

# AUDIT COMMITTEE

## Internal Audit – Future Management and Delivery

21 February 2018

### Report of Chief Officer (Resources)

#### PURPOSE OF REPORT

To receive endorsement for the continuation of the arrangements regarding the Internal Audit and Assurance Manager role through collaboration with Wyre Borough Council and to approve the Internal Audit re-structure.

**This report is public**

#### RECOMMENDATIONS

- (1) That the Committee endorses the continuation of the collaboration arrangement with Wyre Borough Council for a further 12-month period (minimum), to cover the Internal Audit and Assurance Manager (IAAM) role.
- (2) That subject to the outcome of Budget Council, the Internal Audit re-structure be approved as set out in the report.

#### 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 government<sup>1</sup> must be applied. One of the standards refers to the "Head of Audit" role holding a professional qualification and being suitably qualified.
- 1.3 Following the departure of the former Internal Audit and Assurance Manager (IAAM) in May 2017, the Audit Committee endorsed an arrangement with Wyre Borough Council to enter into a 12-month collaboration pilot to cover the role of the IAAM. The pilot was designed to allow time and flexibility to review the

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

current structure and develop the two full time internal audit staff. This arrangement is due to cease on the 21 May 2018.

## **2.0 Proposal Details**

- 2.1 Following a successful pilot, a continuation of the collaboration arrangement with Wyre Borough Council has been agreed, subject to the endorsement of the Audit Committee and approval through Budget Council (as part of Cabinet's budget proposals).
- 2.2 During the last 10 months, the IAAM has worked with the internal audit team to build resilience, develop their skills and review the future requirements of the team. It is clear, that in the absence of a full time IAAM, both members of the internal audit team have had to take on more responsibility and work at a much higher level. Consequently, both posts have now been reviewed and re-graded in line with the Council's job evaluation scheme, on the basis that the collaboration arrangement continues.
- 2.3 The new structure will comprise a part-time IAAM (provided from Wyre Borough Council, as now) who will be supported by a full time Assistant IAAM and a full time Auditor. The team will also be supported by an apprentice who will be shared with Financial Services on a 50/50 basis. The apprenticeship will be part-funded initially through the Apprenticeship Levy Scheme. Whilst it is expected that the apprentice will be in post from 1 April 2018, qualification training will not commence until January 2019, giving the successful candidate time to settle into their role. Other than the IAAM role, all other posts will continue to be employed directly by the City Council.
- 2.4 The Assistant IAAM has already started her qualification with the Institute of Internal Auditors, to which she is hoping to gain the Certified Internal Auditor qualification within 12-18 months. Once completed, all staff within the audit team (with the exception of the apprentice) will hold an audit qualification.
- 2.5 As before, 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 Wyre Borough Council has been undertaken 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 Given that the pilot has been successful and the continuing arrangements will allow some flexibility should the need arise, no alternative options are considered appropriate at this time. The only other wider alternative would be to revert back to the Council directly employing its own Internal Audit and Assurance Manager, but that is considered less cost-effective. More specifically, there is some flexibility regarding the Apprenticeship post, should Members wish to maximise savings, but then such an approach would raise issues regarding succession planning and the Apprenticeship Scheme.

## 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 IAAM and the Assistant IAAM will continue to 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**

The financial implications are included in Cabinet's budget proposals. The estimated cost of the collaboration agreement with Wyre Borough Council is around £20K per year, subject to pay inflation. The apprenticeship is estimated to cost around £22K per year, and the savings from other staffing changes (the deletion of the Audit Manager post, net of the re-grading of other posts) is estimated to save around £53K per year. Ongoing net savings are estimated at around £11K per year, but in next year the saving will be higher, because of the availability of funding through the Apprenticeship Levy scheme.

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

The IAAM is in the process of resolving an issue in respect of the Assistant IAAM post. It is anticipated that while she obtains the required audit qualification allowing her to move to the next spinal point, an honorarium be paid in recognition of the additional duties currently being undertaken. It should be noted that this does not affect the overall outcomes and recommendations contained within this 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

**Contact Officer:** Nadine Muschamp

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

The Accounts and Audit Regulations 2015

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**Ref:**