

<b>Meeting of:</b>	<b>CABINET</b>
<b>Date of Meeting:</b>	<b>14 MAY 2024</b>
<b>Report Title:</b>	<b>RENEWAL OF THE REGIONAL INTERNAL AUDIT SERVICE PARTNERSHIP AGREEMENT</b>
<b>Report Owner / Corporate Director:</b>	<b>CHIEF OFFICER – FINANCE, HOUSING AND CHANGE</b>
<b>Responsible Officer:</b>	<b>CARYS LORD CHIEF OFFICER, FINANCE, HOUSING AND CHANGE</b>
<b>Policy Framework and Procedure Rules:</b>	<b>There is no impact on the policy framework and procedure rules</b>
<b>Executive Summary:</b>	<b>The purpose of this report is to seek approval from Cabinet to renew the existing Regional Internal Audit Service (RIAS) Partnership Agreement.</b>

## **1. Purpose of Report**

1.1 The purpose of this report is to seek approval from Cabinet to the proposal that:

- the existing Regional Internal Audit Service (RIAS) Partnership Agreement should be renewed, with the Vale of Glamorgan Council continuing as host authority to reinforce business resilience.
- three of the original partners continue with the arrangement and sign a new Partnership Agreement - the partners being Vale of Glamorgan, Bridgend and Merthyr Tydfil Councils.
- the Partnership Agreement runs continually with a formal partner review built in every five years. Each partner can terminate their involvement with the regional shared service in compliance with the terms outlined in the relevant section of the Partnership Agreement.
- allows additional partners to join the RIAS as equal partners subject to RIAS Board approval.

## **2. Background**

- 2.1 Councils have a track record of innovation, of delivering efficiencies and of serving communities well. However, with the all too familiar and long-established increasing need to do more with less, Councils need to respond, showing how they are able to protect communities and the services they value while ensuring the best possible value for money during a continuing period of financial challenge and uncertainty.
- 2.2 Sharing services, where possible, enables Councils to do this by reducing duplication of effort and expenditure, thereby freeing up money from back office processes to be spent on improving front-line services. In recent years, collaborative working activity has increased at pace in response to the challenging financial climate and also in recognition of the value that working in partnership to share skills, expertise and experience can have in tackling increasingly complex issues.
- 2.3 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 2018 and prior to these the Accounts and Audit (Wales) Regulations 2014. As Councils seek to ensure that systems and processes are as efficient as possible, it is imperative that the Internal Audit Service can provide the objective assurances required by elected members and senior officers regarding the effectiveness of the systems of internal control, governance and risk management.
- 2.4 The Bridgend and Vale of Glamorgan Internal Audit Shared Service was fully operational under a formal Partnership Agreement from February 2013, as both Authorities had experienced the advantages of the Shared Service. Since its inception the Shared Service has delivered consistently against the approved annual risk-based audit plans and achieved the necessary coverage in order to issue a robust, evidence based audit opinion at the end of each year as well as fully complying with its statutory requirements under the Public Sector Internal Audit Standards (PSIAS). In addition, significant benefits have been realised by bringing the sections together, some of which included effective use of the total audit resource, knowledge sharing and harmonising working practices and systems.
- 2.5 On 1st April 2019 the Regional Internal Audit Service (RIAS) was formed, bringing together the Internal Audit teams from Merthyr Tydfil County Borough Council (MTCBC), Rhondda Cynon Taf County Borough Council (RCTCBC) and the existing Shared Internal Audit Service for Bridgend and the Vale of Glamorgan Councils.
- 2.6 The objectives of the RIAS were to:
- Deliver a robust internal audit service that meets the needs of participating Councils and complies with legislative requirements.
  - Provide increased resilience and offer a wider range of internal audit specialisms (IT / contract audits) across the four Local Authorities.

- Develop a commercial emphasis within the Service that is able to tender for work from other organisations.
- Deliver efficiency savings for each Member authority.

2.7 The vision for RIAS is to be the provider of Internal Audit Services of choice to the public sector in South Wales and be a centre of excellence for public sector internal auditing. It is to be a service that is regarded as:

- Professional
- Approachable
- Flexible
- Independent but internal to the organisation – a critical friend.

2.8 A new legal Partnership Agreement was entered into by the four Councils for five years in 2019. The original Partnership Agreement was for partners to sign up for three years with an option to extend to two years at a time. RIAS has now been in operation for five years and the position needs to be reviewed.

### **3. Current situation / proposal**

3.1 The Shared Service has developed well since its inception, is meeting its objectives and continues to move forward to achieve greater effectiveness and efficiencies. The Section 151 (s151) Officers from the four member authorities have been very positive about the internal audit provision and the level and quality of service received, as have the members of each Governance and Audit Committee.

3.2 In January 2024 the host authority, Vale of Glamorgan, was notified by RCTCBC that the Council had decided not to continue in the Partnership from April 2024. The reason given was that, due to the challenges they were facing, it has been agreed it was opportune for the Council to reconsider the position and take the opportunity to take back the service and resource it internally, to align with other key areas of work which they plan to concentrate on over the next few years.

3.3 Despite RCTCBC not being involved with the Partnership moving forward, the management of the service has determined that this will not hinder achieving the Partnership's ambitions and objectives and will continue to strive towards being the provider of Internal Audit Services of choice to the public sector in South Wales and a centre of excellence for public sector internal auditing.

3.4 The remaining s151 Officers have suggested that the Partnership should move forward on a longer term agreement basis and the option considered is a continual agreement to include a formal partner review at least every five years. Each partner will still have the option to opt out of the agreement as specified within the terms of the agreement itself. S151 Officers of the three Councils are comfortable with this proposal and see it as a positive continuation of the collaboration of the internal audit provision between the three partner Councils.

- 3.5 One aim of the service since its inception has been to expand to provide quality and specialist audit services to other public sector organisations. As the service is now well established, the RIAS Board considers the service is now well placed to consider partnering with other local authorities in the South Wales area. Without canvassing for additional partners to join RIAS, three South Wales local authorities have expressed an interest in joining the existing arrangement with two of those being keen to join during 2024/25. Other public sector organisations have also approached RIAS about providing an internal audit service to them on a contractor / client basis.
- 3.6 These proposals were discussed and agreed by the Governance and Audit Committee on 18<sup>th</sup> April 2024.

#### **4. Equality implications (including Socio-economic Duty and Welsh Language)**

- 4.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

#### **5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives**

- 5.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report. The proposal supports the 5 ways of working under the Well-being of Future Generations (Wales) Act 2015 as follows:

**Long Term** – the proposal is for the new Partnership Agreement to be on a longer term basis with a partner review built in every 5 years.

**Prevention** – the proposal will help to protect local authorities by ensuring systems and processes are as efficient as possible, risk is mitigated, and the Council's assets are safeguarded.

**Integration** – the Shared Service is involved in, and reviews, all aspects of the Council's activities and enables best practice to be shared across the partner authorities.

**Collaboration** – the proposal recommends the continued collaboration between three partner authorities, with the potential for this to be extended further.

**Involvement** – staff from across the three authorities within the RIAS are involved in auditing the three partner authorities, and will liaise with service managers and staff from across this and the partner organisations to form an opinion on the Council's governance arrangements.

## **6. Climate Change Implications**

6.1 There are no climate change implications arising from this report.

## **7. Safeguarding and Corporate Parent Implications**

7.1 There are no safeguarding or corporate parent implications arising from this report.

## **8. Financial Implications**

8.1 RIAS delivers an agreed number of audit days to each partner on an annual basis in order to deliver the internal audit plan and enable the Head of the RIAS to provide an overall annual opinion on the effectiveness and adequacy of the governance arrangements, internal controls and risk management processes in place at each partner. The allocated audit days are based on a full establishment of staff within the service and per partner. The planned days for Bridgend Council in 2023/2024 were 1,101.

8.2 Each partner makes a financial contribution to the total running costs of providing RIAS based on the number of days allocated to them multiplied by the daily charge rate. Where the full number of audit days are not delivered to partners the RIAS Board decides whether to make a refund to each partner or a contribution to RIAS reserves.

8.3 The number of days and the financial contribution was agreed within the original Partnership Agreement for 2019/20. It was agreed that the number of days allocated to each partner would remain static for at least the first three years of operation to ensure the successful delivery of an effective, economic and efficient internal audit service to each partner, which would support achieving the Shared Service's objectives. The audit days allocated to each partner has primarily remained static for the five years of the Shared Service's existence. Any adjustments to the audit days allocated impacts on the financial contribution made by each partner but still needs to cover the overall cost of providing the RIAS.

8.4 Bridgend Council's budget for the RIAS in 2023/2024 was £287,130. The proposed contribution for 2024/2025 is £317,760. However, this does not take into account the agreed saving as part of the Medium Term Financial Strategy 2024-25 to 2027-28 of £27,000, agreed by Council on 28<sup>th</sup> February 2024, which will likely impact upon the number of planned audit days for Bridgend in 2024/2025. How this will be realised will be subject to discussion by the Section 151 officer and the Head of the Regional Internal Audit Service.

8.5 Moving forward there should be greater efficiencies for all partners through economies of scale with further development of specialist auditors working across all partners.

## **9. Recommendations**

9.1 It is recommended that Cabinet approves:

- The renewal of the existing Regional Internal Audit Service (RIAS) Partnership Agreement, with the Vale of Glamorgan Council continuing as host authority, to reinforce business resilience.
- That three of the original partners continue with the arrangement and sign a new Partnership Agreement - the partners being Vale of Glamorgan, Bridgend and Merthyr Tydfil Councils.
- That the Partnership Agreement runs continually with a formal partner review built in every five years.
- The proposal to allow additional partners to join the RIAS as equal partners subject to RIAS Board approval.
- That the approval of the final terms of agreement for the RIAS is delegated to the Chief Officer – Finance, Housing and Change in consultation with the Chief Officer – Legal and Regulatory Services, HR and Corporate Policy.

**Background documents:** None