

Cheltenham Borough Council
Audit Committee – 21 September 2011
Enhancement of Audit Partnership Governance

Accountable member	Cabinet Member Corporate Services - Councillor Colin Hay
Accountable officer	Audit Partnership Manager – Robert Milford
Accountable scrutiny committee	Economy and Business Improvement
Ward(s) affected	All
Key Decision	No
Executive summary	<p>The Audit Partnership (AuditCotswolds) has been reviewed by the Audit Partnership Board to ascertain if the partnership and the service has been successful and should move to a more robust governance arrangement.</p> <p>This report provides the Audit Committee with an assessment of the internal audit and partnership effectiveness and identifies if it has met the original business case objectives.</p> <p>The report also provides the Audit Committee the opportunity to comment on the effectiveness of the service received. If satisfied then the Audit Committee can support the recommendation that the partnership moves to a more robust governance arrangement. The governance arrangement agreed in the original business case was that of a Section 101 (delegation of functions) of the Local Government Act 1972.</p>
Recommendations	That the Audit Committee supports the recommendation to Cabinet and Council that the Internal Audit Service is delegated to Cotswold District Council under a Section 101 agency agreement.

Financial implications	<p>The original business case delivered savings for both Cheltenham Borough and Cotswold District councils as well as providing a more resilient and effective service for the future. There are no further financial implications arising from the widening of the partnership although, over time, there may be opportunities to generate more fee income from external work.</p> <p>Contact officer: Mark Sheldon, Chief Finance Officer</p> <p>mark.sheldon@cheltenham.gov.uk,</p> <p>01242 264123</p>
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<p>Legal implications</p>	<p>The Council has various powers to facilitate shared services including s101 (delegation of functions) and s113 (secondment of staff) of the Local Government Act 1972.</p> <p>The original business case identified in the report set out a staged approach to the expansion of the existing Internal Audit Shared Service to include West Oxfordshire District Council. For the interim period, October 2010 to October 2011 there would be an expanded version of the Memorandum of Understanding, with the expectation that a further report would be presented to Council regarding the full transfer. If a full transfer is agreed by all the partner Councils, the Memorandum of Understanding would be replaced by a formal, legally binding, s101 agency agreement.</p> <p>Contact officer: Shirin Wotherspoon, shirin.wotherspoon@tewkesbury.gov.uk, 01684 272017</p>
<p>HR implications (including learning and organisational development)</p>	<p>The Audit team and the recognised Trade Unions have been kept advised about the development of the project on an informal basis but full formal consultation will be required to be undertaken as soon as full details about the potential transfer are available. Any Transfer Undertakings (Protection of Employment) Regulations 2006 (TUPE) issues will be dealt with in accordance with appropriate employment legislation.</p> <p>Contact officer: Julie McCarthy, HR Operations Manager, julie.mccarthy@cheltenham.gov.uk, 01242 2643551</p>
<p>Key risks</p>	<p>The Memorandum of Understanding is only designed to provide a short term governance solution for a shared service due to its reliance on secondment agreements. The move to a S101 agency agreement would provide a longer term solution. Failure to move to a longer term solution could be regarded as TUPE avoidance.</p>
<p>Corporate and community plan Implications</p>	<p>The audit shared service helps the Council to deliver cashable savings and also through the work of the service helps the Council achieve its objectives.</p>
<p>Environmental and climate change implications</p>	<p>Officers will be required to move between sites but work schedules minimise the travel.</p>

1. Background

- 1.1 In September 2009 the Audit & Assurance Services for Cheltenham Borough Council entered into a partnership with the Internal Audit Services at Cotswold District Council. Due to the success of this partnership, and also in light of developing partnerships, the partnership was expanded to include West Oxfordshire District Council.
- 1.2 As part of this expansion to include West Oxfordshire District Council, it was recognised in the business case that the partnership governance, consisting of a Memorandum of Understanding (MoU) and supporting secondments, would only be a short term arrangement. This would enable the partners to assess if the arrangement across the three authorities could be successfully implemented and ascertain if it should then move to a more robust governance framework. Therefore to ensure there was an opportunity to assess the partnership the MoU was limited to one year.
- 1.3 This report provides the Audit Committee with an assessment of the internal audit and partnership effectiveness and if it has met the original business case objectives. It also identifies if it is appropriate to move to the originally recommended Section 101 agreement form of governance. It also provides the Audit Committee with the opportunity to comment on the effectiveness of the service received to date.

2. Reasons for recommendations

- 2.1 The Audit Partnership Board which includes the Director of Resources as Cheltenham Borough Council's representative has assessed the effectiveness of the partnership. This is shown at **Appendix 1**. The review identifies that AuditCotswolds has fulfilled the original business case criteria (including revenue savings) and has also delivered a quality service that meets the CIPFA standards for internal audit in local government.
- 2.2 Some of the non-financial benefits identified by the Audit Partnership Board include:
 - 2.2.1 Audit transfer of skills and knowledge – Auditors have undertaken reviews of a service at one site and reviewed the same service at other sites. This has enabled the auditor to bring real best practice to the review and ensured the auditor was more efficient each time as he only needed to build the knowledge of the service once.
 - 2.2.2 The auditors have gained in personal experience due to operating in multiple organisational environments, which include Cheltenham Borough Homes Ltd.
 - 2.2.3 The risk identified in the Cheltenham Borough Council Audit & Assurance Service in 2009 relating to the age profile of the service has been fully mitigated through the partnership working. There was also a recognised enhancement to progression opportunities for the individual.
 - 2.2.4 The service has now recruited and ICT Auditor and trained other members of the team in specialist areas, such as, environmental auditing. None of the specialist roles would have been enabled in a single site service.
- 2.3 As part of the effectiveness assessment process the KPMG Interim Audit Report that was presented to Audit Committee in June 2011 was reviewed. This report which included an assessment of AuditCotswolds and identified that the internal audit service had met the required standard for KPMG to place full reliance on their work.
- 2.4 This has therefore confirmed that AuditCotswolds has met the required milestones to move the development of a new and enhanced governance framework. The move to a Section 101 agreement would enhance the governance of the partnership and is scheduled to be in place by 1st April 2012 subject to Cabinet and Council approval. This time line has been extended from the

original November 2011 suggested transfer date to enable the service to move within the transfer timelines of the GO Programme. This will assist with the allocation of staff posts within the GO ERP. This would also enable AuditCotswolds to be 'stable' during the implementation of the GO ERP and therefore enable the service to provide audit support when needed.

2.5 The Section 101 is expected to detail Cotswold DC as the host for the service as detailed in the Cabinet Report on the Audit Partnership (26th October 2010).

3. Alternative options considered

3.1 The alternatives to moving the service into the Section 101 governance framework model would be; to extend the current MoU arrangement which is only designed for short term use; or to cease the partnership arrangement and return to single site services.

3.2 The Audit Partnership Board has recognised the benefits that the new partnership has brought and that this service delivery model best suits the organisation due to the commissioning agenda and the increased use of shared services.

4. Consultation and feedback

4.1 This report has been produced in consultation with the Audit Partnership Board.

5. Performance management –monitoring and review

5.1 This has been largely covered in section 3 above. However, the Audit Committee may wish to make a formal comment for Cabinet and Council to consider in terms of the service provision to date under the partnership arrangement.

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Appendices	1. Effectiveness review of AuditCotswolds
Background information	1. Cabinet 26 th October 2010 Audit Partnership report

Risk Assessment

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	<i>The Memorandum of Understanding is only designed to provide a short term governance solution for a shared service due to its reliance on secondment agreements. The move to a S101 agency agreement would provide a longer term solution. Failure to move to a longer term solution could be regarded as TUPE avoidance.</i>	Mark Sheldon	26/10/2010	2	4	8	Reduce	Move to the S101 agency agreement	1/04/2012	Mark Sheldon	Audit service register

Guidance

Types of risks could include the following:

- Potential reputation risks from the decision in terms of bad publicity, impact on the community or on partners;
- Financial risks associated with the decision;
- Political risks that the decision might not have cross-party support;
- Environmental risks associated with the decision;
- Potential adverse equality impacts from the decision;
- Capacity risks in terms of the ability of the organisation to ensure the effective delivery of the decision
- Legal risks arising from the decision

Remember to highlight risks which may impact on the strategy and actions which are being followed to deliver the objectives, so that members can identify the need to review objectives, options and decisions on a timely basis should these risks arise.

Risk ref

If the risk is already recorded, note either the corporate risk register or TEN reference

Risk Description

Please use “If xx happens then xx will be the consequence” (cause and effect). For example “If the council’s business continuity planning does not deliver effective responses to the predicted flu pandemic then council services will be significantly impacted.”

Risk owner

Please identify the lead officer who has identified the risk and will be responsible for it.

Risk score

Impact on a scale from 1 to 4 multiplied by likelihood on a scale from 1 to 6. Please see risk [scorecard](#) for more information on how to score a risk

Control

Either: Reduce / Accept / Transfer to 3rd party / Close

Action

There are usually things the council can do to reduce either the likelihood or impact of the risk. Controls may already be in place, such as budget monitoring or new controls or actions may also be needed.

Responsible officer

Please identify the lead officer who will be responsible for the action to control the risk.

For further guidance, please refer to the [risk management policy](#)

Transferred to risk register

Please ensure that the risk is transferred to a live risk register. This could be a team, divisional or corporate risk register depending on the nature of the risk and what level of objective it is impacting on