

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

19 JUNE 2018

REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151 OFFICER

PROPOSAL TO INCORPORATE THE SHARED INTERNAL AUDIT SERVICE (RIASS) INTO A LARGER SERVICE HOSTED BY THE VALE OF GLAMORGAN COUNCIL TO INCLUDE TWO ADDITIONAL COUNCILS

1. Purpose of Report

- 1.1 The purpose of the report is to set out a proposal for the Council's Internal Audit Service which is already part of an existing Regional Internal Audit Shared Service (RIASS) hosted by the Vale of Glamorgan Council, to become part of a larger collaboration.

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 This report assists in the achievement of the following corporate priority/priorities:

Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3. Background

- 3.1 All local authorities in Wales have a legal duty to maintain appropriate and effective internal audit arrangements as set out in the Accounts and Audit (Wales) Regulations 2018 (and prior to this, the Accounts and Audit (Wales) Regulations 2014).
- 3.2 The Council has a consistent track record of meeting this legal duty through the delivery of annual internal audit plans; forming evidence based opinions on the standard of internal control across the Council; ensuring recommendations to improve the standard of internal control have been implemented; and supporting the Council's Audit Committee to deliver its Terms of Reference.
- 3.3 Cabinet at its meeting held on 6th March 2012 approved the proposal that Bridgend County Borough Council become a partner in the Internal Audit Shared Service (IASS) partnership as a joint discharge of functions under Section 101 of the Local Government Act 1972; with the Vale of Glamorgan Council operating as the host authority and authorised the Section 151 Officer in consultation with the Monitoring Officer to make the necessary arrangements to establish the IASS, subject to an agreed Partnership Agreement and Contract.
- 3.4 A formal Partnership Agreement was signed and sealed by both Councils on 1st February 2013, whereby an IASS would be provided by the Vale as the Host

Authority for a period of three years to Bridgend Council. Cabinet at its meeting held on 1st September 2015 approved the extension of the IASS Partnership Agreement for a period of two years to 31st January 2018.

- 3.5 As Members will be aware, the Council has a proactive approach to exploring opportunities to develop and improve service provision, including collaborative working, where it is in the Authority's best interest to do so. In line with this approach, the Council's Interim Head of Finance and Section 151 Officer, along with counterparts within Rhondda Cynon Taf, Merthyr Tydfil and the Vale of Glamorgan Councils have undertaken a business case review to consider extending the RIASS currently in place for Bridgend and the Vale of Glamorgan Councils to include Rhondda Cynon Taf and Merthyr Tydfil County Borough Councils.
- 3.6 The current RIASS in place between Bridgend and the Vale of Glamorgan Councils has been fully operational under a formal Partnership Agreement since February 2013. During this time, both Councils report that:
- The RIASS has delivered consistently against the approved annual risk based plans and achieved the necessary coverage in order to issue a robust, evidence based audit opinion at the end of each year; and
 - Benefits have been realised by bringing the sections together, some of which included the effective use of the total audit resource, knowledge sharing and harmonising working practices and systems.
- 3.7 Following on, both Councils indicate that the RIASS has and is achieving the following objectives:
- The service is affordable and is delivering efficiencies and economies of scale;
 - The service enhances the professionalism and quality of audit services provided to both Councils through shared knowledge and best practice;
 - The service is flexible and can respond to changing service requirements and priorities;
 - The service can extend access to specialist audit services and other related disciplines to both Councils; and
 - The service conforms with the Public Sector Internal Audit Standards, with no significant deviations noted.
- 3.8 The RIASS is a small service and is currently unable to deliver the audit plan with its own resources. Furthermore, based on the outcomes delivered by the RIASS to date, it is considered that there would be business benefits for Bridgend if it were to become part of a larger regional service. This includes providing opportunities:
- To further improve the resilience of the service by creating a larger team of staff compared to the current set up of smaller separate teams across a number of local authorities;
 - To develop in-house specialist audit skills not currently in place, such as contract and computer auditing, that will add value to key areas of the Council's business and provide development opportunities for team members;
 - To further modernise the service by applying consistent working practices and optimising the use of information technology and agile working; and

- To take advantage of the economies of scale and in-house specialist audit skills to develop a more commercial approach whilst ensuring the Service's core business is maintained.

4. Current Situation / Proposal

- 4.1 As set out in Section 3 of the report, there are clear business benefits for Bridgend Council in becoming part of a larger RIASS. A proposed way forward is set out below.

Partnership Agreement

- 4.2 In accordance with the current Partnership Agreement, the IASS Board may agree that the Agreement shall be terminated upon terms agreed by it unanimously. It is anticipated that a new Partnership Agreement based on Section 101/102 of the Local Government Act 1972 will then be drafted on similar terms to the original agreement but including Rhondda Cynon Taf County Borough Council and Merthyr Tydfil Borough Council as new parties.
- 4.3 All Councils will be 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.
- 4.4 The Vale of Glamorgan Council will continue to be designated as the single employing authority and the Council's staff currently employed within RCT and Merthyr Internal Audit Service will be subject to TUPE (Transfer of Undertakings - Protection of Employment Regulations) and transferred to the Vale of Glamorgan Council. On this basis, Bridgend County Borough Council have no involvement.
- 4.5 Subject to approval from each Authority and consideration of appropriate implementation arrangements, it is envisaged that the new RIASS would become operational during this financial year, that is, 2018/19.

Governance Arrangements

- 4.6 Oversight of the RIASS will be in the form of a Joint Partnership Board and would comprise of Section 151 Officers (or their nominees) from each Council. The Board will monitor the performance of the Shared Service to ensure that it delivers the standards and expectations set out in the Partnership Agreement.
- 4.7 Whilst the Board will jointly oversee the performance of the Shared Service, the responsibility for the adequacy of the Council's whole system of internal audit will continue to remain with the Council and cover, amongst other things, being responsible for approving audit plans and monitoring delivery via the Audit Committee. This will be fully compliant with the Terms of Reference for the Audit Committee and ensure the requirements of the Accounts and Audit (Wales) Regulations 2018 and Public Sector Internal Audit Standards are met.

- 4.8 The Council will also continue to be responsible, via the Audit Committee, for overseeing the effectiveness of the internal audit function, governance, risk management and control arrangements and holding the Head of Internal Audit to account for delivery of the approved Audit Plan. In addition, the existing arrangements in place to hold managers to account to implement recommendations made by Internal Audit will remain unchanged.

Annual Audit Planning

- 4.9 The annual Audit Plan for 2018/19, as agreed by Audit Committee on 26th April 2018, will continue to be delivered as set out. Subject to agreement on the new RIASS, the draft 2019/20 Audit Plan will be compiled by the RIASS and reported to Audit Committee for consideration and approval.
- 4.10 As part of the annual audit planning process for 2019/20, the Head of the Regional Internal Audit Service will undertake an assessment of risk and 'audit need' across all partner local authorities to ensure audit coverage is appropriate and optimum use is made of available resources. This approach is in line with existing arrangements and will also take into account the new business benefits a RIASS will provide as set out in paragraph 4.6.

Staffing Arrangements

- 4.11 A key principle underpinning the proposal is that all existing employees will remain as part of the new RIASS on current grades and terms and conditions. As part of the transfer process, engagement with staff, Trade Unions and Human Resources would take place, in line with agreed arrangements.
- 4.12 Following the transfer process, a proposed staffing structure for a new RIASS would be consulted upon with staff and Trade Unions, with the proposed staffing structure having sufficient posts for all existing employees to be recruited into. As such there will be no requirement to consider compulsory redundancies.

Audit Committee

- 4.13 Subject to approval, a report will be presented to the Council's Audit Committee with the requirement for the Committee to oversee implementation arrangements during 2018/19.

5. Effect upon Policy Framework & Procedure Rules.

- 5.1 None.

6. Equalities Impact Assessment

- 6.1 In developing the proposal, an Equality Impact Assessment screening has been undertaken to ensure that:

- The Council meets the requirements of the Public Sector Equality Duties, and

- Due regard has been taken of the likely impact of the decision in terms of equality and discrimination

6.2 There are no negative equality impacts arising from this report.

7. Well-being of Future Generations (Wales) Act 2015 Implications

7.1 The proposal supports the Well-being of Future Generations Act in the following ways:

- The well-being goal of a prosperous Wales through the efficient use of resources and developing skills and employment opportunities, and
- The sustainable development principle of 'collaboration' through working with others to help achieve common objectives.

8. Financial Implications

8.1 In line with the review work undertaken, it is estimated that potential future budget savings to the Council could be delivered over time. Following the first year and subject to developing a more commercial emphasis, it is anticipated that additional income generation will reduce the net cost of the service to all partner local authorities.

9. Recommendations

To enable the Council to become part of a larger RIASS that will reinforce business resilience, further enhance the range of audit expertise available to the Council and support the delivery of a more efficient service, it is recommended that Cabinet:

- 9.1 Approves the proposal for the RIASS to expand to include RCT and Merthyr with the Vale of Glamorgan Council continuing to operate as the host authority;
- 9.2 Authorises the Interim Head of Finance and Section 151 Officer, in consultation with the Monitoring Officer, to make the necessary arrangements for Bridgend County Borough Council to become part of an enhanced RIASS subject to an agreed Partnership Agreement and Contract;
- 9.3 Note that subject to approval, this report will be presented to the Council's Audit Committee and the Committee will be tasked with overseeing the required implementation arrangements during 2018/19.

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Background documents: None