

BRIDGEND COUNTY BOROUGH COUNCIL
INFORMATION REPORT TO AUDIT COMMITTEE

15 MARCH 2012

REPORT OF THE ASSISTANT CHIEF EXECUTIVE - PERFORMANCE

DEVELOPMENT OF A SHARED SERVICE FOR INTERNAL AUDIT WITH VALE OF GLAMORGAN COUNCIL

1. Purpose of Report.

- 1.1 The purpose of this report is to update the Audit Committee on the progress to develop a full shared service for Internal Audit with the Vale of Glamorgan Council.

2. Connection to Corporate Improvement Objectives / Other Corporate Priorities.

- 2.1 Internal Audit's work impacts on all of the Corporate Improvement Objectives /other corporate priorities.

3. Background.

- 3.1 The provision of Internal Audit is recognised by all councils as core to their effective governance, risk management, and control arrangements. The requirement for councils to maintain appropriate and effective internal audit arrangements is set out in the Accounts and Audit (Wales) Regulations 2005.
- 3.2 An Information Report was submitted to Cabinet on the 1st December 2009 providing an update on the proposed arrangement with the Vale of Glamorgan Council to share the services of the Chief Internal Auditor for an initial period of one year with effect from 1st January 2010. Discussions were held with the Chair of the Council's Audit Committee before any arrangement was finalised. A further report on progress was submitted to the Audit Committee for their information on 28th October 2010 with regular verbal updates also subsequently provided by myself and the Chief Internal Auditor.
- 3.3 A three-phase Business Case has been developed, with the third phase being endorsed by the two Council's Joint Working Programme Board in May 2011. Phase three will realise the option for the provision of a fully integrated Internal Audit Shared Service (IASS). With the success experienced by sharing the Chief Internal Auditor (phase one), it was considered that the natural progression would be to integrate all staff in one location and second staff from Bridgend CBC to the Vale (phase two). This has been successfully achieved and has been fully operational since May 2011 with staff from Bridgend CBC and the Vale of Glamorgan Council coming together and being located at the Innovation Centre in Ewenny Road, Bridgend which is convenient for both Councils.

3.4 Phase three of the Business Case is to create an IASS which will deliver a full, professional internal audit service to meet the needs of both Councils and the requirements as defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

4. Current situation / proposal.

4.1 The stated aim of the IASS project is to provide a shared service solution, focused on a series of identifiable and measurable objectives, in which both Councils have an equal share in terms of control, direction and influence.

4.2 As such the IASS is expected to achieve the following objectives:

- affordable and represents value for money;
- enhances the professionalism and quality of audit services provided to both Councils through shared knowledge and best practice;
- is flexible and can respond to changing service requirements and priorities;
- extends access to specialist audit services and other related disciplines to both Councils;
- delivers efficiencies and economies of scale;
- improves the investment in staff training and development and provides opportunities for career progression for staff within the service.

4.3 In order to meet this, the Phase Three business case recommended that:

There should be a single employing authority which should be the Vale of Glamorgan Council;

Staff currently employed by Bridgend County Borough Council should be TUPE (Transfer of Undertakings – Protection of Employment Regulations) transferred to the Vale of Glamorgan Council;

A new staffing structure should be implemented to ensure the IASS is fit for purpose and well placed to deliver an improved service.

The new staffing structure should be populated after all staff are employed by the Vale of Glamorgan Council.

A Partnership Agreement based on Section 101/102 of the Local Government Act 1972 should be entered into between the two councils to set out the governance arrangements and formalise the provision of services and basis for cost apportionment.

- 4.4 Both Councils are required to sign-up to the terms and conditions of this agreement for a set period of time (proposed minimum of three years) in order to demonstrate commitment.
- 4.5 Overseeing the IASS will be a Joint Partnership Board comprising the Section 151 Officers (or their nominees) from each Council. The Board will monitor the performance of the IASS to ensure that it delivers the standards and expectations set out in the partnership agreement.
- 4.6 Whilst the partners will jointly oversee the performance of the IASS, the responsibility for the adequacy of the whole system of internal audit will remain with the Councils themselves, who will remain responsible for approving audit plans and monitoring delivery via the Council's respective Audit Committees.
- 4.7 The individual Councils will continue to be responsible for overseeing the effectiveness of the internal audit function at Council level, and holding the Head of Internal Audit to account for delivery of the approved Audit Plan. They will also be responsible for the effectiveness of their governance, risk management and control arrangements, hold managers to account for delivery and receive regular progress updates on internal audit work; consider key themes and issues, and take them forward as necessary.
- 4.8 Initial indications of the level of service required have been considered, and this information has been used to determine the indicative costs of the service. The costs will be shared in proportion to the level of service required on a full recovery basis with the overall position being cost neutral in terms of the existing budget.
- 4.9 As indicated in paragraph 4.3, the coming together of the two divisions requires a new organisational structure to be implemented. This will have the impact of reducing the number of full time equivalent (FTE) posts between the two divisions at present (29) to a maximum of 24 under the new IASS.
- 4.10 Legal and Human Resources support is being received in order to ensure that the process of employee transfer to the Vale of Glamorgan Council is handled in accordance with the law. Consultation is underway on the transfer arrangements and is being worked through with those staff affected and the Unions. Further consultation will then take place with all staff on the new IASS organisational structure after transfer arrangements have been agreed.
- 4.11 The IASS will employ agile working practices including hot-desking, home and site working together with the innovative use of ICT in order to minimise travel costs and their associated impact upon the environment.

5. Effect upon Policy Framework& Procedure Rules.

- 5.1 None

6. Equality Impact Assessment.

- 6.1 The initial IASS structure will be ring-fenced to existing internal audit staff and the process of matching and competition for posts will be part of the consultation process

with staff and Trades Unions. None of the proposals will have a differential impact on individuals with the protected characteristics.

7. Financial Implications.

7.1 Savings to Bridgend CBC totalling £21,300 per annum have already been realised through the sharing of the Chief Internal Auditor. For 2011/12 it is expected that the Bridgend budget allocated for the service will achieve an underspend in the region of a further £35K. Further savings are expected to be achieved as the new IASS structure is developed.

8. Recommendation.

That the Committee notes the progress being made.

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Background Documents

None