

|  |  |  |
| --- | --- | --- |
| **REPORT TO EXECUTIVE** | | |
| **PORTFOLIO AREA: FINANCE** | | | | | | |
| **Date of Meeting:** | | | **15 February 2010** | | | |
| **Public** | |  | | | | |
| **Key Decision:** | **Yes** | | | | **Recorded in Forward Plan:** | **Yes** |
| **Inside Policy Framework** | | | | | | |

|  |  |
| --- | --- |
| Title: | **FUTURE OF INTERNAL AUDIT SERVICES** |
| Report of: | **Assistant Director (Resources)** |
| Report reference: | **RD69/09** |

**Summary:**

This report advises members of the Project Board’s views that a shared internal audit service, hosted by Cumbria County Council, would provide the most robust audit arrangement, with the scope for improved performance with modest savings initially and the potential for longer term savings through further rationalisation to management structures. Delivery of shared services across councils requires commitment, co-operation and much detailed and sustained work. The shared service proposal for internal audit services provides opportunities to benefit from a robust service which is provided as a critical mass to all participants.

The Audit Committee, at its meeting of 15 January 2010, recommended the Executive to support the proposal.

**Recommendations:**

The Executive is asked to consider this proposal to enter into a shared internal audit service hosted by the County Council.

|  |  |  |  |
| --- | --- | --- | --- |
| **Contact Officer:** | Peter Mason | **Ext:** | 7270 |

CITY OF CARLISLE

To: The Executive RD69/09

15 February 2010

FUTURE OF INTERNAL AUDIT SERVICES

1. **INTRODUCTION**
   1. Noted at Appendix 1 is the latest draft of the Internal Audit Shared Service business Case (County, Carlisle, and Copeland Councils).
   2. Allerdale has pulled out of the initiative. The reasons cited being:

* More than happy with the service they are receiving from their internal audit service; and
* The proposed savings are not enough to warrant its continuation.

1.3 This report advises members on:

1. The Key Drivers and Proposed Benefits of the shared audit service;
2. Summary of Delivery Options considered;
3. Proposed Principles underlying the Shared Service;
4. Timescale for Implementation;
5. Efficiency Savings identified;
6. Staff Consultation;
7. Conclusion and Recommendations.
8. **KEY DRIVERS AND PROPOSED BENEFITS**
   1. The key drivers and proposed benefits from a shared audit service are as follows:

* To establish a more robust audit service fully able to meet increasingly complex demands (overcoming recruitment and retention problems) through establishing an audit unit of a critical mass
* To provide more efficient audits (more audits for the same or less cash) and reduce costs in the longer term
* To increase the range of audit services, i.e. a wider mix of audits for the same or less cash e.g. specialist computer audit
* To realise and release savings to the authorities

1. **SERVICE DELIVERY OPTIONS**
   1. Service delivery options have been reviewed and Table 1 sets out an overview of the potential service delivery options. All offer advantages and disadvantages. However, given the commitment of the three remaining Councils to pursue shared service arrangements, where appropriate, the emerging preferred option is service delivery through a joint organisation with a host authority, the County Council.
   2. The greater complexity of public sector business is fully recognised and audit services need to meet these demands. Ensuring that there is an appropriate range of staff skills and experience is essential for the success of the shared service.
   3. The shared service approach provides an opportunity for improved resilience, auditor rotation, independence and improved staff training and development, strengthening the role and position of internal audit.

**Table 1 – Service Delivery Options**

|  | **Option** | **Overview** |
| --- | --- | --- |
|  | Status Quo – No Change. Continue current operations | Service provision remains as it is at each Council. Accepting this option would result in a lost opportunity for achieving economies of scale and rolling out best audit practice across internal audit in Cumbria. |
| 1 | Work in partnership regarding selected audits | This would require closer collaboration in planning and running audits. Potentially more efficient if audit programmes were shared. Would benefit from a limited number of joint audits.  However, no real economies of scale. No increase of robustness of service. Each organisation would still need its own management function. |
| 2 | Joint Organisation with a host authority | Most likely option to deliver best value in terms of audit coverage and recruitment / retention of skilled staff. Planned allocation of responsibilities / specialisation would result in audit planning & review efficiencies. Opportunity to streamline the management function.  However, a revised governance structure and legal agreements would need to be put in place and there are Human Resources terms & conditions issues to be resolved.  **This is the Board’s preferred option,** being the option most likely to provide the best balance of advantages, within present budgetary constraints |
| 3 | Joint Organisation -externalised | Two potential options –   * Purchase service from an external provider. This offers the opportunity for a commercial arrangement with local, regional and national benchmarked providers. A review of current arrangements within the County suggests that for a full service, taking into account the management days needed, including supporting Audit Committees, externalisation is more expensive. Daily rates from national audit and accountancy providers are in excess of current internal rates from the three Councils. * Establish an independent joint venture company. The Board considered that, legally, this would be more complex, time-consuming and expensive to set up. It has not been explored further. |

* 1. The Board has been in general agreement that a shared service hosted by the County Council should be pursued and the draft business case has evolved throughout the period. The advantages and disadvantages of a hosted shared service are set out in more detail in Appendix 2. Version 4 of the draft business case was passed to Sector to review, as an independent adviser, and their suggestions (summarised in section 8 of the business case) have been incorporated in this final business case.

1. PROPOSED PRINCIPLES UNDERLYING THE SHARED SERVICE
   1. The business case for establishing a shared service for audit has been developed. The Project Board has endorsed a set of broad principles for a shared service involving a joint organisation (which would have a ‘brand’ identity, separate from all three Councils, further demonstrating its independence and objectivity) and these are set out below.
2. Each Council would continue to have its own Audit Committee, operating to its own approved terms of reference, including approving the annual audit plan and monitoring the performance of internal audit against the plan;
3. The Audit Committee Chairs and the Section 151 Officers would agree the governance arrangements and oversee the strategy and performance of the shared service;
4. A single overall Operational Audit Steering Board, comprising the relevant Heads of Service / Directors would oversee the overall direction and focus of the shared service;
5. The County Council would host the shared internal audit service given its number of staff and extent of audit coverage. Audit staff would either transfer or be seconded to this organisation. The shared service would have its own ‘brand’. This would promote the shared service ethos and opportunities amongst the team.
6. There would be a Head of Internal Audit for the Shared Service who would also lead for Cumbria County Council. The Head of Internal Audit would have delegated powers (from the Operational Audit Steering Board), within agreed budgets and policies, to act in the best interests of the service and its users;
7. The management structure initially includes five Audit Managers report to the Head of Internal Audit (subject to amendment now Allerdale have withdrawn). An Audit Manager would be responsible within the shared service for a specified range of audits and the management responsibility for staff, and for liaising with management and Members;
8. The greater complexity of public sector business is fully recognised and Audit Managers would be leading these critical high risk audits;
9. An Audit Manager would be assigned to each District Council, spending 50% of their time managing District Council audit work and would attend all of the routine meetings of that Council’s Audit Committee. The Audit Manager would draw on the pooled resources of the shared service to deliver the agreed audit plans. The arrangements would aim to provide continuity of staffing where possible to ensure organisational and subject expertise. There would be an audit presence in all participating organisations;
10. System audits would be the core audit product, as per the Accounts and Audit Regulations and the CIPFA Code of Practice for Internal Audit in Local Government. However, there is an opportunity for the audit service to become more proactive in helping organisations meet their corporate objectives, in giving assurance during the implementation of major operational changes and in developing counter-fraud work;
11. Costings are included in the draft business case with savings expected in the early years. Further savings in later years would be possible from further streamlining of management structures, income generation and from a programme of audit work identifying savings from specific audits.
12. Based on previous experience, to ensure a framework for planning and continuity, a 6 year agreement has been suggested, each Council giving a commitment to contribute an agreed amount to the provision of the shared service.
13. **TIMESCALE FOR IMPLEMENTATION**
    1. Subject to approval by all the participating Councils, and to appropriate legal agreements being put in place, the target date for ‘go live’ is 1st April 2010. At this point, there would be a single Head of Audit in post and a joint audit management team. 1st April 2010 is an ambitious date and it may be that final legal and HR processes would be completed after that date. Planning for the new shared service is a priority with all participants agreeing to a common methodology for developing 2010/11 plans. It is likely that the final staffing structure would be refined and developed over a further 12 months. Specific HR expertise has been engaged by the Project Board and this will further inform timescales.
14. **EFFICIENCY SAVINGS IDENTIFIED**
    1. The business case provides quantification of savings. Initially, annual savings, generated as a result of a revised management structure and efficiencies in planning and delivering similar audits, are estimated at around £26,000 in 2010/11 (Carlisle’s share being approximately £2,500) and £59,000 in 2011/12 (Carlisle’s share being approximately £5,000). Savings in 2012/13 have the potential to reach £109,000 (£110,000), although this is dependent on a further reduction in the number of Audit Managers and./or the achievement of savings through the impact of audit recommendations which identify savings in audited bodies. These savings figures are currently being updated now Allerdale has withdrawn.
    2. It should be noted that Carlisle has already reduced the cost of its internal audit section by £50,000 in 2009/10 with the deletion of the Head of Audit Services post under the transformational programme.
15. **HOW THE SHARED AUDIT SERVICE WILL BENEFIT CARLISLE CITY COUNCIL**
    1. The Council will benefit from the greater expertise in delivering the Council’s Audit Plan due to the proposed larger and more robust internal audit service. Carlisle’s (and Copeland’s) experienced audit staff will be an asset to the shared service arrangements in undertaking actual audit work. The County brings a significant amount of management experience at Audit Manager and Principal Auditor level.
    2. The Council currently has only a part-time Audit Manager resource. However under the shared service proposals the Council will have a full time Principal Auditor and a 0.5 FTE Audit Manager.
    3. In summary, the shared audit service initiative would greatly benefit through the TUPE transfer of the Council’s operational audit team whilst the Council will be gaining a significant management resource.
16. **STAFFING CONSULTATION**
    1. As part of the consultation the 5 audit staff (one currently seconded out of audit as Efficiency Manager) have been consulted on the shared service proposals.
    2. These comments have been copied at Appendix 2. In summary they are commenting on:
17. The ambitious 1 April 2010 start date;
18. Their role within the shared service including location, duties, protection, flexible working and terms and conditions;
19. Union consultation arrangements;
20. Specific audit issues i.e. VFM, audits in south Cumbria and again office location;
21. Support for the status quo and needing more information on the benefits of the shared working arrangements;
22. Concerns at the emphasis on a County led shared service in the business case.
    1. It is proposed to provide a detailed joint response to staff observations (with County and Copeland).
    2. It is further proposed to organise follow up staff meetings to discuss observations made and the joint response within the next few weeks.
    3. Formal negotiations with staff representatives will commence on the staffing issues to be addressed as part of the implementation once formal agreement of the 3 councils is reached to set up an Audit Shared Service.
    4. It should be noted that this initiative is subject to TUPE and that staff will therefore transfer on their current (post JE) terms and conditions.
23. **CONCLUSION**
    1. The Project Board considers that a shared internal audit service, hosted by Cumbria County Council, would provide the most robust audit arrangement, with the scope for improved performance with modest savings initially and the potential for longer term savings through further rationalisation to management structures. Delivery of shared services across councils requires commitment, co-operation and much detailed and sustained work. The shared service proposal for internal audit services provides opportunities to benefit from a robust service which is provided as a critical mass to all participants.
    2. The Audit Committee, at its meeting of 15 January, recommended the Executive to support the proposal.
24. **RECOMMENDATION**
    1. The Executive is asked to consider this proposal to enter into a shared internal audit service hosted by the County Council.
25. **REASONS FOR RECOMMENDATIONS**
    1. To secure the Council’s internal audit arrangements over the longer term.
26. **IMPLICATIONS**

* Staffing/Resources – Staff consultation detailed in the report at 8 above.
* Financial – The proposed shared Audit Service will produce minimal financial savings, rising from £2,500 to £5,000 in the longer term which will be allocated against the target for transformation. Non-core audit work outwith the shared service, including VFM, Annual Governance Statement etc, will transfer under the remit of the Financial Services Manager.
* Legal – The proposed shared service will have to be underpinned by a contract between the Council and the service provider which will need to clearly set out what our obligations are and what we will expect in return. As the report states, it is unlikely that such an agreement would be concluded by the target start date of 1 April 2010.

Under section 2 of the Local Government Act 2000, the Council is able to enter into agreements or arrangements to benefit the economic, environmental and social well-being of its area. In exercising the power, the Council must have regard to its Community Strategy.

* Corporate – SMT support the proposals set out in the report.
* Risk Management – Risk assessment undertaken as part of the business case.
* Equality and Disability – N/A
* Environmental – N/A
* Crime and Disorder – N/A
* Impact on Customers – No impact on customers.

PETER MASON

Assistant Director (Resources)

Contact Officer: Peter Mason Ext: 7270

**Cumbria Internal Audit**

**INTERNAL AUDIT SHARED SERVICES BUSINESS CASE (V7.0)**

**Carlisle City Council**

**Copeland Borough Council**

**Cumbria County Council**

**1 Executive Summary**

1.1 Overall Objective

1.1.1 This business case explores the possibility of forming a shared internal audit service for Carlisle City Council, Copeland Borough Council and Cumbria County Council. The County also provides internal audit services for the Police and Lake District National Parks Authority and these are expected to continue. The business case focuses on how participating organisations might benefit in terms of financial savings and / or a more robust internal audit function.

1.1.2 Allerdale Borough Council had fully participated in discussions in establishing a shared service but withdrew on 18/12/09 to concentrate on those shared services which might generate more savings. The business case has therefore been recast to include Cumbria County council, Carlisle City and Copeland Borough Council.

1.1.3 A Project Board has been established to provide overall governance and review the business case prior to consideration by the participating Councils and their Audit Committees. The Board comprises:

Allerdale BC:

Nick Fardon (Corporate Director) up to 11/9/09

David Martin, (Director of Partnerships and Community, Deputy Chief Executive) after 11/9/09

Steve McMahon (Internal Audit Manager)

*(Allerdale withdrew from the shared service on 18/12/09)*

Carlisle City:

Angela Brown (Director of Corporate Services) up to 11/11/09

Peter Mason (Assistant Director Resources) from 11/11/09

Ian Beckett (Head of Audit Services) (up to 16/12/09)

Copeland BC:

Julie Crellin (Head of Finance and MIS)

Marilyn Robinson (Audit and Fraud Prevention Manager)

Cumbria CC:

Simon Smith (Head of Financial Strategy, also overseeing the County’s Management Audit unit))

Nick Pearson (Audit Manager)

1.1.4 The business case is presented using the Office of Government Commerce’s ‘Five Case Model’.

1.1.5 The outcomes for each of the five cases are set out below:

1.2 **Strategic case**

1.2.1 The Strategic case describes the current service provision and budgets at all Councils and details the main issues which are driving the need for change.

1.2.2 The strategic case concludes that the current configuration of separate audit units is less likely to offer a sustainable audit service to participants and client organisations. A shared service would provide a more robust audit function for all organisations with an appropriate staff mix with skills to deliver effective audit services in light of the public sector’s greater complexity. Establishing a shared service would support the general development of shared arrangements across the public sector.

1.3 **Economic case**

1.3.1 The economic case outlines four options for the delivery of audit services and examines the advantages and disadvantages of each. A shared service hosted by the County Council is considered to provide the best balance of advantage. The options considered were:

* Continue current operations
* Work in partnership regarding selected audits
* Joint organisation with a host
* Externalise the service

1.4 **Commercial case**

1.4.1 The commercial case has much of the detail concerning any new service. It addresses what the service will deliver and its relationship to the participating authorities, i.e. the governance arrangements.

1.4.2 A joint Operational Audit Steering Board composed of Finance Directors / Section 151 Officers from all participants would oversee the strategic direction and performance of the shared service. Chairs of the Audit and Assurance Committees would meet at least annually to review plans and performance.

1.4.3 The commercial case goes on to detail contractual issues that need to be addressed between Councils, discusses HR issues, trading, and proposes an agreement term of six years. A formal contractual agreement would need to be signed between Councils that would give the necessary safeguards and assurances to ensure long-term confidence of the new operation.

1.5 **Financial case**

**1.5.1 The financial case demonstrates the cost benefits of creating a shared audit service. Initial savings of £31,000** **increasing to £58,000 per annum should arise from a more efficient management structure, reduced time spent planning audits, and efficiencies from specialisation in delivering audits. Further longer term savings may result from further value for money work and the identification of efficiencies in audit recommendations, and / or additional income as the unit extends its provision of audit services to third parties.**

1.6 **Management case**

1.6.1 The management case describes many of the operational aspects of the preferred service model, including information on a proposed new structure.

1.6.2 The final salary model and terms & conditions applicable to the new structure will be subject to job evaluation and pay review. Redundancies are not envisaged and no allowance has been made for any redundancy costs.

1.6.3 The results of the new organisation chart confirm the assumptions that there will be savings in the area of staff numbers and costs by bringing the three audit services together.

1.6.4 The implementation of the proposed new structure will ultimately require transfer of staff under TUPE regulations

1.7 **Summary / Conclusion**

The Board’s recommendation is to accept a shared internal audit service to be established with a host authority (the County Council), which would ensure delivery of more robust audit arrangements. Achievement of this key priority would provide all participants with assurance over audit provision, and provide scope for developing audit expertise over services and rolling out best practice. The proposed structure recognises the increased complexity of public sector audit and the need for appropriately qualified and experienced staff. The benefits of a shared audit service are set out in this business case, which has been subject to an independent review by Sector.

A shared audit service would be in a stronger position to pursue value for money and hot assurance work, including identifying scope for participant organisations to achieve efficiencies and savings as a result of audit recommendations. The shared service would advise on governance and use of resources aspects, including independent review of risk management arrangements.

The goal is to commence the shared service model on 01/4/10. At a meeting of Audit Chairs and Portfolio Holders and Directors / Heads of Service, the need for continuity of service was emphasised, with recognition that efficiencies and savings will take time to deliver. Staffing levels will not change significantly from the outset. Rather, as the shared service develops, the mix of staff and their location will be evaluated, with changes being achieved through a process of natural wastage.

The shared service is expected to achieve efficiencies through economies of scale. Participants should benefit as overall budgets would buy a greater proportion of direct audits rather than management overhead, and through economies resulting from shared planning and the delivery of similar audits across Councils.

The business case provides quantification of savings. Initially, annual savings generated as a result of a revised management structure and efficiencies in planning and delivering similar audits are estimated at around £31,000 in 2010/11 and £58,000 in 2011/12. Savings might increase further in later years, dependent on savings through the impact of audit recommendations which identify savings in audited bodies, and / or further income generation.

**2 Strategic case**

2.1 Each organisation has an internal audit function, with a Head of Audit reporting to the organisation’s Chief Executive, Finance Director (s151 officer) or Corporate Director, and a separate Audit Committee.

2.2 There is some variation in the range of services provided by internal audit which is reflected at Appendix 1. Most notably responsibilities vary regarding the corporate governance statement where some Councils have a leading role in preparing the Annual Governance Statement and others advise and audit the statement. District Councils review fraud cases and the County utilises a shared resource with the PCT. Proposals for restructuring the County’s finances include extending internal audit’s role regarding value for money, efficiency and advice on corporate governance and use of resources, with the Head of Audit expected to contribute substantially to corporate initiatives. For budget purposes, 60% of the post would be charged to shared services.

2.3 Variations exist in terms of Audit Committee arrangements. For example, The County and Carlisle City have four and five Audit Committees respectively, whilst Copeland Borough Council has ten. Days spent in preparation for Committees ranges from 10 days preparation (Carlisle City) to 36 (Copeland Borough and the County). It is anticipated that under a shared service governance arrangement, through Audit Committee Chair liaison, there is scope to standardise Committee processes leading to an efficiency.

2.4 At 2.5 and 2.6 the base case is established in terms of budgets and direct audit days. Prior to the establishment of the base case Carlisle City deleted their post of Head of Audit, and realised a saving of around £50k. Deletion of the post and savings were removed from the base case and are not available for the shared service.

2.5 The joint audit budgets are as follows:

**2009/10 budgets (£000)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Staff  Costs | Direct  Costs | Total Cost | Income | Net  Cost | Cost per Audit Day £ |
| Carlisle City | 103 | 2 | 105 |  | 105 | 202 |
| Copeland | 115 | 4 | 119 |  | 119 | 194 |
| County (1) | 598 | 20 | 618 | 61 | 557 | 233 |
| Total | 816 | 26 | 842 | 61 | 781 |  |

(1) Reflects income from LDNPA, Police, Pensions and Regeneration works

2.6 Budgets currently result in the following direct audit days:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Overhead days | Direct Audit days | Total days | Overhead as %age of total days |
| Carlisle City | 392 | 519 | 911 | 43 |
| Copeland | 432 | 612 | 1044 | 41 |
| County | 1291 | 2653 | 3944 | 33 |
| Total | 2115 | 3785 | 5900 | 36 |

2.7 The key priorities for a shared audit service are:

* More robust audit service
* To provide more efficient audits, offering ‘more for less cash’
* To increase the range of audit services

2.8 **More robust audit service**

2.8.1 Both County and District Internal Audit face fresh challenges. Local government is facing significant resource constraints which are expected to become more severe from 2011/12. District Councils in particular may experience difficulties in delivering audits beyond a minimum level, and face the risk of failing to meet even a minimum plan if a staff member were off long term or recruitment difficulties occur. With aggregation of similar staffing levels across participants, a shared service would provide greater robustness for all participating Councils through the operation of a larger shared resource compared to individual teams. Also there is potential for the development of expertise and adoption of best practice.

2.8.2 A shared audit service would be more robust as a uniform risk based approach is applied to the planning process across the four Councils. Consequently processes will be strengthened as audit programmes are universally applied and the cross utilisation of staff leads to a shared knowledge of risks.

2.8.3 The shared service would also support recruitment and retention, with a larger critical mass leading to opportunities for career development structured around training programmes. Staff will benefit from the opportunity to work with a combination of organisations, and learn from a team with a wider skills base. The HR work stream will consider training budgets and whether Districts should transfer the budget associated with audit to the County.

2.9 **More efficient audits, offering ‘more for less cash’**

Cash savings are likely to occur from:

* Revised staff structure
* More efficient audits

2.9.1 A review of how a shared audit service might be established, and the management structure realigned, suggests scope for savings, which are outlined at 3.3

2.9.2 It is likely that audits would become more efficient as a result of joint working. Public sector arrangements are increasingly complex, with service delivery being contingent on a range of partnerships. Internal Audit has to address these complexities and Managers would be responsible for leading high risk work. Audit Managers would have responsibility to develop areas of expertise for a range of services, with specialisms leading to efficiencies. This should ensure that participating organisations would benefit from this expertise, the depth of which would most likely be unattainable in the current arrangements where internal audit teams operate in isolation.

2.9.3 Potentially a number of common and joint audits exist, as demonstrated at Appendix 2. Common audits (eg audits of the capital programme) represent those that could be performed for each organisation, and whilst there will need to be a series of discrete audits with separate reports, more robust audit programmes could be developed and rolled out as experience is gained from performing the audits at more than one location. A shared audit service should result in more powerful audits, together with efficiencies in the delivery of similarly scoped audits.

2.9.4 Joint audits (eg waste management) could occur for areas where organisations work in partnership, or where there are clear linkages. An ‘across the board’ audit would be able to evaluate the effectiveness of linkages, such as the consistency of waste data provided by Districts and the County.

2.9.5 Potential financial benefits of common and joint audits are outlined at paragraph 5.9

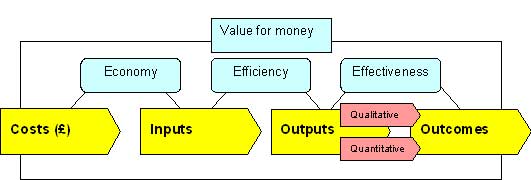
2.9.6 Operating a shared service would be in line with current thinking within the public sector, through the development of the Comprehensive Area Assessment which focuses on outcomes delivered by a range of public services rather than the performance of a specific organisation. Also there are proposals for other shared council services such as a shared Contact Centre, Procurement, and Legal Services. A shared internal audit service would be well positioned to provide the necessary depth of review of other shared services.

2.10 **Increase the range of audit services**

A shared internal audit service provides an opportunity to extend the range of services beyond traditional systems audits which are dominant in current plans. Systems audits would remain the core audit product, given the requirement per the CIPFA Code of Practice and Accounts and Audit Regulations 2006 for Internal Audit to examine, evaluate and report on the adequacy of the control environment. However, internal audit units are becoming increasingly proactive in helping organisations meet overall objectives, by providing a range of services that could be available through a shared service. Potential audit work includes:

2.10.1 **Value for Money (VFM) audits**

VFM is about obtaining the maximum benefit with the resources available, and achieving the right balance between economy, efficiency and effectiveness (the ‘3Es’), spending less, spending well and spending wisely.



**Economy** is what goes into providing a service;

**Efficiency** is a measure of productivity;

**Effectiveness** is a measure of the impact that has been achieved, which can be either quantitative or qualitative

2.10.2 There is likely to be significant scope for the provision of VFM audit within a shared service given:

* The need to achieve further efficiencies and the significant challenges faced by local government which are expected as a result of future Comprehensive Spending Reviews;
* Opportunities for developing benchmarking and providing independent challenge to cost and performance information as part of the budget cycle;
* The expected increase in the number of shared services;
* Changes to PPP/PFI and strategic partnership arrangements.

2.10.3 Whilst a core VFM capability with its specific skills set might comprise a separate discipline within a shared service model, all audits would be encouraged to consider how analysis could be extended and recommendations developed to promote VFM. Participating organisations would benefit from shared data, leading to more powerful audits informed by benchmarking, and the capability to provide independent challenge to budgets.

2.10.4 No allowance has been made for VFM audit in the audit plans used as the base case with participants retaining their own VFM capacity. The shared service would look to develop a strategy for VFM, including establishing a VFM unit which would generate savings for participants. In time this should draw on participants’ current capabilities to provide a Cumbrian wide expertise, maximising the potential for benchmarking analysis, independent evaluation of projects and performance improvement. The Joint Operational Audit Steering Board and Audit Committee Chairs would consider any proposals and it would be for participants to determine their requirements for VFM work.

2.10.5 **Hot Assurance**

Best practice suggests audit expands from the traditional, backward looking ‘inspection’ role to include more forward looking work through ‘hot assurance’, helping management improve services.

2.10.6 Greater demands for change and efficiency are placed on organisations, posing a high level of inherent risk, which is unlikely to be addressed through traditional systems audits. Hot assurance, or project audit, represents a modern approach to audit and there is increasing demand for such work. Typically a hot assurance review might apply to the implementation of major operational changes or strategic direction such as implementation of new ICT systems or equal pay/single status agreements. The impact of project failure in these areas can be far more detrimental than materialisation of some of the risks that more established audit disciplines seek to address.

2.10.7 All three Councils already perform hot assurance / project management audits to some extent, and it is likely demand would increase from a shared audit service as audit skills are developed given the drive for change across organisations.

2.10.8 **Counter Fraud**

A more dynamic approach to fraud is a likely outcome of a shared audit service, although Internal Audit already engages substantially in the National Fraud Initiative. Districts have relevant skill sets regarding benefits fraud, and whilst this currently is embedded in housing benefits units rather than internal audit, it is likely that internal audit could draw on current knowledge. Time spent on non-housing benefits fraud currently forms a part of the Management and contingency figures. A shared service is more likely to have the capacity to develop consistent counter fraud skills, co-ordinate activity, and benefit from economies of scale, with activity potentially outsourced.

2.10.9 CIPFA has published a benchmark for counter fraud (the Red Book) which would act as a basis to benchmark and set the standard for the shared audit service.

2.10.10 **Corporate Governance and Use of Resources**

Internal audit has an important role to play in these areas, ideally supporting and reviewing the preparation of key documentation rather than directly leading their compilation. Practice across the Councils is mixed with the County and Carlisle City being more directly engaged in the preparation of self assessment and Copeland focusing on a review of the outputs.

2.10.11 A shared audit service would provide input to Corporate Governance and Use of Resources by providing assurance over the preparation and reporting of key documents. Benefit might be maximised through ‘hot assurance’.

2.10.12 **Scope and exclusions**

Current considerations exclude Barrow Borough Council, South Lakeland District Council and Eden District Council and NHS Cumbria. The County has, however, held discussions with Keith Jackson, Furness Audit, who provides internal audit services for the other Cumbria District Councils. The County will continue to have an audit requirement for coverage in these areas and would expect to deliver these audits though utilisation of staff in the shared service, possibly supplemented by external audit provision. Furness Audit may have capacity to provide audit work in the south of Cumbria, either on an ad-hoc basis or under a longer term arrangement. Allerdale Borough Council were involved from the outset but have decided to concentrate on those shared services which maximise savings opportunities.

2.10.13 The County has also discussed the provision of local government shared services with Cheryl McAdams, NHS Cumbria. For the NHS a consortium covering three trusts has been established and has operated successfully for a number of years, with one trust acting as host organisation. Longer term there may well be opportunities for closer working with NHS internal audit. The County currently buys in from NHS Cumbria resources for investigating fraud and promoting fraud prevention.

2.10.14 The County provides audit services to other entities. Most significant are the Police (143 days in 2009/10, with an agreement to provide the service to 31/03/12) and the Lake District National Park (50 days in 2009/10, subject to informal year on year agreement).

**3 Economic case**

The following four possibilities were considered:

|  |  |  |
| --- | --- | --- |
|  | Service Delivery Option | Overview |
| 3.1 | Continue current operations | Service provision remains as it is at each Council. Accepting this option would result in a lost opportunity for achieving economies of scale and rolling out best audit practice across internal audit in Cumbria. |
| 3.2 | Work in partnership regarding selected audits | This option would require closer collaboration in terms of planning and running audits, possibly leading to shared audit programmes and some joint audits being performed. Coverage would be similar to now, but potentially more efficient as audit programmes are shared. Also organisations would benefit from a limited number of more powerful joint audits.  Benefit would be limited as economies of scale could not be fully enjoyed, so the £48,000 savings as a result of more efficient audits would not be fully realised. Participants would not have the robustness of the full shared service upon which to rely.  Each organisation would require its own management function, therefore, the opportunity to achieve the £23,000 savings outlined at 5.7 would be lost.  This option has not been explored in detail as the shared internal audit service board meeting of 12/06/09 expressed an appetite for a more far-reaching solution than this option would offer. |
| 3.3 | Joint organisation with a host | This option has been most thoroughly explored at the wish of the shared internal audit service board, and is the one recommended as the most likely to deliver the most robust audit service at a reduced cost.  An analysis of pre and post shared service direct audit days and costs are detailed at Appendix 9. This option proposes a reduction from the 4.7 Audit Managers in the base case to 4, whilst increasing the number of Principal Auditors from 5.1 to 6.  This option is most likely to provide the best balance of advantages, which are outlined at Appendix 3.  This option has the baseline cost ‘as now’, i.e. £842,000, with initial savings of £31,000 rising to £58,000 per annum in year 2 as the full benefit of the shared service is realised. Thereafter it is likely that further financial benefits will occur as savings are achieved through efficiencies and / or value for money work, plus possible additional income.  Appendix 9 demonstrates that due to a reduced management overhead, this option would enable some 3,900 direct audit days to be delivered, which compares favourably to the current 3,800.  A shared service with a host authority is most likely to deliver best value in terms of audit coverage. Efficiencies would be gained regarding audit planning, Audit Managers would become centres of excellence of which all participants would benefit, and efficiencies have the potential to realise resources for additional audit work such as Value for Money. By bringing together the management function across three participants there would be opportunities for rationalisation and an increase in the number of direct audit days. This is illustrated at Appendix 9, which demonstrates a lowering of the average cost of a direct audit day from £223 to £198. Finally, this option would provide the opportunity to roll out best practice whilst assuring that District Councils in particular receive a more robust audit service.  Individual audits will be charged based on a combination of staff time and grade.  There are significant implications associated with this model. A revised governance structure and agreements will need to be implemented, and HR issues will need to be addressed. These are covered in the commercial case at section 4. |
| 3.4 | Joint organisation externalised | There are two potential options:  Purchase the service externally. Costs would be significantly higher through externalisation when just direct audit days are considered. Some 3,900 direct days at £260, a benchmark rate, would equate to £1 million, around £160,000 more than current costs. This indicates that provision of internal audit services through a host organisation provides better value for money  Establishing an independent joint venture (company listed by guarantee) This option has not been further explored following the view of the Board. |

# 4 The Commercial Case

# 4.1 Improvements and Efficiencies

Adoption of option identified at 3.3 would lead to service improvements and efficiency gains through:

* An overhead of 33% as economies of scale are achieved, rather than the current average of 36% (Appendix 9)
* Financial savings which are outlined in the financial case at section 5 below,
* Joined up audits
* Platform to roll out consistent best practice across participating organisations
* More sustainable audit service for Districts
* Audit best placed to review other services as increasingly they too move to a shared service
* More opportunity for benchmarking and value for money working

# 4.2 Governance Arrangements

The Accounts and Audit Regulations (Amended) 2006 make it a requirement upon local authorities to carry out an annual review of the effectiveness of the system of Internal Audit.

CIPFA has defined the system of Internal Audit as the entirety of the arrangements for audit, including any oversight committee(s). Meeting the requirements of the CIPFA Code of Practice for Internal Audit would demonstrate that the systems and processes in place are adequate and effective. The adoption of the structure represented at Appendix 8 should address this requirement.

4.3 **Audit Strategy**

The shared service would develop a strategy and annual audit plans. Participants would approve the plans for their organisation.

4.4 **Audit and Assurance Committee Chairs**

Regular liaison will be necessary to ensure common agreement over issues such as standards, goals and objectives and reporting requirements. Each organisation would continue to operate a discrete Audit Committee and Chief Executives/Finance Directors would be able to call on the Head of Audit or nominated Audit Manager to discuss emerging issues or commission additional work. Resource planning would require some contingencies for such additional work and new high priority work would need to replace planned work.

4.5 Audit Committee Chairs and Section 151 Officers / Directors would oversee the strategy and performance of the shared service as set out in the governance arrangements through bi-annual meetings with the Chair rotated. They would:

* Agree on the range of audit outputs
* Confirm the scope and remit of the audit function in relation to areas such as the preparation of a governance statement and use of resources submission
* Agree reporting and performance arrangements for internal audit, including a range of performance indicators, delivery of plan, cost, and impact tracking.

4.6 Separate Audit Committees would continue to approve audit plans. The shared service would need to risk assess the participating different organisations given their disparities and risk appetites.

4.7 **Joint Operational Audit Steering Board**

The operational direction of the shared audit service would be managed by a single overall Operational Audit Steering Board comprising relevant Corporate Directors. This board will be responsible for overseeing the overall direction and focus of the shared service. It is suggested that the County Council as host organisation would chair the Steering Board.

4.8 To ensure flexibility and responsiveness for the service, the Head of the shared audit service will be granted delegated powers, within agreed budgets and policies, by the board to act in the best interests of the service and its users.

4.9 **Management team**

Day to day management and delivery of the shared audit service will be undertaken by a single management team, led by the Head of the shared audit service and supported by the Audit Managers.

4.10 This above structure will ensure that a control framework is in place to ensure effective delivery of services to all Councils in a fair and equitable manner, maintaining corporate visibility and control at all levels.

4.11 **Member Engagement**

The Head of the shared audit service will meet regularly with Audit Committee Chairs, including joint meetings to review strategy, audit plans and performance.

4.12 In addition, the Head of the shared audit service, or Audit Managers will attend scrutiny committees at all Councils as requirements demand.

4.13 **Programme Management**

The shared audit Management team will be responsible for the delivery of audit plans.

# 4.14 Shared Service Agreement

A formal shared service agreement will be established between Councils to include (but not limited to):

* Governance arrangements as detailed earlier within this business case
* Dispute resolution procedure, including independent arbitration arrangements
* Agreement to the creation and adherence to a joint audit strategy for all Councils
* Services to be provided
* Service provision details
* Committee Chairs & Joint Operational Board
* Budget contributions, including methodology to manage budget surpluses and deficits.
* Delegation of decision making
* Review
* Indemnity
* Access to information
* Retention of records
* Conflict of interest
* Contract extension process
* Contract termination process
* Variations to the Agreement
* Statutory compliance
* Procurement arrangements
* Performance levels and reporting (linking back to performance baseline that would be established prior to establishing the Shared audit service).

# 4.15 Human Resource Arrangements

Upon approval of the business case it will be necessary to trigger a human resources work stream as some staff will need to transfer to a new host employer under TUPE[[1]](#footnote-2) regulations.

4.16 A full TUPE transfer, which protects employees’ rights would be undertaken in line with both legal and organisational requirements. Consideration will need to be given to variations in terms and conditions which are outlined at Appendix 6. Transfers would be completed within agreed timescales, following discussions with appropriate trade union representatives. Appropriate management of change and redeployment policies will be followed.

The audit strategy and annual appraisal process will incorporate identification of joint service training & development requirements.

# 4.17 Timescales – Implementation and Commitment

Subject to approval by all participants and appropriate legal arrangements, it is intended to go live with a new Shared Audit Service at the start of April 2010 at which point there will be a single Head of the shared audit service in post, together with a joint audit management team. This would see the formation of a single interim audit organisation which would then be refined and a final organisation structure developed over the following twelve months.

4.18 Planning in early 2010 for shared service strategy should include development of the overall 2010/11 audit plans for all participants. Integration of these is essential for developing best practice, and ensuring synergies through a common approach, which should help achieve efficiencies.

# 4.19 External work

Currently the County provides audit services to the Police Authority, Lake District National Park, Pension fund and North West Development Agency. In 2009/10, 235 audit days are expected to generate income of £61,000. Work performed should be governed by an agreement that would specify the number of years the service is to be provided, which should then inform resource requirements.

4.20 It is likely that a shared audit service would attract further external work as benefits are realised, with the shared service well placed to roll-out a sustainable audit product if required to a wide range of organisations. For example, a review of admitted bodies to the Local Government Pension Scheme and the County’s partnership register suggests around 200 organisations with the potential to commission audit services. Also, County audit currently performs a limited number of Financial Management Standard in Schools reviews, with the majority being performed by children’s services and / or school bursers. It is primarily a school responsibility to ensure these reviews are performed. However, there is the possibility of further reviews being performed by the shared audit service which could lead to synergies whilst also creating additional income for the shared service.

4.21 Finally, the Local Democracy, Economic Development and Construction Bill 2008-9 is currently under review in Parliament, which could lead to an additional audit requirement. In brief, the Act will require audits of entities for which financial information is included in Council accounts.

4.22 Cost structures will need to be in place regarding staff resources for the delivery of services to participants.

# 4.23 Communications

Communication regarding the establishment of the new shared audit service will be crucial across a full range of stakeholders, including Members, all those subject to internal audit, and most crucially, all current audit staff that would be affected by any changes.

4.24 A full communication programme would be developed with support from communications officers at all Councils that would include regular bulletins and feedback methods to keep all parties up to date and engaged. Further, plans for marketing the new service, to internal users, external partners, and ultimately to potential new partners will be drawn up and implemented.

**5 Financial case**

5.1 The following is based upon the option outlined at 3.3, which is most likely to provide a robust service and lead to cost savings. To determine how a revised structure might look audit plans have been reviewed, and audits have been allocated to common headers, or areas of audit (Appendix 2). This has resulted in four ‘blocks’ of audit which reflect a mix of County and District work, each of which represents a portfolio of responsibilities to be managed by an Audit Manager. Some disparity of workload exists in terms of complexity and / or numbers of days, which is reflected in the allocation of Principal Auditors.

**Groupings of Audit Responsibilities (Days)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Financial Systems | Adult Social Care, environment. | Schools, Police. | Corporate, Fraud, IT |  |
| Audit Manager | Audit Manager | Audit Manager | Audit Manager |  |
| Corporate\*  **30** | Corporate\*  **30** | Corporate\*  **30** | Corporate\*  **30** |  |
| Accounting  **301** | Accountable Body work  **83.5** | Schools  **427** | Corporate  **339** |  |
| Income  **216** | Environment  **112** | Police  **136** | Computer / IT  **239.5** |  |
| Expenses (incl Hsg benefit)  **153** | Regeneration  **147** | Fraud  **120** | HR / Payroll  **249** |  |
| Procurement  **64** | Operational  **137** | Children’s services  **330** |  |  |
| Legal  **51.5** | LDNP  **45** |  |  |  |
| Grants  **53.5** | Adult Social Care  **340** |  |  |  |
| Public Protection  **18** |  |  |  |  |
| General property Services  **56** |  |  |  |  |
| Communities  **47** |  |  |  |  |
| **990** | **894.5** | **1043** | **857.5** | **3785** |
| Likely number of Principal Auditors required:  2: (required particularly due to financial audit deadlines) | Principal Auditors required:  2 (for accountable body and regeneration work, and Adult Social Care) | Principal Auditors required:  1 (particularly for Schools) | Principal  Auditors  Required:  1 (particularly for Corporate and IT work) |  |

\* Preparation of Committee papers, Committee attendance etc

5.2 A shared service would expect to make efficiencies from the planning, delivery and drafting of similar audits and from integrated joint audits in areas such as waste management. Efficiencies are unlikely to reach full potential in 2010/11, but thereafter have the potential to equate to £48k:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Combined payroll | Percentage of direct audit day relating to joint audits\* | Element of overall audit | Potential efficiency | Potential saving |
| Planning audits | £816,000x | 65% x 65% x | 10% x | 50% = | £17,238 |
| Audit fieldwork | £816,000x | 65% x 65% x | 60% x | 10% = | £20,686 |
| Drafting reports | £816,000x | 65% x 65% x | 30% x | 10% = | £10,343 |
| **TOTAL** |  |  |  |  | £48,267 |

\* assumes that of the c3,785 audit days, 2,460, or 65% are of a joint nature, and that 65% of audit time is productive

5.3 However, developing a shared service will result in some increased costs such as TUPE costs to transfer staff to the host employer which are likely to arise from differences in terms and conditions which are reflected in Appendix 6. Also necessary will be a review of audit software used by all participants, to determine whether a system and software exists with the potential to be rolled out across the shared service. This is likely to be a separate work stream once the shared service business case is approved. Expenses of £5k per annum have been estimated to align and automate audit work papers. These, plus TUPE costs are estimated at £16k per annum, resulting in a net initial base saving resulting from a shared service of £32k. This is summarised in the table below:

**2009/10 budget information (£000)**

|  |  |  |
| --- | --- | --- |
|  | £000 | £000 |
| Total expense pre shared service |  | 842 |
| *Base decrease in cost as a result of shared service (regardless of which option selected):* |  |  |
| Integrated audit work papers | 5 |  |
| TUPE costs / Uplift District staff estimated at  (103+115) x 5% (rounded up) | 11 |  |
| Efficiency resulting from shared service (see paragraph 5.2) | (48) |  |
| *Total base cost decrease* |  | (32) |
| *Revised base cost before other savings are considered:* |  | 810 |

5.4 Further savings are then dependent on the decision over which model to opt of those outlined in the economic case, and other factors detailed below.

5.5 Currently there are five Principal Auditors. It has been decided to increase this number to six, to ensure ongoing continuity to the County, and a minimum cover of one Principal Auditor to each District to compensate for a reduced physical Audit Manager presence. Council business is increasing in complexity and is subject to ongoing change, leading to ever greater risks. The shared service will need to assess the opportunities as the shared service develops, versus savings resulting from any further staffing restructure. It will be necessary to review the mix and locations of staff as the shared service evolves, but initially the Project Board has recognised the need for a strong Principal Auditor presence.

5.6 The desire for service continuity and the requirement to deliver a similar audit plan has resulted in a compliment of Senior Auditors and Auditors in the new structure matching the current structure.

5.7 Adopting the option outlined at 3.3 would result in a £23,000 saving regarding staffing, as demonstrated below. To form the overall saving, this needs to be added to the base saving identified at 5.3, plus potential savings resulting from streamlining Committee structures (5.10).

|  |  |  |
| --- | --- | --- |
| Save 0.4 Head of Service | (21) |  |
| Save 0.7 Audit Managers | (34) |  |
| Add 0.9 Principal Auditor | 32 |  |
| Saving as a result of implementing option (2) outlined at 3.3. |  | (23) |

* 1. There is scope to achieve savings through streamlining Audit Committee arrangements. The number of Committees ranges from four to ten per annum, with the number of days assigned to servicing Committees ranging from ten to forty. Assuming each organisation spends no more than the average number of days servicing the average number of Committees, a saving of £3,000 could be achieved based on an Audit Manager salary. This saving is unlikely to occur in year one, so is estimated to begin in 2011/12.

5.9 Paragraph 4.20 outlines the possibility of potential income through further exploiting commercial possibilities. The extent of such income is likely to be determined by a separate work stream, therefore, no income has currently been anticipated.

5.10 In summary, potentially savings are estimated as:

|  |  |  |
| --- | --- | --- |
|  | 2010/11 | 2011/12 |
| Increase in TUPE costs (5.3) | 11 | 11 |
| Increase in software costs (5.3) | 5 | 5 |
| Increased efficiencies from planning performing and reporting audits (5.2) | (24) | (48) |
| Restructure staffing (5.5/5.6) | (23) | (23) |
| Saving through streamlining Audit Committee processes (5.10) | 0 | (3) |
| Total annual saving | (31) | (58) |

5.11 There will be scope for increased income through the provision of the audit service externally although it is not possible to quantify savings at this stage. Therefore, no figure for this has been included in the table at 5.12.

5.12 The table at 5.12 suggests potential savings of £31,000 in 2010/11, rising to £58,000 in 2011/12. Such efficiency savings could be used to reduce costs to be shared by participating organisations in proportion to budgets. Alternatively time saved could be redirected towards performing other audits such as value for money work, additional IT work, or one of the additional services outlined at 4, which currently do not occur consistently in all audit plans.

5.13 Some savings might also be generated from reduced travel by the County to perform establishment audits in Copeland. However, these may be replaced by other travel costs as Audit Manager and Principal Auditor resources are expected to be located around specialisms rather than being located on a strictly geographic basis. Consequently travel savings have not been anticipated.

5.14 **Financial summary**

Financial savings are likely to occur as a result of implementing the shared service option identified at 3.3. This business case identifies potential savings of £31,000 in 2010/11 rising to £58,000 in 2011/12, which might be achieved through either a reuced management structure or increased impact of audit recommendations. The timing of savings cannot be determined with precision, with those at 5.10 indicative only. Not factored in is potential income as the service is rolled out to other organisations, the extent of which would be determined by a separate work stream.

5.15 Participants will jointly, through the governance processes outlined in the commercial case, be able to determine whether to utilise savings to re-invest in the shared service to generate more powerful, value for money type work, or to reduce future contributions to the service.

**6 The Management case**

6.1 To achieve the benefits of the shared service identified at 3.3 in terms of cross working and shared expertise, a revised structure would be required, such as that at Appendix 4. A pooled approach for staff below Principal Auditor level is suggested, which will provide the flexibility for staff to cross train between audits and locations. Features of a pooled structure are:

* Consistent with CIPFA standards;
* Potential to achieve Investor in People aspirations;
* Provides a framework for training;
* Avoids the danger of complacency (a fresh pair of eyes);
* Provides a greater mix of work;
* Consistent – staff able to participate in a range of audits;
* Allows for the sharing of Auditors that might potentially lead to more high risk areas of the plan to be completed;
* Assignment reviews would be completed after each assignment, the combination of which would inform the appraisal process and identify training requirements;
* Fosters greater levels of communication between Audit Managers and promotes a collective responsibility to achieve the plan.

However, particular awareness of the following will need to apply:

* Problems could arise with overruns, as staff are expected to commence an audit for one Audit Manager whilst still completing work for another;
* There would be a need to record costs / monitor assignments completed, training needs etc

6.2 The County’s Head of Audit would provide overall management of the shared service. Roles and responsibilities for Audit Managers, Principal Auditors and Team Members are at Appendix 5. This structure would operate by:

* An Audit Manager fostering relations with an organisation’s Chief Executive, Section 151 Officer, Audit Portfolio Holder and Audit Committee. This responsibility would extend to determining the needs of the organisation and developing and delivering an audit plan
* Each Audit Manager ensuring that there is clarity over the resources required to complete audits (staff numbers, skills, audit timing)
* Audits will be assigned through regular meetings of the Head of Audit and Audit Managers, with administrative support available to act in a coordinating capacity.
* Audit Managers in geographic locations would have a ‘local’ responsibility for staff in terms of day to day matters (sickness, authorisation of travel etc)
* Audit Managers would be assigned a portfolio of services and be responsible for audits performed in these areas. Expertise and centres of knowledge would then occur. Responsibilities would include:
* Ensuring audits reflect regulatory changes and best practice
* Ownership of risk matrices
* Responsibility for audit scopes
* Responsibility for audit programmes
* Review of work papers and reports
* Ensuring consistency of audits
* Understanding high risk more complex audits
  + - A continued staff presence in Districts. As a minimum, at the District level staff cover will comprise:
    - 0.5 Audit Manager
    - 1 Principal Auditor
    - 1 Senior Auditor
    - 1 Auditor / Trainee Auditor

Member / Officer liaison is important for a good working relationship, and the need for this to continue has been noted, particularly by District Council Members. So the allocation of a Principal Auditor to each District has been deemed necessary given the reduction in Audit Manager presence, although over time this is likely to be subject to review as the shared service evolves to match audit requirements of commissioning bodies.

* + - In time consideration could be given to locating staff in fewer establishments, the minimum being a base in Carlisle and one in the West. A separate workstream will need to determine the timeframe in which this is achievable.
    - Pooled staff will perform a range of audits to reflect the breadth of work performed by the shared service. Therefore, whilst pooled staff will be physically located ‘as now’, audits will be performed reporting to various Audit Managers.
    - Training opportunities will be enhanced as the shared service results in a more substantial audit unit. Individual staff training requirements will be considered when audits are allocated, so experience is tailored to training needs. A separate HR review will occur to ensure an appropriately resourced training budget. Training will be linked to career progression. In the longer term there will be a minimum requirement for Audit Managers to be CCAB / MIIA qualified, and Senior / Principal Auditors AAT / IIA qualified.
    - In line with CIPFA best practice staff rotation of responsibilities will occur on a 3 year basis. Therefore in each 6 year period – to which participating organisations have signed up – all staff will rotate twice.
    - The County as host organisation would employ all staff, involving TUPE costs reflected at 4.15.
    - All staff will complete timesheets to reflect time spent on audits. A charging mechanism will then be established to ensure transparency over costs of audits and payments received from participating organisations to the shared service.

**7 Risk assessment**

Potential risks are outlined at Appendix 7. Risks have been considered in terms of operating a shared service unit. Approval of the business case is likely to trigger a series of separate work streams potentially with a discrete set of risks.

1. **Sector External review**

The business case has been subject to external critique by Sector, an advisor, to UK public service organisations. The review concluded that a methodical approach had been adopted to reach the conclusion over a new service structure. A number of suggestions were made, which have been incorporated in version 5 of the business case including:

* Affirming the links between staff requirements and audit plans;
* Clarification of why savings attributable to the shared service are relatively modest as a result of Carlisle City Council actions prior to the formation of the base case;
* Acknowledgement of increased opportunities to generate income through increased external work;
* Enhancement of why a shared service would increase the robustness of service to all parties.

Appendix 1

|  |  |  |  |
| --- | --- | --- | --- |
| Audit engagement in….. | Carlisle | Copeland | Cumbria County Council |
| Systems audit | √ | √ | √ |
| Value for Money | √ |  |  |
| Risk | √ | √ |  |
| Computer | √ | √ | √ |
| Hot Assurance / Project Management | √(note 4) | √(note 4) | √ |
| Fraud | √ (note 2) | √ (note 2) | √ (Note 1) |
| Contract audit | √ | √ |  |
| Accountable Body /Partnership working | √ | √ | √ |
| Grants | √ | √ |  |
| Servicing Audit Committee | √ | √ | √ |
| Preparing UoR / Governance statement | √ | √ (note 3) | √ |
| Providing assurance over UoR / Governance statement | √ | √ (note 3) |  |

Notes

1. Fraud is subject to a joint arrangement with the PCT

2. Non housing benefit Fraud

3. Sitting in working group

4. Provides advice to various projects

Appendix 2

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Audit Area** | **Carlisle** | **Days** | **Copeland** | **Days** | **CumbriaCC** | **Days** |
| Non chargeable time |  | **392** |  | **432** |  | **1291** |
| Management /planning | √ |  | √ |  | √ |  |
| Corporate management |  |  |  | 30 |  | 36 |
| Capital Programme | √ | 15 | √ | 15 | √ |  |
| Accountable Bodies | √ | 15 | √ |  | √ |  |
| Procurement | √ | 15 | √ | 6 | √ | 17 |
| Customer Contact Centre | √ | 20 |  |  |  |  |
| Waste | √ | 10 | √ |  | √ | 45 |
| General Ledger | √ | 20 | √ | 23 | √ | 51 |
| Fixed Assets | √ | 20 | √ |  | √ | 8 |
| Supporting People (Homelessness/Hostels/Housing Assoc) | √ | 15 | √ | 61 | √ |  |
| Building Control | √ | 15 | √ | 17 |  |  |
| Maintenance and Development of the Property Portfolio (AMP) | √ | 20 | √ |  | √ | 13 |
| External Funding / Grant Monitoring / Economic Development | √ | 15 | √ | 43.5 | √ |  |
| Highways Maintenance (inc Claimed Rights) | √ | 15 |  |  | √ | 2 |
| Quality Management / Accreditations/ Standards | √ | 20 |  |  |  |  |
| Business Continuity Planning (Inc IT Recovery) | √ | 10 | √ | 20 | √ | 12 |
| VAT | √ | 10 | √ |  | √ |  |
| Development Control inc. Access Grants | √ | 15 | √ | 15.5 |  |  |
| Facilities Management / Building Maintenance | √ | 15 | √ |  | √ |  |
| Partnership Development | √ | 15 | √ |  | √ | 25 |
| Physical and Environmental IT Controls | √ | 25 | √ |  | √ |  |
| Concessionary Fares | √ | 10 | √ | 8 |  |  |
| Highways Insurance Claims | √ | 10 |  |  |  |  |
| IT Project Management Controls | √ | 15 | √ |  | √ |  |
| Payroll | √ | 20 | √ | 25 | √ | 65 |
| Reporting Arrangements | √ |  | √ |  | √ |  |
| Community Safety & Anti Social Behaviour - CDRP | √ |  | √ |  | √ | 13 |
| Tendering / Contracting | √ |  | √ |  | √ | 20 |
| Change Control | √ |  | √ |  | √ |  |
| Media relations, PR, Corporate Identity & Marketing | √ |  | √ |  | √ |  |
| Health & Safety | √ |  | √ |  | √ |  |
| Transport and Plant | √ |  | √ |  | √ |  |
| Refuse Collection | √ |  | √ |  | √ |  |
| Emergency Planning | √ |  | √ |  | √ | 5 |
| Housing & Council Tax Benefits | √ | 15 | √ | 40 |  |  |
| GIS | √ |  | √ |  |  |  |
| Information Management (FOI/DP/Records management) | √ |  | √ |  | √ |  |
| Network Controls | √ |  | √ |  | √ |  |
| Land Charges | √ |  | √ |  |  |  |
| Industrial Estates | √ |  |  |  |  |  |
| Council Tax | √ | 15 | √ | 31 |  |  |
| IT Strategy (inc Security) | √ | 20 | √ |  | √ |  |
| City Centre / Town Management / Tourism Marketing | √ |  | √ |  |  |  |
| Corporate Properties (town centre) | √ |  |  |  | √ |  |
| Sickness Monitoring | √ |  | √ |  | √ |  |
| Parking, Car Park Patrol/Wardens | √ | 15 | √ |  |  |  |
| Recharges | √ |  |  |  |  |  |
| Training and Development (employees & Members) | √ |  | √ |  | √ | 5 |
| Risk Management | √ |  | √ | 15 | √ | 11 |
| General Management of Property Portfolio | √ |  | √ | 8 | √ |  |
| Electoral Registration and inc. Fees and Expenses | √ |  | √ | 16 | √ | 3 |
| Automated Payments System | √ |  | √ |  | √ |  |
| Tullie House - arts and museums inc Guildhall | √ |  |  |  |  |  |
| Street Cleaning (incl Envrionmental Cleansing) | √ |  | √ |  |  |  |
| Community Wardens (Eco / Dog Wardens) | √ |  | √ |  |  |  |
| Non Standard Paymts to Employees | √ |  | √ |  | √ |  |
| Debtors | √ | 15 | √ | 20 | √ | 38 |
| Creditors | √ | 15 | √ | 31 | √ | 52 |
| Equality and Diversity | √ |  | √ |  | √ |  |
| Health Promotion & Partnerships | √ |  | √ |  | √ |  |
| NNDR | √ | 15 | √ | 22 |  |  |
| Telephones | √ |  | √ |  | √ |  |
| Tourist Information Centres | √ |  | √ |  |  |  |
| Treasury Management | √ | 15 | √ | 15 | √ | 10 |
| Grounds Maintenance (inc Arboriculture) | √ |  | √ |  |  |  |
| Sports Development | √ |  | √ |  | √ |  |
| Community Events | √ |  | √ |  | √ |  |
| Flexitime | √ |  | √ |  | √ |  |
| Improvement Grants | √ | 15 | √ |  |  |  |
| Talkin Tarn | √ |  |  |  |  |  |
| Landscape Services, Countryside Support | √ |  | √ |  |  |  |
| Garage | √ |  |  |  | √ |  |
| Bereavement Services | √ |  | √ |  |  |  |
| Pollution Control & Contaminated Land) | √ |  | √ |  |  |  |
| Licensing | √ |  | √ |  |  |  |
| Enterprise Centre | √ |  |  |  |  |  |
| Monitoring service delivery of CHA | √ |  |  |  |  |  |
| Food Standards inc H and S inspections | √ |  | √ |  |  |  |
| Playground Maintenance | √ |  | √ |  |  |  |
| Business Development | √ |  |  |  |  |  |
| Income Management & Cash Collection | √ | 20 | √ | 25 | √ |  |
| Compliance to Codes of Conduct | √ |  | √ |  | √ |  |
| Gifts and Hospitality | √ |  | √ |  | √ |  |
| Insurance | √ |  | √ |  | √ |  |
| Pest Control | √ |  | √ |  |  |  |
| Planning Fees | √ |  | √ |  |  |  |
| Children & Young People / CRB Checks | √ |  |  |  | √ | 341 |
| Building Resources / Cleaning | √ |  | √ |  | √ |  |
| Salary Sacrifice | √ |  | √ |  | √ |  |
| Internet Controls | √ |  | √ |  | √ |  |
| Application Controls | √ |  | √ |  | √ |  |
| Covered Market | √ |  |  |  |  |  |
| Grants to Parish Councils, Voluntary Organsations & Leisure | √ |  | √ |  | √ | 8 |
| ICT & E-Government | √ |  | √ | 12.5 | √ | 71 |
| PC Controls | √ |  | √ |  | √ |  |
| Public / Street Lighting | √ |  |  |  | √ |  |
| E Commerce Controls | √ |  | √ |  |  |  |
| Procurement of IT Facilities | √ |  | √ |  | √ | 15 |
| Parks and Open Spaces (inc Park Wardens) | √ |  | √ | 15 |  |  |
| Local land and Conservation | √ |  | √ |  |  |  |
| Advice Agencies (inc Benefits Advice, Law Centre, CAB) | √ |  | √ |  |  |  |
| Early Retirement & Redundancy | √ |  | √ |  | √ |  |
| Land Drainage | √ |  |  |  |  |  |
| File Controls | √ |  | √ |  | √ |  |
| Council Complaints Procedure inc LG Ombudsman | √ |  | √ |  | √ |  |
| Civic Centre Keepers / Building Security | √ |  | √ |  | √ |  |
| Leisuretime/Carlisle Leisure (client) | √ |  |  |  |  |  |
| Community Engagement | √ |  | √ |  | √ |  |
| IT Management and Financial Controls | √ |  | √ |  | √ |  |
| Printing | √ |  | √ |  | √ |  |
| Payments to Members | √ |  | √ |  | √ | 10 |
| Carlisle Conference Group | √ |  |  |  |  |  |
| Mayor & Civic Services | √ |  | √ |  |  |  |
| Allotments | √ |  | √ |  |  |  |
| Shopmobility | √ |  | √ |  |  |  |
| Car Leasing/Car loans | √ |  | √ |  | √ |  |
| Town Twinning | √ |  |  |  |  |  |
| Corporate Charge Card | √ |  |  |  |  |  |
| Mortgages | √ |  | √ |  |  |  |
| Public Conveniences | √ |  | √ |  |  |  |
| Stores | √ |  | √ |  | √ |  |
| CCTV | √ |  |  |  |  |  |
| Data Quality / NIS |  |  | √ | 11 | √ | 45 |
| DWP - workflows |  |  |  |  |  |  |
| Corporate Management / Governance | √ |  | √ | 14 | √ | 20 |
| Customer Services |  |  | √ |  | √ |  |
| Environmental Partnership - Focsa |  |  |  |  |  |  |
| Grants received | √ |  | √ |  | √ |  |
| Environmental Partnership - ISS |  |  |  |  |  |  |
| Carnegie Theatre and Arts Centre |  |  |  |  |  |  |
| Corporate Recruitment | √ |  | √ |  | √ |  |
| Postal Procedures |  |  | √ |  | √ |  |
| Local Strategic Partnership / LAA | √ |  | √ |  | √ |  |
| Corporate Issues | √ |  | √ |  | √ |  |
| Budget Process / Budgetary Control | √ |  | √ | 19 | √ | 40 |
| Final Accounts Process | √ |  | √ | 10 | √ |  |
| Capital Accounting Procedures |  |  | √ | 10 | √ |  |
| Financial Management System Project |  |  | √ |  |  |  |
| Grant Claims |  |  | √ |  | √ |  |
| Custody of Documents | √ |  | √ |  | √ |  |
| Statutory Instruments | √ |  | √ |  | √ |  |
| Litigation Procedures | √ |  | √ |  | √ |  |
| Charities - Admin of Trusts |  |  | √ |  |  |  |
| Marketplace Purchasing System |  |  | √ | 6 |  |  |
| Beacon Museum Collection |  |  | √ |  |  |  |
| Crime & Disorder Act - Compliance | √ |  | √ |  |  |  |
| Local Development Framework | √ |  | √ |  |  |  |
| Sustainability & Nuclear (Expenses, Fees & Charges) |  |  | √ |  |  |  |
| Environmental Health |  |  | √ |  |  |  |
| Leased Transport |  |  | √ | 12 | √ |  |
| Enforcement |  |  | √ |  |  |  |
| Environmental Protection |  |  | √ |  |  |  |
| Evaluating whether Service Objectives met | √ |  | √ | 15 |  |  |
| Partnership Register |  |  |  |  | √ | 5 |
| Local Area Agreement |  |  |  |  | √ | 35 |
| Comprehensive Area Assessment |  |  |  |  | √ | 10 |
| Regeneration Unit Contingency |  |  |  |  | √ | 9 |
| Single Programme Final Claims - CCC is applicant |  |  |  |  | √ | 5 |
| West Lakes Renaissance |  |  |  |  | √ | 17 |
| Cumbria Vision |  |  |  |  | √ | 8 |
| Regeneration Support Team |  |  |  |  | √ | 15 |
| Regeneration Support Team - Monitoirng Visits |  |  |  |  | √ | 10 |
| Accountable Body Arrangements |  |  |  |  | √ | 10 |
| Housing Market Renewal |  |  |  |  | √ | 28 |
| Land Reclamation Programme 2008/09 |  |  |  |  | √ | 10 |
| Rural Development Programme for England (RDPE) |  |  |  |  | √ | 5 |
| Barrow Waterfront |  |  |  |  | √ | 15 |
| Maryport Business Centre |  |  |  |  | √ | 10 |
| Transport - Bus Operator Contracts |  |  |  |  | √ | 15 |
| Carbon Management |  |  |  |  | √ | 10 |
| Land Fill Allowance Trading Scheme |  |  |  |  | √ | 15 |
| Shanks Contract |  |  |  |  | √ | 10 |
| Cumbria Highways Partnership |  |  |  |  | √ | 10 |
| Arrangements with Capita/Amey - Reactive Works Orders |  |  |  |  | √ | 15 |
| CNDR |  |  |  |  | √ | 20 |
| Port of Workington |  |  |  |  | √ | 10 |
| NWDA Health Checks (WLR / CV) |  |  |  |  | √ | 5 |
| Food NW Claim - Audit Certificate |  |  |  |  | √ |  |
| Schools |  |  |  |  | √ | 428 |
| Police |  |  |  |  | √ | 162 |
| Registrars |  |  |  |  | √ | 12 |
| Legal Services - Billing of Invoices |  |  |  | 0.5 | √ | 5 |
| Coroners |  |  |  |  | √ | 5 |
| Efficiency Savings | √ |  | √ |  | √ | 20 |
| Use of Resources | √ |  | √ |  | √ | 30 |
| Equal Pay | √ |  | √ |  | √ | 25 |
| Single Status |  |  |  |  | √ | 45 |
| Full Cost for Cumbria Care |  |  |  |  | √ | 15 |
| Homes for the Elderly |  |  |  |  | √ | 40 |
| Day Centres |  |  |  |  | √ | 13 |
| Timesheet Staff |  |  |  |  | √ | 20 |
| Libraries |  |  |  |  | √ | 20 |
| ESCR Project |  |  |  |  | √ | 20 |
| Pooled Budgets / Partnerships where A/c Body |  |  |  |  | √ | 10 |
| Fairer Contributions |  |  |  |  | √ | 10 |
| In Control Total / individual budgets |  |  |  |  | √ | 13 |
| RAS Development (individual budgets) |  |  |  |  | √ | 36 |
| Direct Debits |  |  |  |  | √ | 4 |
| Passenger Transport |  |  |  |  | √ | 10 |
| Extra Care Housing |  |  |  |  | √ | 5 |
| Adult Residential - Contractual Payments |  |  |  |  | √ | 17 |
| RAS Accounting System |  |  |  |  | √ | 10 |
| NAS Accounting System |  |  |  |  | √ | 10 |
| Payments to Private/CCare Homes via RAS |  |  |  |  | √ | 20 |
| Payments to IS Home Care Providers |  |  |  |  | √ | 15 |
| New Archives Office |  |  |  |  | √ | 5 |
| Curwen Archives Trust |  |  |  |  | √ | 2 |
| Supporting People Grant Claim |  |  |  |  | √ | 4 |
| Pensions |  |  |  |  | √ | 64 |
| LDNPA |  |  |  |  | √ | 50 |
| Fraud & Investigations | √ |  | √ |  | √ | 120 |
| Financial Regulations |  |  |  |  | √ | 10 |
| Audit & Assurance Committee | √ |  | √ |  | √ | 40 |
| Premises, cessation of trading accounts |  |  |  |  |  | 10 |
| Premises - MOW |  |  |  |  | √ | 5 |
| Corporate Communications & Publicity (incl corporate complaints) | √ |  | √ |  | √ |  |
| Leisure centres trust |  |  |  |  |  |  |
| Derwent Valley Project |  |  |  |  |  |  |
| Enterprise Yards, Trading Estates and other Tenanted Properties |  |  |  |  |  |  |
| Environmental Initiatives |  |  |  |  |  |  |
| Derwent Forest |  |  |  |  |  |  |
| Wigton Market Hall & Community Centre |  |  |  |  |  |  |
| Museums |  |  | √ |  |  |  |
| Coast Protection |  |  |  |  |  |  |
| Camping & Caravan Sites |  |  |  |  |  |  |
| Heritage & Arts |  |  |  |  |  |  |
| Community Investment & Development |  |  |  |  |  |  |
| Markets Administration |  |  | √ |  |  |  |
| FMSIS |  |  |  |  | √ | 25 |
| Adult Social Care Follow Up |  |  |  |  | √ | 15 |
|  |  | 912 |  | 1044 |  | 3944 |
|  |  |  |  |  |  |  |
| Total | 5900 |  |  |  |  |  |

√ Potential audit

|  |
| --- |
| **Colour Key** |
| Discrete audits with potentially similar audit programmes |
| Potential for joint audits |

How this compares to total number of days per audit area

|  |  |  |
| --- | --- | --- |
| **Audit Area** | | **Days** |
| A | Accountable Bodies | 83.5 |
| B | Accounting | 301 |
| C | Adult Social Care | 340 |
| D | Children's Services | 757 |
| E | Communities, Leisure & Culture | 47 |
| F | Computer / IT | 239.5 |
| G | Corporate Activity | 459 |
| H | Environment | 112 |
| I | Expenses | 153 |
| J | General Property Services | 56 |
| K | Grants | 53.5 |
| L | Housing Services | 0 |
| M | Human Resources | 249 |
| N | Income | 216 |
| O | Legal | 51.5 |
| P | Operational | 137 |
| Q | Public Protection | 18 |
| R | Regeneration & Development | 147 |
| S | VFM | 0 |
| T | Fraud | 120 |
| U | Procurement | 64 |
| V | Police | 136 |
| W | LDNPA | 45 |
|  |  | 3785 |

Appendix 3

Examples of advantages / disadvantages of operating a shared audit service

|  |  |
| --- | --- |
| Advantages | Disadvantages |
| Saved cost through streamlined Management structure | Greater coordination of resources will be required |
| Audit will be better positioned to audit other shared services (the number of which is likely to increase) | Need to serve a minimum of 3 Audit Committees, whose needs may differ |
| Potential to share best practice (audit programmes, methodology etc) | Potential for more cumbersome administration |
| Efficiencies through the performance of joint audits (e g waste) |  |
| Specialist services can be offered (e g value for money, fraud unit) |  |
| Enhanced employee development and career opportunities |  |
| Standard of Audit is improved as audits are performed at various sites |  |
| Better placed to adhere to best practice and achieve synergies |  |
| More robust audit service for Districts |  |
| Participating organisations more likely to receive continued audit service in the event of long term auditor absence or recruitment difficulties |  |
| More opportunity to make use of benchmarking |  |
|  |  |

Appendix 4

**Possible Audit Structure**

Head of Audit Service

Audit Manager

Audit Manager

Audit Manager

Audit Manager

Corporate, IT

Schools, Police, Fraud

Adult Social Care, Environment,

Financial Systems

Principal Auditor (x2)

Principal Auditor (x2)

Principal Auditor (x1)

Principal Auditor (x1)

Standard automated audit work papers / protocol for review of work

Senior Auditors

Auditors

Appendix 5

**Staff roles and responsibilities:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | RELATIONSHIPS | AUDIT PROCESS | PERSONNEL ISSUES |
| **HEAD OF AUDIT** | * Maintain Audit Commission relationships * Develop and maintain relationships with the Chairs of the Audit Committees * Foster relationships with other Heads of Audit (PCT etc) * Maintain relations with Chief Executives, S151 Officers and other strategic management | * Develop a strategy to develop shared services, to encompass work on value for money, procurement / contract audit etc, and to deliver agreed savings * Implement processes to ensure consistent audits * Develop and implement protocols over the timely reporting of findings and agreeing actions, obtaining assurance over the implementation of recommendations within Directorates and reporting to CMT and Audit and Assurance Committees. * Perform an overview of audit plans, and develop and monitor a programme to ensure effective delivery * Implement processes to foster continual improvement in audit methodology and performance * Raise the awareness and impact of audit * In conjunction with the Monitoring Officer provide training and raise awareness of fraud and whistle blowing procedures and the code of conduct * Review high level audit reports * Implement a process of continuous audit efficiency * Provide input to Governance, Use of Resources, and risk management reporting | * Maintain a programme of job rotation which can be demonstrably linked to training programmes * Recruitment * Appraisals * Perform unit meetings |
| **AUDIT MANAGER (AM)** | 1. Develop and maintain effective partnerships with the business – present Audit Plan to Audit Committee 2. Deliver audit report 3. Develop a deep understanding of the business through effective partnerships and a common view of the risks associated with it 4. Contribute to efficient and effective audit service through providing centre of excellence on product/process | 1. Determine what work needs to be done to form a reliable opinion, including producing an Audit Scope 2. Develop Audit Plans 3. Agree coverage and obtain buy-in from stakeholders, the Head of Audit, and (if necessary) other Audit Managers 4. Request resources from the Resource Function and agree budget to deliver the Audit Plan 5. Agree Terms of Reference for each item on the Audit Plan which has been agreed with PA 6. Communicate with stakeholders and others to obtain up-to-date information about the business and associated risks 7. Share the results of audit work 8. Track actual audit expenses/time to Audit Plan 9. Review audit reports | 1. Champion learning & development, for staff performing each audit; 2. Pre audit performance briefing and post audit debrief 3. Coach team on audit and business issues to support success of the audit and development of the individual 4. Complete Assignment Reviews for each staff member working on audit 5. Undertake line management responsibilities for staff based in geographical location 6. Recruitment 7. Appraisals |
| PRINCIPAL AUDITOR(PA) | 1. Contribute to forming opinions within the context of risks identified for the audit 2. Develop an understanding of the business and its associated risks and controls, providing advice as appropriate to aid continuous improvement | 1. Ensure audit work is reliable and in accordance with the direction set by the AM and conforms fully with audit processes 2. Plan the assignment: 3. Collate pre-audit information 4. Confirm objectives, budget and resource requirements with AM 5. Brief team and agree work allocation 6. Perform field work: 7. Undertake own audit work, ensuring it is adequate in terms of coverage, documentation and evidence 8. Collate, review and oversee the work of the team members, ensuring it is adequate in terms of coverage, documentation and evidence 9. Conclude on audit results 10. Communicate the results of the audit as agreed with the AM 11. Track clearance of issues for the audit as agreed with the AM 12. Draft audit report |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | RELATIONSHIPS | AUDIT PROCESS | PERSONNEL ISSUES |
| **TEAM MEMBER**  **(Senior Auditor, Auditor, Trainee)** | 1. Support the PA and the AM to maintain effective relationships and contribute to opinion formation 2. Develop an understanding of the business and its associated risks and controls, providing advice as appropriate to aid continuous improvement 3. Liaise with stakeholders | 1. Agree assignment objectives, scope, tasks and budget with PA 2. Undertake audit work ensuring it is adequate in terms of coverage, documentation and evidence 3. Identify audit results, discuss with the PA 4. Manage own work within the team, taking responsibility for its quality and reliability and time budgets 5. Draft audit reports |  |
| **RESOURCE FUNCTION** | 1. Schedule staff with the skills prescribed by AMs | 1. Review risk assessments, plans and other data to support staffing solutions 2. Ensure skills and competencies required are allocated to the audit 3. Allocate resources in the most effective way using resource team capabilities supplemented with external skills, where necessary | 1. Champion learning and development and performance management concepts 2. Facilitate and agree personal performance reviews and promote development/career planning 3. Keep skills data fresh 4. Facilitate and support development planning by scheduling and other solutions 5. Monitor assignment reviews for trends, issues etc. 6. Undertake continuous improvement of resourcing/performance management processes |

Appendix 6

Comparison of Terms and Conditions

|  |  |  |  |
| --- | --- | --- | --- |
|  | Carlisle City | Copeland | Cumbria County Council |
| Grades of staff | Principal Auditor – PO3 to 6  Auditor – Scale 1 to SO2  Audit Assistant – Scale 1 to 4  **NB all above are subject to job-evaluation** | Audit Manager  PO10-13  Audit Technical Officers (3)  Scale 1 - 6  **Above are pre-job evaluation.**  **Post JE:**  Audit Manager  PO7-11  Audit Technical Officers (2)  Scale 4 – 5  Audit Technical Officer (1)  Scale 2 - 3  J.E now signed off. | Head of Audit  (Head of Service)  Audit Manager PO 11 - 14  Principal Auditor SO2 – PO 1-4  Senior Auditor Scale 5 – SO1  Auditor Scale 3-4  **NB all above are subject to job-evaluation** |
| ***Salary payment dates*** | 15th of each month, or nearest earlier day | 15th of each month, or nearest earlier day | Last day of the month |
| Pension scheme | Local government pension scheme | Local government pension scheme | Local government pension scheme |
| Holiday allowances | Basic – 23 days  After 5 years – 28 days  After 10 years – 30 days  After 15 years – 31 days  After 20 years 33 days | Basic 21 + 2\* days  After 5 years – 25 + 2\* days  On PO13 – 31 days  \*2 fixed + 1 for Christmas closure. | Up to 5 years service: 21  5 years to 10 years: 26  10 years + : 31 |
| Christmas arrangements | Employee obliged to take one day annual/flexi when there is a single day between Christmas and the nearest weekend | One days additional leave provided by employer. All staff obliged to take two days leave. | Employee obliged to take 3 days vacation / flexi leave at christmas |
| Public Holidays | 8 in a normal year depends how Easter falls | 8 in a normal year depends how Easter falls | 8 + 2 extra statutory days |
| Number of hours per week | 37 | 35 hours 25 mins.  **Post JE: 37** | 37 |
| Flexi time scheme | Yes – under review at present | Yes. Permits 1 day or 2 half days every 4 weeks. | Yes, permits two days off a month |
| Driving requirements | No requirement to be a driver at any level, including Head of Audit Services | Audit Manager – Essential User. Others are designated casual users but not essential requirement to drive.  **JE- Essential User under review.** | Must be a driver and have access to a car for Senior Auditor and more senior levels |
| Car parking arrangements | Free parking for all Audit staff | Pay for parking. Subsidised. Waiting list for places. | Limited (free) parking for those using cars for work |
| Essential car allowances payable? | Head of Audit Services has the option of leased car (system under review) or essential user allowance.  All other Audit staff are on casual user rate. | Audit Manager – Essential User.  Subject to JE Review. | Paid to 3 of the 4 Audit Managers |
| Mileage rates | NEO rates subject to local limitations (max 1200 c.c.) | NEO rates subject to local limitations (max 1300 c.c.?) |  |
| Subsistence arrangements | Various rates apply | Various rates apply | Various rates apply |
| Travel in work time to audits? | Yes | Yes | Yes |
| Professional training | Yes | Yes | Yes |
| Formal annual appraisals | Yes | Yes | Yes |
|  |  |  |  |

Appendix 7

## *Risk Matrix*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Probability** | 6 |  |  | **2** |  |
| 5 |  |  |  | 1 |
| 4 | 11 |  | 5 |  |
| 3 |  |  | 6,7,8 | 3,4 |
| 2 |  |  |  | 9,10 |
| 1 |  |  |  |  |
|  | 1 | 2 | 3 | 4 |
|  |  | **Impact** | | | |

**Key:**

**6 – High likelihood of occurrence (Very high)**

4 = High impact for the business (Catastrophic)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| No | Risk | Risk probability | Risk Impact | Overall risk rating  (probability x impact) | Action plan tasks |
| 1 | Mismatch between available and required resources | 5 | 4 | 20 | * Adherence to SLA which stipulates a minimum buy-in period which allows forward planning of resources * An element of temporary resource is retained |
| 2 | Differing expectations from the various Audit Committees | 6 | 3 | 18 | * Periodic meetings of Audit Committee Chairs |
| 3 | Services of the shared service are not purchased | 3 | 4 | 12 | * Ongoing use of benchmarking, self assessment and other measurement techniques to ensure that value for money and adherence to best practice is achieved * *Adherence to SLA which stipulates a minimum buy-in period which allows forward planning of resources* |
| 4 | For cultural or organisational reasons it is not possible to implement the new structure | 3 | 4 | 12 | * Ongoing progress monitoring by the Board |
| 5 | Over runs on jobs potentially resulting in a cost to be borne by the entire shared service | 4 | 3 | 12 | * Consistent and robust monitoring processes established |
| 6 | The shared service model fails to deliver savings | 3 | 3 | 9 | * Robust budget monitoring process * Protocols and effective management structure established |
| 7 | Failure to meet the needs of all organisations as there is competition for the same resources | 3 | 3 | 9 | * Audit plans agreed in advance * Robust processes in place to schedule audits * Section 151 officers and Audit Committees must be aware that they can not make ad hoc demands on audit time without “viring” time from elsewhere |
| 8 | Inconsistencies in standards / approach etc | 3 | 3 | 9 | * All audit areas are notionally assigned to a senior officer for the purpose of setting scopes, audit programmes and ensuring consistent work |
| 9 | Organisations not clear on the level of service they require | 2 | 4 | 8 | * Liaison, education and training of the Audit Committees |
| 10 | Failure of IT / communications infrastructure | 2 | 4 | 8 | * Robust back up procedures * Standardised processes * Documented methodologies |
| 11 | Administratively cumbersome | 4 | 1 | 4 | * Clarity over roles and responsibilities * Documented methodologies |

Appendix 8

**Carlisle City**

**Council**

**Chair**

**Joint Operational audit Steering Board**

**Shared audit Management Team**

**(Programme Board)**

**Corporate Management Team**

**Corporate Management Team**

**Liaison of Chairs of Audit and Assurance Committees**

**Copeland Borough Council**

**Chair**

**Cumbria County Council**

**Chair**

**Council / Executive**



**Council / Executive**



**Council**



1. The Transfer of Undertakings (Protection of Employment) Regulations 2006.

   See: <http://www.opsi.gov.uk/si/si2006/20060246.htm> [↑](#footnote-ref-2)