

**GOVERNANCE COMMITTEE****22 NOVEMBER 2016****REPORT OF HEAD OF CENTRAL SERVICES****PROVISION OF INTERNAL AUDIT SERVICES****1.0 PURPOSE OF REPORT**

- 1.1 To update the committee on the proposal to delegate the internal audit service to Local Government Shared service (LGSS) and make the appropriate recommendation to the next Council meeting.

**2.0 RECOMMENDATIONS**

- 2.1 **That the Council delegate its internal audit service to Local Government Shared Service from 1<sup>st</sup> April 2017.**
- 2.2 **That the Council delegate authority to the Head of Central Services in consultation with the Solicitor to the Council to finalise the delegation agreement with LGSS for the provision of internal audit services.**

**3.0 KEY ISSUES****3.1 Background**

- 3.1.1 The Council's internal audit service is currently provided through a Welland shared service hosted by Rutland County Council. Other partners in the shared service are East Northants District Council, Harborough District Council and Corby Borough Council. At the June meeting of this committee it was proposed that the Council, along with its Welland partners, pursue the option of delegating the internal audit service to LGSS from 1<sup>st</sup> April 2017. The committee resolved to support the proposal and that a further report be brought back with more details with a view to making a recommendation to the Council
- 3.1.2 The current internal audit team are employed by Rutland County Council and following recruitment issues for the Head of Internal Audit role the service is supported by interim external support including the Head of Internal Audit role from the Local Government Shared Service (LGSS). LGSS is one of the largest public sector shared services ventures in the UK, wholly owned by Cambridgeshire, Northamptonshire County Councils and Milton Keynes Council.
- 3.1.3 The previous report set out the high performance of the existing service managed by LGSS and the alternative options that were examined before making the proposal to progress with a full delegation of the service. Other Welland partners are progressing the same option.
- 3.1.4 Since the last report discussions have continued with LGSS, other Welland partners and legal representatives in order to draw up the appropriate delegation agreement and associated schedules including the Service Level Agreement (SLA).
- 3.1.5 From this suite of documents the key document for members is the SLA which sets out the service the Council should receive from the arrangement. A copy of the draft SLA is attached at Appendix A for members to consider and make any comments on.

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

4.1 The other Welland partners are recommending to their members or have already approved that the service be delegated to LGSS. Should the Council determine not to go with the LGSS proposal in conjunction with the other Welland partners then it would need to negotiate separately with other providers, set up its own in house team or enter into procurement. This would take up considerable resources and the Council would be offering a small contract to the marketplace.

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

5.1 The total cost of the service is £315k of which Melton's share is approximately £60k. This is in line with existing budgets.

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

6.1 In accordance with Section 6 of the Accounts and Audit Regulations 2011, the Chief Finance Officer and the Chief Executive shall be responsible for maintaining an adequate and effective internal audit of the Council's accounting records, control systems and financial transactions including any operations affecting the financial arrangements or the finances of the Council. The Internal Audit Section shall comply with the current CIPFA Code of Practice for Internal Audit in Local Government, in undertaking its functions.

6.2 An authority can delegate any of its functions to another local authority under Section 101 of the Local Government Act 1972. The delegation is covered by an agreement, which is not a contractual relationship and as such is not subject to a procurement exercise. The effect of the delegation is to hand over the control of the service provision to the authority providing the service. As this is not a contractual relationship there are no remedies for failures to perform under the agreement, however the Council would be able to remove the delegation.

6.3 A delegation agreement and associated schedules is still being refined as each Welland partner needs to take its own legal advice however the documents are at an advanced stage and no issues are anticipated with its finalisation.

#### **7.0 COMMUNITY SAFETY**

7.1 There are no community safety implications arising directly from this report.

#### **8.0 EQUALITIES**

8.1 As the council does not directly employ any of the internal audit staff and the arrangement is in line with the existing service provision an EIA is not considered necessary.

9.0 **RISKS**

9.1 The risks are as set out in the following table.

<b>L I K E L I H O O D</b>	<b>A</b>	<b>Very High</b>				
	<b>B</b>	<b>High</b>				
	<b>C</b>	<b>Significant</b>				
	<b>D</b>	<b>Low</b>				
	<b>E</b>	<b>Very Low</b>		1		
	<b>F</b>	<b>Almost Impossible</b>				
			<b>Negligible 1</b>	<b>Marginal 2</b>	<b>Critical 3</b>	<b>Catastrophic 4</b>

<b>Risk No.</b>	<b>Risk Description</b>
1	The delegation fails to deliver an effective and value for money service

9.2 The key risk is that the delegated service fails to deliver a well performing service or that fee increases are applied resulting in the service no longer being value for money. This is mitigated through the SLA setting out the required outputs and how performance will be measured, monitored and reported. The agreement also includes exit arrangements with appropriate notice periods for seeking to vary or terminate the service.

10.0 **CLIMATE CHANGE**

10.1 There are no climate change implications arising directly from this report.

11.0 **CONSULTATION**

11.1 Rutland County Council as the current host and employer have consulted with partners and will be required to comply with TUPE requirements.

12.0 **WARDS AFFECTED**

12.1 All wards are indirectly affected by the report.

Contact Officer      Dawn Garton  
Date:                    1.11.16  
  
Appendices :         A – Draft SLA  
  
Background Papers:   Draft Delegation agreement  
  
Reference :            N/A