

# **BRIDGEND COUNTY BOROUGH COUNCIL**

## **REPORT TO AUDIT COMMITTEE**

**25<sup>th</sup> June 2015**

### **REPORT OF THE CORPORATE DIRECTOR - RESOURCES**

#### **INTERNAL AUDIT SHARED SERVICE**

##### **1. Purpose of Report.**

1.1 The purpose of this report is to update the Audit Committee on the Internal Audit Shared Service with the Vale of Glamorgan Council and propose an extension to the Partnership Arrangement until the 31<sup>st</sup> January 2018.

##### **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 2014.

3.2. Cabinet at its meeting held on 6<sup>th</sup> 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.

3.3. A formal Partnership Agreement was signed and sealed by both Councils on the 1<sup>st</sup> February 2013, whereby an Internal Audit Shared Service would be provided by the Vale of Glamorgan Council as the Host Authority for a period of three years to Bridgend County Borough Council.

##### **4. Current situation / proposal**

4.1. The Bridgend and Vale Internal Audit Shared Service (IASS) is now in its third year of the three year commitment. In this short time, considerable service developments and progress has been made. Overall the performance of the Partnership has been very good in respect of both the delivery of the Audit Plan and the feedback from customers; all of which have been reported regularly to the respective Audit Committees and summarised in Appendix A.

4.2. The stated aim of the IASS 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. As such the IASS continues to meet its objectives by:-

- Being affordable and representing value for money;
- Enhancing the professionalism and quality of audit services provided to both Councils through shared knowledge and best practice;
- Remaining flexible and responding to changing service requirements and priorities;
- Extending access to specialist audit services and other related disciplines to both Councils;
- Delivering efficiencies and economies of scale and;
- Improving the investment in staff training and development and providing opportunities for career progression for staff within the service.

4.3. Overseeing the IASS is the Joint Partnership Board comprising the respective Section 151 Officers (or their nominees) from each Council. The Board monitors the performance of the IASS and ensures that it delivers the standards and expectations as set out in the Partnership Agreement. Whilst the partners jointly oversee the performance of the IASS, the responsibility for the adequacy of the whole system of internal audit remains with the Councils themselves, who are responsible for approving audit plans and monitoring delivery via their respective Audit Committees.

4.4. The individual Councils are 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 are 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.

4.5. The coming together of the two divisions saw the immediate need for a new organisational structure which reduced the number of full time equivalents (FTE) posts between the two divisions from 29 to a maximum of 24 under the new IASS.

4.6. In respect of overall performance; in 2013/14 both Councils annual audit plans were achieved and the total cost of service was circa £193K underspent; this was primarily due to a further reduction in staffing numbers and the number of vacant posts being carried by the service for the period concerned.

4.7. In 2014/15 both Councils annual audit plans were achieved; although Bridgend received 93.5% of the original planned productive days. Whilst this was a shortfall of 84 productive days; the overall impact was minimal as all high risk areas were covered and the Head of Audit was able to provide the necessary annual opinion on the Council's overall governance, risk management and internal control arrangements. The overall total cost of the service was circa £135k underspent and this was due to vacant posts during the year.

4.8. The budget for 2015-16 for the whole of the Internal Audit Shared Service is set and shows an overall reduction of 17% from the original budget set in 2013/14. The Internal Audit challenge will be to continue to provide an annual assurance opinion in a climate where the clients want, and needs, to reduce costs and this includes internal audit costs. Bridgend's expectation is for further reductions of

10% in the Financial Years 2016/17 and another 10% in 2017/18. The Service will need to look at how it can deliver for less obvious resources and how to use data, rather than people, to deliver audits. The Service's plans and approach will require more flexibility and will need to work even more closely with senior management to ensure resources are employed to the greatest advantage.

4.9. Both partners have indicated their desire to continue with the partnership and wish to extend the arrangement for a further two years, in accordance with the terms of the Partnership Agreement. The partnership has been successful and we consider that it will continue to be so. Both partners have set challenging financial targets, and these will have a considerable impact on the audit resources that will be available to 2017/2018. The Service will continue to provide the flexibility to react, and be pro-active to changing needs. Over the next three years IASS will continue to develop working practices to deliver an excellent service whilst addressing the need to do more with less. In addition, opportunities for extending the shared service to other neighbouring authorities will be explored, including the potential for expanding the specialist computer audit service.

## **5. Effect upon Policy Framework & Procedure Rules.**

5.1. None

## **6. Equality Impact Assessment.**

6.1. There are no equality issues.

## **7. Financial Implications.**

7.1. Specifically for Bridgend County Borough Council since April 2013 the budget allocated to the Internal Audit Shared Service has been reduced from £420,155 to £379,000 which represents an overall reduction of 10%. In addition, for the financial years 2013/14 and 2014/15 the overall budget has been underspent by £68,400 and £58,050 respectively for the Council.

## **8. Recommendation.**

8.1. That the Audit Committee gives due consideration to the current position as outlined in the report and recommends to Cabinet that they approve an extension to the Internal Audit Shared Service partnership arrangement as follows:

- Extension of the Internal Audit Shared Service Partnership for a period of two years – 1<sup>st</sup> February 2016 to 31<sup>st</sup> January 2018.

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**25<sup>th</sup> June 2015**

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**Background Documents**

None