

Agenda Item No:	5	
Committee:	Staff Committee	
Date:	5th August 2016	
Report Title:	Comprehensive Spending Review - Internal Audit Partnership Proposals	

Cover sheet:

1 Purpose / Summary

- 1.1 To note the proposal approved by Cabinet for an Internal Audit Partnership with Kings Lynn and West Norfolk Borough Council (KLWN), which will generate savings and maintain service quality and not change the current Internal Audit team structure and staff numbers.

2 Key issues

- Fenland District Council has delivered substantial service transformation and efficiencies since 2010. This has included delivering shared services on the basis of two principles, that the quality of the service would remain or improve and that the proposals generate efficiency savings.
- As part of the Fenland District Council Comprehensive Spending Review, one of the options which were agreed was to consider partnership arrangements for the Council's Internal Audit team.
- Officers have had discussed partnership opportunities with a number of potential partners, which has led to the development of a proposal with KLWN which will deliver savings and maintain service quality.
- The proposed saving will generated an estimated £15k a year for Fenland District Council, which represents 14% of the team's annual budget and Cabinet approved this proposal at their meeting on the 21st July 2016.
- The current Internal Audit Manager post is vacant at Fenland District Council, and the current post holder at KLWN has indicated their intention to retire in March 2017. Therefore it is proposed that Fenland District Council employ the Shared Internal Audit Manager, and KLWN buy-back 50% of their time.

3 Recommendations

Staff Committee are asked to:

- Note the proposed Shared Internal Audit arrangements approved by Cabinet, and;
- Note that the structure of the Internal Audit team is not changing and Fenland District Council will employ the new Shared Internal Audit manager post, and KLWN will buy-back 50% of their time.

Wards Affected	All
Forward Plan Reference	

Portfolio Holder(s)	Cllr Chris Seaton, Portfolio Holder, Finance
Report Originator(s)	Rob Bridge, Corporate Director and Chief Finance Officer
Contact Officer(s)	Rob Bridge, Corporate Director and Chief Finance Officer Carol Pilson, Corporate Director
Background Paper(s)	

Report:

1 Background

- 1.1 In December 2013, Council considered a report on 'Meeting the Challenge - Service Transformation and Efficiencies'. The Council approved the approach and recommendations which will deliver savings of £1.766m from 2014/15 to 2018/19.
- 1.2 Within these proposals, shared service options were considered based on two principles, that the quality of the service would remain acceptable to the Council and that the proposals generate efficiency savings for the Council.
- 1.3 One of the key recommendations in the report was for Fenland District Council (FDC) to join Anglia Revenues Partnership (ARP) for its Revenues and Benefits services as a shared service and equal partner.
- 1.4 In September 2014, the Council also agreed that Fenland would join the CNC Building Control consortium as another shared service delivery model. This went live in January 2015 and has delivered 38% savings against this service budget area.
- 1.5 In addition, during the same time period, FDC have opened two Community Hubs with Cambridgeshire County Council and have had a shared service arrangement with Peterborough City Council for Planning Policy, Housing Strategy and S106 monitoring. In July 2015, the Council also agreed to create a shared planning team with Peterborough City Council, delivering £137k of savings to Fenland.
- 1.6 During 2015/16, the Council undertook its own 'Fenland District Council - Comprehensive Spending Review' (FDC-CSR). This process identified options for the Council to consider which should deliver the £3.1m of savings which are estimated to be required by 2019/20.
- 1.7 One of the options set out in the FDC-CSR documentation was to consider partnership arrangements for the Council's Internal Audit team, and officers have been exploring potential options with other councils in the last six months.

2 Fenland Internal Audit Overview

- 2.1 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.
- 2.2 The current Internal Audit team is made of 2.6 FTE, with a vacant Internal Audit Manager post and 1.6 FTE Internal Auditors and the total budget for 2016/17 is £105,410 (appendix A shows the current team structure)
- 2.3 The team currently have 423 budgeted productive days for 2016/17, of which 296 days are allocated for operational audit work and 127 days are allocated for other assurance work, including risk management, the Annual Governance Statement, information governance and fraud, error and the National Fraud Initiative (NFI). Most of these duties are carried out by the Internal Audit Manager who delivers only 28 days of operational audit work.
- 2.4 The strategic aims of the Internal Audit team are to:
 - prepare, maintain and deliver the risk based internal audit plan;

- proactively promote understanding of risk and control;
- recommend actions that help systems meet at least adequate levels of control;
- facilitate provision of assurance for the Annual Governance Statement.
- work the Chief Finance Officer to support the Council's Corporate Governance Committee and liaison with the Council's External Auditors.

2.5 The Internal Audit Manager post at Fenland District Council is currently vacant.

3 Internal Audit Partnership Proposals

3.1 During the FDC-CSR process, officers have been discussing partnership opportunities for Internal Audit with a number of potential partners. Based on these discussions, proposals have been developed with KLWN for sharing the Internal Audit Manager post between the two councils.

3.2 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.

3.3 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.

3.4 As set out in 2.3, the Internal Audit Manager carries out 28 days of operational audit work, whilst delivering the majority of the 127 days for other assurance and fraud work. For this partnership to be successful, the new Internal Audit Manager will need to relinquish a number of these roles so that they can carry out the joint role.

3.5 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, which is a small reduction (for KLWN, this impact will be bigger).

3.6 Therefore the Chief Finance Officer and Corporate Management Team have agreed the following realignment of other assurance work which does not need to be delivered by the Internal Audit Manager

- Annual Governance Statement - Head of Governance & Legal Services
- Anti-Fraud and Corruption - Head of Governance & Legal Services
- National Fraud Initiative - ARP
- Information Governance - Head of Governance & Legal Services (but to be reviewed once permanent arrangements are in place for Chief Solicitor)
- Risk Management - Head of Customer Services

- 3.7 Therefore, each Council's Chief Finance Officers feel that these arrangements will mean that the appropriate legislation and responsibilities will be discharged.
- 3.8 The current Internal Audit Manager at KLWN has indicated their intention to retire in March 2017. Therefore, as the FDC role is also vacant, if this proposal is agreed, an external recruitment process would commence for the shared role and neither council will incur any redundancy costs. The job description and requirements have been reviewed in line with Public Sector Audit Standards and will be subject to job evaluation.
- 3.9 Due to the vacancy at FDC, it is proposed that the role would be recruited to the FDC establishment and KLWN would buy-back 50% of the shared manager's time from FDC. The new structure is shown in appendix B.
- 3.10 For FDC, the estimated saving from this proposal would be £15k per annum, which represents a reduction of 14%.
- 3.11 Fenland District Council's Cabinet approved the proposal on the 21st July 2016, and KLWN Cabinet are considering the proposal on the 2nd August. Staff Committee members will be updated at the meeting of the outcome of KLWN Cabinet.
- 3.12 As no posts are being deleted, no redundancies are required, and the structures are not changing, Staff Committee are asked to note these proposals as there is no requirement for any formal decisions.

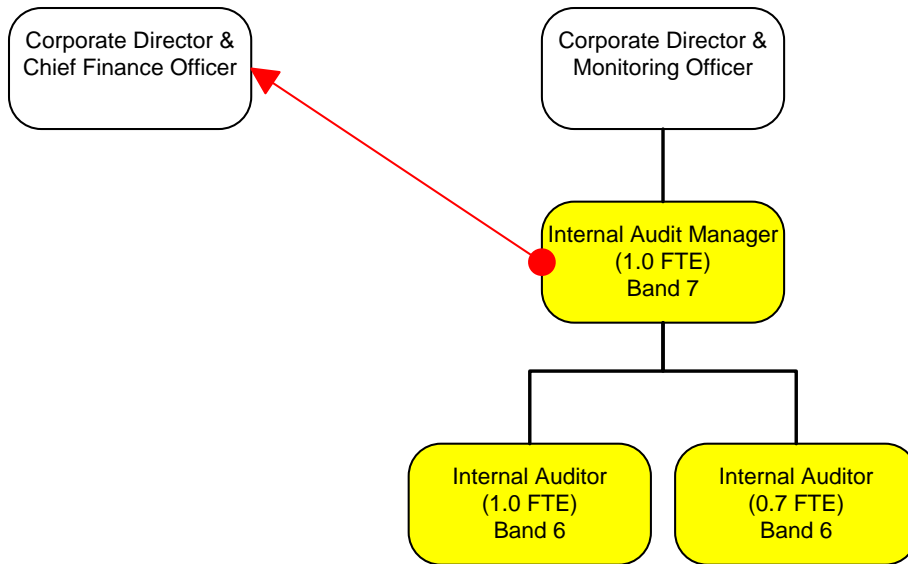
4 Timetable

- 4.1 The following is an indicative timetable of decision making and implementation:

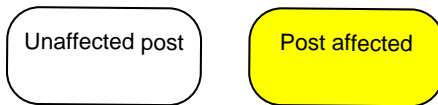
DATE	MEETING/ACTION	COMPLETED
11 July 2016	Kings Lynn & West Norfolk Borough Council Audit Committee	Yes
12 July 2016	Fenland District Council Corporate Governance	Yes
21 July 2016	Fenland District Council Cabinet	Yes
2 August 2016	Kings Lynn & West Norfolk Borough Council Cabinet	TBC at meeting
5 August 2016	Staff Committee	
September 2016	Staff recruitment process	

Existing structure

Internal Audit



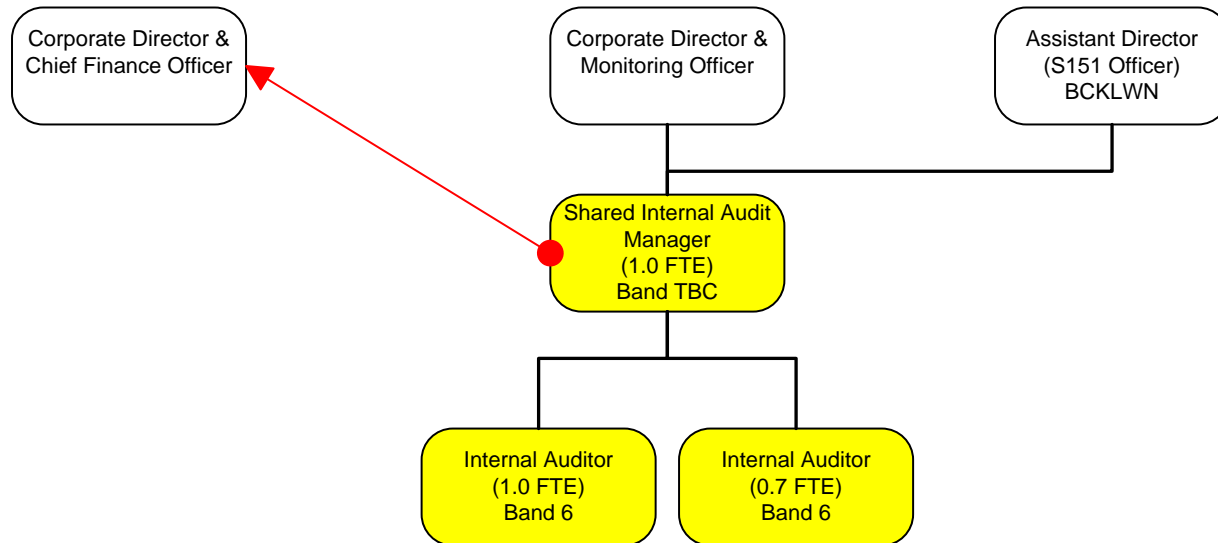
Key:



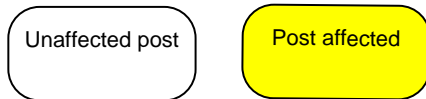
Additional reporting line
for professional continuity

Proposed structure

Internal Audit



Key:



Additional reporting line for professional continuity