

22nd SEPTEMBER 2014

REPORT OF HEAD OF CENTRAL SERVICES

UPDATE ON INTERNAL AUDIT SERVICE

1.0 PURPOSE OF REPORT

- 1.1 To update the Committee on changes to the management of the Internal Audit team following the retirement of the Head of the Welland Internal Audit consortium.

2.0 RECOMMENDATIONS

- 2.1 That the Committee notes the arrangements in place up until the end of the financial year.

3.0 KEY ISSUES

- 3.1 The Head of the Welland Internal Audit Consortium retired at the end of August 2014 and Rutland County Council as the employer was not able to appoint a new Head of Audit. This was disappointing because all member Councils of the Welland Internal Audit Board agreed to offer a market supplement on the post to try and attract a greater number of candidates. There were only five applicants for the role and all S151 officers of each member council were actively involved in the recruitment process.
- 3.2 The Welland Internal Audit Board therefore reviewed its short term options to ensure the audit plan can be delivered for 2014/15. Options including:
- i. Appointing an interim member of staff;
  - ii. Re-running the recruitment exercise; and
  - iii. Working with another Internal Audit provider to cover the gap.
- 3.3 The Board met with some interim candidates (fees ranged from £420 - £570 per day) who were suitable albeit some were not immediately available. The Board also received an offer from the Local Government Shared Service (LGSS - a shared service venture owned by Cambridgeshire and Northamptonshire County Councils) to provide interim support. LGSS have over 50 audit staff and provide internal audit services to a number of councils.
- 3.4 Following meetings with LGSS, the Board decided to appoint LGSS from 4 August 2014 until the end of March 2015 to provide internal audit management support. A Service Level Agreement (SLA) has been put in place with LGSS and this will be overseen by Rutland County Council in partnership with the other board members. LGSS will effectively fulfil the role of Head of Audit, provide line management support to all internal audit staff and deliver some audits directly. The arrangement

also gives the partnership additional capacity and resilience should there be other staff changes.

3.5 The officers from LGSS who will be working with the Council are Jonathon Idle (Head of Internal Audit, LGSS) and Rachel Ashley-Caunt (Principal Auditor, LGSS). Rachel will also act as the lead auditor for Melton.

3.6 The cost chargeable by LGSS to the consortium of this arrangement is £ per day and so less than the cost of Agency interim cover. A payment by results clause has been built into the agreement so that an element of the fee can be withheld should performance fall below the required level.

3.7 The Board will be considering its options beyond March 2015 with the preferred option currently being to rerun the recruitment exercise for a replacement Head of Consortium. In addition another Leicestershire authority are looking to run a procurement exercise for internal audit services and a number of councils that receive internal audit services in the Welland have expressed an interest in being a named council in the tender. This provides the option for these councils to utilise this contract in the future should they wish to do so without any commitment. This therefore provides another option for the future should problems with recruitment continue and suitable long term alternatives not be found.

#### 4.0 **POLICY AND CORPORATE IMPLICATIONS**

4.1 The role of Internal Audit is to provide independent assurance that an Organisation's Risk Management, Governance and Internal Control Processes are operating effectively. It is vital that they are working effectively and contributing to the corporate work of the Organisation and Policy Development.

#### 5.0 **FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

5.1 It is estimated that the additional costs of the interim management arrangement in addition to the resources required to meet the plan for 2014/15 will increase Melton's annual internal audit cost by approximately £10,000 for 2014/15. The Head of Central Services will look to meet these additional costs from savings elsewhere and only bring this back for additional funding should this not be able to be accommodated.

#### 6.0 **LEGAL IMPLICATIONS/POWERS**

- 6.1 A number of regulations support the legal requirement for an Internal Audit service:
- Section 151 of the Local Government Act 1972 states that "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs"
  - The Local Government Finance Act 1982 requires that "the responsible financial officer of a local authority maintains an adequate and effective internal audit of the accounts of the body"
  - The Accounts and Audit Regulations 1996 state that "a relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems".



