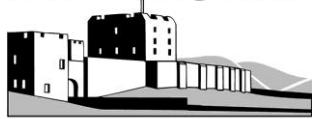


CARLISLE
CITY COUNCIL



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AUDIT COMMITTEE

Committee Report

Public

Date of Meeting: 11 January 2013

Title: SHARED INTERNAL AUDIT SERVICE: GOVERNANCE UPDATE

Report of: Director of Resources

Report reference: RD 71/12

Summary:

The Shared Internal Audit Service has been in operation since December 2010 and now has four participant organisations – Cumbria County Council as host organisation, Carlisle City Council, Copeland Borough Council and the Police Authority formally joining in August 2012. This report provides an update on the governance arrangements following a meeting of the Strategic Board in November 2012.

Recommendations:

Members are asked to note the report.

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CITY OF CARLISLE

To: The Audit Committee
11 January 2013

RD71/12

SHARED INTERNAL AUDIT SERVICE **GOVERNANCE UPDATE**

1 INTRODUCTION

- 1.1 The Shared Internal Audit Service comprises Cumbria County Council as host organisation, Carlisle City Council, Copeland Borough Council and Cumbria Police Authority, now the Office of the Police and Crime Commissioner. In addition internal audit services are provided to the Lake District National Park under contract.
- 1.2 The governance structure includes a Strategic Board comprising Chairs of Audit Committees and/or Portfolio Holders and S151 Officers, with the Head of Audit attending. Terms of reference for the Strategic Board are at **Appendix 1**. The Strategic Board met in November 2012 and notes of the meeting are at **Appendix 2**. In addition an Operations Board comprising S151 Officers or their representatives meets quarterly to review progress, again with the Head of Audit attending. The Operations Board has met regularly throughout 2012.
- 1.3 Whilst formal governance is provided through the Strategic and Operations Boards, for all participants the focus for operational effectiveness is the relationship between the member of the shared internal audit service providing the head of audit function and the Audit Chair and S151 officer (delegated to the deputy S151 at Carlisle). For the shared service prime responsibility for these relationships rests with Audit Managers and the Head of Audit. Regular meetings to discuss audit progress, emerging risks and issues, and possible changes to the audit plan are essential and feedback from participants is that the services provided are fully satisfactory.
- 1.4 Whilst the day to day operations are proving effective across the shared service, there remains a need to ensure that the formal governance arrangements are also functioning, with engagement from participants. Hence this paper draws to attention both the formal and operational aspects of the governance arrangements and is to be presented to the various shared service Audit Committees.

2. RECOMMENDATIONS

Members are asked to note the report.

PETER MASON
Director of Resources

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Strategic Board: Terms of Reference

The Strategic Board will comprise:

Audit Committee Chairs, Portfolio Holders and Section 151 Officers / Directors/Chief Finance Officer to represent all organisations that are fully participating in the shared service.

The Board will meet twice yearly to agree the shared services strategy and review the shared service performance. The Board may meet at other times on dates to be arranged.

The role of the Board will be to:

- Ensure that the shared Audit Service meets the requirement of the Code
- Reach common agreement over issues such as standards, goals and objectives and reporting requirements
- Agree on the range of audit outputs
- Confirm the scope and remit of the audit function
- Agree reporting and performance arrangements for internal audit, including a range of performance indicators, delivery of plan, cost, and impact tracking.

Rules for the constitution of the Strategic Board:

1. The Board will be represented by the Chair of the Audit Committee, Portfolio Holders and the Section 151 Officer or Chief Finance Officer of each participating organisation.
2. The Chair or Portfolio Holder or Section 151 Officer or Chief Finance Officer may choose to be represented by a substitute delegate.
3. There must be an Audit Chair or Portfolio Holder presence to represent a minimum of 3 out of 4 participating organisations.
4. To achieve a quorum there must be a minimum of one member or officer present to represent each participating organisation.
5. The Chairmanship of the meeting will rotate annually. Carlisle shall chair in year 1, Copeland year 2, Cumbria in year 3 and the Police Authority in year 4 and continue on the same cycle thereafter.
6. Audit Chairs, Portfolio Holders and Section 151 Officers and Chief Finance Officer are able to contribute to the agenda.
7. The Head of Shared Audit Service will arrange for the provision of secretarial support.

8. In the event of the need to vote on a particular agenda item there will be a majority decision determined by vote. Each Board Member shall have an equal vote. In the event of a tie the Chair shall have a casting vote in addition to their normal vote.
9. Meetings are not open to the general public.
10. The Head of the Shared Audit Service, or a deputy, shall attend the Board as a non voting member.

Rules can be amended from time to time as agreed by the Strategic Board.

Notes of Meeting:

Audit Shared Service Strategic Board - 21st November 2012

Host: Carlisle City Council

1. Introduction and Apologies

In attendance:

Cllr Steven Bowditch (in Chair) – Vice Chair of Audit Committee, Carlisle City Council

Cllr Hilary Carrick – Chair of Audit & Assurance Committee, Cumbria County Council

Peter Mason – S151, Carlisle City Council

Alison Taylor – Financial Services Manager, Carlisle City Council

Darienne Law – S151, Copeland Borough Council

Simon Smith – Head of Shared Internal Audit Service, Cumbria County Council

Apologies:

Cllr Lucy Patrick, Carlisle City Council

Chair Audit and Standards Committee and Ruth Hunter, S151, Cumbria Police Authority

Cllr Gillian Troughton, Portfolio Holder, Copeland Borough Council

Julie Crellin, S151, Cumbria County Council

Although a quorum had not been achieved, it was decided that the meeting would continue. It was acknowledged that any decisions would have to be confirmed at a future meeting.

2. Presentation

The group considered Simon Smith's presentation covering the establishment of the shared service and its rationale in terms of the robustness and efficiency of the service; governance arrangements; progress and benchmarking; and issues arising. Expansion of the service was considered and the potential for Member involvement with their counterparties at, for example, Allerdale Council. The basis of daily rates and the level of risk involved in the shared service were referred to and it was agreed that these should be kept under review and considered by the Operations Board.

Action: Simon Smith to review basis of daily charge out rates and risk sharing

3. Governance and terms of reference

The Terms were reviewed and it was clarified that twice yearly meetings should be held with Member representation from each body being the Portfolio Holder and/or the Chair of respective Audit Committees (or their nominated representative). This is in accordance with the shared service agreement. Item 3 of the rules of the Strategic Board should be revised so that the minimum organisations in attendance should be *3 out of 4*. This is to reflect the fact that the Police Authority has joined the shared service.

Comments were made regarding consistency of reporting to the Audit Committee and it was agreed that a copy of the terms of reference be included in a future report to Audit Committees.

4. Progress reports

The progress reports were accepted by the Board who acknowledged that although some benchmarking work had been undertaken, further work was required in relation to direct days per auditor. Now that Grant Thornton have been appointed as External Auditors, the audit plans may need to be reviewed in line with Grant Thornton's expectations of internal audit work and the reliance which they can place upon it. Some participants had received letters from Grant Thornton confirming 2012/13 fees and the details of the audit teams. Meetings had been arranged with Chief Executives in January 2013.

5. Current Structure

The shared service is now fully resourced following the recent recruitment process, with agency staff finishing shortly. Simon Smith is to take voluntary redundancy and his post is to be advertised before Christmas. The timescale for his departure is flexible so as to ensure continuity of service and effective transition to a new Head of Audit. Cllr Carrick questioned whether staffing resources were adequate to deliver the audit plans and Simon Smith confirmed that this was so. However the audit plans had to be flexible to deal with unexpected issues and it was sometimes necessary to defer low risk/low priority audits to future years and/or utilise the contingency built into each audit plan. At Carlisle, any audit deferrals, were robustly challenged through the Audit Committee process. It was recognised that exceptionally it may be necessary to take on additional resources to undertake unplanned investigations which would require extra funding.

6. Consultations

With regard to the Local Public Audit Bill, Simon Smith advised that the Government had issued their response to the consultation process and undertook to complete a report which can be considered by each Audit Committee.

Action: Simon Smith to prepare an update paper

7. Any other business

Participants were asked to advise Simon Smith on the number of audit days required in 2013/14. Darienne Law said that Copeland's requirement would be reduced (potentially to Carlisle's current level) to take account of the reduction of service provision and their savings strategy. This will be advised formally.

Action: Carlisle, Copeland and Police to notify the County of their 2013/14 requirements

Liaison with other Cumbria internal audit services (District Councils, Furness Audit and the National Health Service) was discussed, together with prospects for further expansion of the shared service. Simon Smith was requested to continue discussions with potential interested parties.

Action: Simon Smith to continue discussions