

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2018/19**

<p><b>AUDIT COMMITTEE</b></p> <p><b>12<sup>th</sup> July 2018</b></p>	<p><b>AGENDA ITEM NO. 6</b></p>
<p><b>REPORT OF THE GROUP DIRECTOR, CORPORATE &amp; FRONTLINE SERVICES</b></p>	<p><b>REGIONAL INTERNAL AUDIT SHARED SERVICE</b></p>

**Author(s): Chris Lee – Group Director, Corporate & Frontline Services  
(01443 424026)**

**1. PURPOSE OF THE REPORT**

- 1.1 To introduce the Regional Internal Audit Shared Service report presented to and agreed by Cabinet on 21<sup>st</sup> June 2018.

**2. RECOMMENDATIONS**

It is recommended that Members:

- 2.1 Consider the information set out in the Cabinet Report 'Regional Internal Audit Shared Service' (included as Appendix 1).
- 2.2 Agree that Audit Committee oversee the required implementation arrangements during 2018/19.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 To ensure the effective transition of the Council's Internal Audit Service to the Regional Internal Audit Shared Service during 2018/19 to enable the new service to become operational from 1<sup>st</sup> April 2019.

**4. BACKGROUND**

- 4.1 Cabinet at its meeting on 21<sup>st</sup> June 2018 agreed for the Council's Internal Audit Service to become part of an existing Regional Internal Audit Shared Service and for Audit Committee to oversee the required implementation arrangements during 2018/19.

- 4.2 The 21<sup>st</sup> June 2018 Cabinet Report is included as Appendix 1 and sets out background information and the way forward to enable the transition to take place during 2018/19 in readiness for a new service to become operational from 1<sup>st</sup> April 2019.

**5. EQUALITY AND DIVERSITY IMPLICATIONS**

- 5.1 Equality and diversity implications are set out in Appendix 1 of this report.

**6. CONSULTATION**

- 6.1 Consultation requirements are set out in Appendix 1 of this report.

**7. FINANCIAL IMPLICATION(S)**

- 7.1 Financial implications are set out in Appendix 1 of this report.

**8. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 8.1 Legal implications are set out in Appendix 1 of this report.

**9. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT.**

- 9.1 Links to Corporate and national priorities and the Well-being of Future Generations Act are set out in Appendix 1 of this report.

**10. CONCLUSION**

- 10.1 The Cabinet Report (included as Appendix 1) sets out the way forward to enable the Council's Internal Audit Service to become part of a Regional Internal Audit Shared Service, with Audit Committee having a key role in overseeing implementation arrangements.

**Other Information:-**

***Relevant Scrutiny Committee***  
**Not applicable.**

***Contact Officer*** – Chris Lee.

**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**AUDIT COMMITTEE**

12<sup>th</sup> July 2018

**REGIONAL INTERNAL AUDIT SHARED SERVICE**

**REPORT OF GROUP DIRECTOR, CORPORATE & FRONTLINE SERVICES**

**Author(s): Chris Lee – Group Director, Corporate & Frontline Services  
(01443 424026)**

**Item: 6**

**Background Papers**

None.

Officer to contact: Chris Lee.

**APPENDIX 1**  
**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**CABINET**

**21<sup>ST</sup> JUNE 2018**

**PROPOSAL TO INCORPORATE THE INTERNAL AUDIT SERVICE INTO  
AN EXISTING SHARED SERVICE HOSTED BY THE VALE OF  
GLAMORGAN COUNCIL**

**REPORT OF THE GROUP DIRECTOR, CORPORATE & FRONTLINE  
SERVICES IN DISCUSSION WITH THE CABINET MEMBER FOR  
CORPORATE SERVICES, CLLR M. NORRIS**

**Author(s): Chris Lee – Group Director, Corporate & Frontline Services  
(01443 424026)**

**1. PURPOSE OF THE REPORT**

- 1.1 The purpose of the report is to set out a proposal for the Council's Internal Audit Service to join an existing Regional Internal Audit Shared Service (RIASS) hosted by the Vale of Glamorgan Council.

**2. RECOMMENDATIONS**

It is recommended that Cabinet:

- 2.1 Approves the proposal for the Council's Internal Audit Service to join the existing RIASS in place between the Vale of Glamorgan Council and Bridgend County Borough Council.
- 2.2 Authorises the Group Director, Corporate & Frontline Services, in consultation with the Director of Legal and Democratic Services and the appropriate Cabinet Member, to make the necessary arrangements under delegated authority for Rhondda Cynon Taf County Borough Council to become part of the RIASS, including up dating the existing Partnership Agreement in accordance with Section 101 / 102 of the Local Government Act 1972.
- 2.3 Refers this report to Audit Committee and for Audit Committee to oversee the required implementation arrangements during 2018/19.

### **3. REASON FOR RECOMMENDATIONS**

- 3.1 To enable the Council's Internal Audit Service to become part of an existing RIASS that will reinforce business resilience, further enhance the range of audit expertise available to the Council and support the delivery of a more efficient service.

### **4. BACKGROUND INFORMATION**

- 4.1 All local authorities in Wales have a legal duty to maintain appropriate and effective internal audit arrangements as set out in the Accounts and Audit (Wales) Regulations 2018 (and prior to this, the Accounts and Audit (Wales) Regulations 2014).
- 4.2 The Council has a consistent track record of meeting this legal duty through the delivery of annual internal audit plans; forming evidence based opinions on the standard of internal control across the Council; ensuring recommendations to improve the standard of internal control have been implemented; and supporting the Council's Audit Committee to deliver its Terms of Reference.
- 4.3 As Members will be aware, the Council has a proactive approach to exploring opportunities to develop and improve service provision, including collaborative working, where it is in the Authority's best interest to do so. In line with this approach, the Group Director, Corporate and Frontline Services (the Council's Section 151 officer) along with counterparts within Bridgend, Merthyr Tydfil and the Vale of Glamorgan Councils have undertaken a business case review to consider extending the RIASS currently in place for Bridgend and the Vale of Glamorgan Councils to include Rhondda Cynon Taf and Merthyr Tydfil County Borough Councils.
- 4.4 The current RIASS in place between Bridgend and the Vale of Glamorgan Councils has been fully operational under a formal partnership agreement since February 2013. During this time, both Councils report that:
- The RIASS has delivered consistently against the approved annual risk based plans and achieved the necessary coverage in order to issue a robust, evidence based audit opinion at the end of each year; and
  - Benefits have been realised by bringing the sections together, some of which included the effective use of the total audit resource, knowledge sharing and harmonising working practices and systems.

4.5 Following on, Management at both Councils indicate that the RIASS has and is achieving the following objectives:

- The service is affordable and is delivering efficiencies and economies of scale;
- The service enhances the professionalism and quality of audit services provided to both Councils through shared knowledge and best practice;
- The service is flexible and can respond to changing service requirements and priorities;
- The service can extend access to specialist audit services and other related disciplines to both Councils; and
- The service conforms with the Public Sector Internal Audit Standards, with no significant deviations noted.

4.6 The current arrangements set out above provide assurance that the internal audit functions in place for both Rhondda Cynon Taf and the RIASS are sound. Furthermore, based on the outcomes delivered by the RIASS to date, it is considered that there would be business benefits for Rhondda Cynon Taf if it were to become part of a regional service. This includes providing opportunities:

- To further improve the resilience of the service by creating a larger team of staff compared to the current set up of smaller separate teams across a number of local authorities;
- To develop in-house specialist audit skills not currently in place, such as contract and computer auditing, that will add value to key areas of the Council's business and provide development opportunities for team members;
- To further modernise the service by applying consistent working practices and optimising the use of information technology and agile working; and
- To take advantage of the economies of scale and in-house specialist audit skills to develop a more commercial approach whilst ensuring the Service's core business is maintained.

5. **AN EXPANDED REGIONAL INTERNAL AUDIT SHARED SERVICE – THE PROPOSED WAY FORWARD**

- 5.1 As set out in Section 4, there are clear business benefits for Rhondda Cynon Taf in joining the current RIASS. A proposed way forward is set out below.

Partnership Agreement

- 5.2.1 The existing RIASS Partnership Agreement should be up dated to reflect Rhondda Cynon Taf County Borough Council becoming a partner local authority based on Section 101 / 102 of the Local Government Act 1972 (that delegates the function and formalises the provision of services and basis for cost apportionment).
- 5.2.2 All partner local authorities will be required to 'sign-up' to the up dated Partnership Agreement for a period of no less than three years from the date of 'sign-up'.
- 5.2.3 The Vale of Glamorgan Council will be designated as the single employing authority and the Council's staff currently employed within its Internal Audit Service will be subject to TUPE (Transfer of Undertakings - Protection of Employment Regulations) and transferred to the Vale of Glamorgan Council.
- 5.2.4 Subject to Cabinet approval and consideration of appropriate implementation arrangements, it is envisaged that the new RIASS would become operational during this financial year, that is, 2018/19.

Governance Arrangements

- 5.3.1 Oversight of the RIASS will be in the form of a Joint Partnership Board and would comprise of Section 151 Officers (or their nominees) from each Council. The Board will monitor the performance of the Shared Service to ensure that it delivers the standards and expectations set out in the Partnership Agreement.
- 5.3.2 Whilst the Board will jointly oversee the performance of the Shared Service, the responsibility for the adequacy of the Council's whole system of internal audit will continue to remain with the Council and cover, amongst other things, being responsible for approving audit plans and monitoring delivery via Audit Committee. This will be fully compliant with the Terms of Reference for Audit Committee and ensure the requirements of the Accounts and Audit (Wales) Regulations 2018 and Public Sector Internal Audit Standards are met.

- 5.3.3 The Council will also continue to be responsible, via Audit Committee, for overseeing the effectiveness of the internal audit function, governance, risk management and control arrangements and holding the Head of Internal Audit to account for delivery of the approved Audit Plan. In addition, the existing arrangements in place to hold managers to account to implement recommendations made by Internal Audit will remain unchanged.

#### Annual Audit Planning

- 5.4.1 The annual Audit Plan for 2018/19, as agreed by Audit Committee on 30<sup>th</sup> April 2018, to be delivered and the draft 2019/20 Audit Plan compiled by the RIASS and reported to Audit Committee for consideration and if deemed appropriate, approval. Subject to an annual Audit Plan being approved for 2019/20, this being delivered by the RIASS.
- 5.4.2 As part of the annual audit planning process for 2019/20, the Head of the Regional Internal Audit Service will undertake an assessment of risk and 'audit need' across all partner local authorities to ensure audit coverage is appropriate and optimum use is made of available resources. This approach is in line with existing arrangements and will also take into account the new business benefits a RIASS will provide as set out in paragraph 4.6.

#### Staffing Arrangements

- 5.5.1 A key principle underpinning the proposal is that all existing employees will be transferred to the new RIASS on current grades and terms and conditions. As part of the transfer process, engagement with staff, Trade Unions and Human Resources would take place, in line with agreed arrangements.
- 5.5.2 Following the transfer process, a proposed staffing structure for a new RIASS would be consulted upon with staff and Trade Unions, with the proposed staffing structure having sufficient posts for all existing employees to be recruited into. As such there will be no requirement to consider compulsory redundancies.

#### Audit Committee

- 5.6.1 Subject to Cabinet's determination of the way forward, an up date would be provided to Audit Committee along with the requirement for Audit Committee to oversee implementation arrangements during 2018/19.



## **6. EQUALITY AND DIVERSITY IMPLICATIONS**

- 6.1 In developing the proposal, an Equality Impact Assessment screening has been undertaken to ensure that:
- The Council meets the requirements of the Public Sector Equality Duties, and
  - Due regard has been taken of the likely impact of the decision in terms of equality and discrimination.

## **7. CONSULTATION**

- 7.1 Should Cabinet approve the proposal, engagement with Trade Unions and staff would be undertaken as part of the Council's Internal Audit Service joining the RIASS.

## **8. FINANCIAL IMPLICATION(S)**

- 8.1 In line with the review work undertaken, it is estimated that budget savings to the Council of approximately £25k would be delivered in the first full year of operation. Following the first year and subject to developing a more commercial emphasis, it is anticipated that additional income generation will reduce the net cost of the service to all partner local authorities.

## **9. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 9.1 The proposal, should it be approved, requires that an up dated Partnership Agreement is put in place, in accordance with Section 101 / 102 of the Local Government Act 1972, to underpin the delivery of the RIASS.

## **10. LINKS TO THE CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT**

- 10.1 The proposal is aligned to the Council's Corporate Plan cross cutting theme of 'living within our means' and supports the Well-being of Future Generations Act in the following ways:

- The well-being goal of ‘a prosperous Wales’ through the efficient use of resources and developing skills and employment opportunities; and
- The sustainable development principle of ‘collaboration’ through working with others to help achieve common objectives.

## **11. CONCLUSION**

- 11.1 This report sets out a proposal for the Council’s Internal Audit Service to join an existing RIASS to create a more resilient and efficient service and enable better workforce development and broadening of staff expertise.
- 11.2 Should Cabinet approve the way forward, engagement with Trade Unions and staff would be undertaken as part of joining the RIASS, and support provided by the Council’s Legal Services to up date the Partnership Agreement to underpin the delivery of the RIASS.

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**AS AMENDED BY**

**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

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**21<sup>st</sup> June 2018**

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**Background Papers**

None.

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