the pilot progresses.

1.0 Introduction

- 1.1 The Council's constitution (Part 3, Responsibility for Functions, Section 8) refers to the Audit Committee having responsibility for overseeing the internal audit function, in particular evaluating the effectiveness of internal audit and the use of audit resources.
- 1.2 The Accounts and Audit Regulations 2015 state that a relevant authority must ensure that it has a sound system of internal control. In order to achieve this, professional standards for internal audit in local government¹ must be applied. One of the standards refers to the "Head of Audit" role holding a professional qualification and being suitably qualified.
- 1.3 In the lead up to the retirement of the IAAM on the 19 May 2017, consideration was given to two main options for future arrangements, these being straight recruitment or some form of collaboration with neighbouring authorities.
- 1.4 The departure of the former manager unavoidably resulted in the loss of many years' knowledge and experience. Internal audit, and particularly local authority

¹ *Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) (CIPFA 2013)*

internal audit, is a small-scale, specialist activity and this is reflected in the local employment market and indeed that for the wider area. From discussions with other local authorities and consultancy providers, expectations were that recruitment to a new full-time manager post would prove very difficult. Furthermore, other staff members within the existing team do not currently have the combination of qualifications and experience to fulfil the role and clearly this has a major bearing on in-house promotion prospects, at least for now.

- 1.5 With regard to collaboration opportunities, discussions were held with other local authorities in the county earlier this year. From the discussions it became clear that only Wyre Borough Council was in a position to consider collaboration. Fortuitously, it has a similar audit approach and culture to the City Council – this is an important factor in considering the likely success of any partnership.

2.0 Proposal Details

- 2.1 From the discussions, a collaboration arrangement has been agreed as a pilot for 12 months, subject to the endorsement of the Committee. The arrangement is designed to ensure stability and resilience of the audit service, whilst allowing time and flexibility to review current structures and develop internal audit staff. The pilot also allows both authorities to learn from the experience and share best practice. It gives flexibility in the event that for whatever reason, the pilot does not meet the council's needs. Both parties have been up front and open on this point.
- 2.2 Importantly for the City Council, the arrangements draws on the experience of Wyre's existing Internal Audit management. This has allowed the Council immediate cover for the role of IAAM and it is intended to continue to use that job title going forward. The interim IAAM is a fully qualified Chartered Internal Auditor (CIA) with over 16 years of internal audit experience; 8 of which have been served as the Head of Audit at Wyre Council. She also holds a Qualification in Internal Audit Leadership (QIAL).
- 2.3 The basic terms of the proposal are that the interim IAAM will spend 55 days on site on average (1 day a week), although this will be front-loaded initially in order that the Manager can establish her role and effective working relationships within the City Council. In addition, she will be available for the remaining time for unlimited advice and guidance whilst based at Wyre Council. This is to ensure that staff within the audit team are fully supported enabling the smooth day-to-day operation of the service.
- 2.4 It is envisaged that the interim arrangements will be in place until May 2018, however there will be a further option to extend this arrangement if desired/required. During the interim arrangements, the interim IAAM will work with the team to build resilience, ensuring that the Audit Committee and the organisation can continue to place reliance on the Internal Audit Service, maintaining its profile and reputation. This will involve developing the skills and roles of the other audit team members, including the managerial aspects of the Principal Auditor role. The establishment of an apprenticeship will also be pursued.
- 2.5 It is highlighted that the arrangements are solely focused on the provision of sufficient Officer capacity to ensure an effective audit function. They do not involve any Joint Committee or other proposals; the two authorities' governance and democratic arrangements will remain completely separate.

3.0 Details of Consultation

3.1 No specific consultation has been undertaken in compiling this report. Consultation with relevant authorities was undertaken beforehand, in developing the proposals, and audit staff have been fully engaged in the process.

4.0 Options and Options Analysis (including risk assessment)

4.1 No alternative options are considered appropriate at this time, given the suitability of the arrangements that have been developed. In addition, the flexibility allows changes to be made to the structure should the need arise. There is a need for the Committee to be kept abreast of future developments, however, and this is reflected within the recommendations.

5.0 Conclusion

5.1 Endorsing the proposals will ensure the Internal Audit Service continues to deliver an effective audit service which complies with the relevant professional standards. The proposals are designed to support the delivery of the Audit Plan, as outlined elsewhere on the agenda.

5.2 The interim IAAM will work with the Chief Officer (Resources) to embed a structure which will provide stability, increase resilience and retain its well-developed respect and standing throughout the organisation.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):

None directly arising.

LEGAL IMPLICATIONS

Legal Services have been consulted. A legal agreement backs the collaborative arrangements and this will be completed following the Committee's consideration of this matter.

FINANCIAL IMPLICATIONS

There are no direct/quantifiable financial implications arising at this time. The estimated basic charge for the collaboration is around £20,600 but if the Council's needs increase, then the charge would be varied accordingly. In addition the roles of the other team members will be reviewed and updated on a temporary basis, with any honoraria being determined in accordance with Council policy. There may well be a net saving overall when compared with the budgeted cost for the full-time post of IAAM, but this cannot yet be confirmed.

In considering future arrangements, a cost-benefit appraisal will be undertaken to inform decision-making.

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:

As referred to in the report.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has contributed to this report, which is in her name (as s151 Officer).

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Public Sector Internal Audit Standards

Local Government application note for the UK
Public Sector Internal Audit Standards

The Accounts and Audit Regulations 2015

Contact Officer: Nadine Muschamp

Telephone: 01524 582117

E-mail: nmuschamp@lancaster.gov.uk

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