



**Report To:** Cabinet

19 January 2017

**Lead Officer:** Director Health and Environmental Services

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## Shared Internal Audit Service

### Purpose

1. To seek Cabinet's agreement to the formation of a Shared Internal Audit Service with Cambridge City Council.

### Recommendation

2. That Cabinet approve the Business Case and delegate authority to the Director H&ES to make decisions and to take steps which are necessary, conducive or incidental to the establishment of the Shared Internal Audit Service in accordance with the business case.

### Reason for Recommendation

3. Since South Cambridgeshire District Council (SCDC) employs only one Internal Auditor, creation of a Shared Internal Audit Service with Cambridge City Council will provide much needed operational resilience. It will also drive operational efficiencies by standardising processes across the two Councils and greater assurance through better sharing of learning arising from audits across both Councils.

### Background

4. Peterborough City Council has indicated that they wish to conclude the current management arrangements in place for Cambridge City Council and South Cambridgeshire District Council due to new ways of working.
5. Cambridge City Council (CCC) and South Cambridgeshire District Council have agreed to work in partnership to deliver shared services and have previously agreed general principles to underpin this approach.
6. CCC and SCDC both provide separate Internal Audit services, with service management (0.6FTE) provided in a shared arrangement with Peterborough City Council. Following discussions, a business case has been developed to establish a Shared Internal Audit Service between CCC and SCDC. Discussions have also taken place with Huntingdonshire District Council about creating the shared service to cover all three authorities, and this came before Cabinet in October 2016. However, Huntingdonshire District Council Cabinet has decided to defer joining the Service.
7. The vision for the Shared Internal Audit Service is:

To be valued as an integral part of both Councils' business by providing high quality assurance, acting as a catalyst for change and advocating improvements to risk management, control and governance processes.

8. Creation of a Shared Internal Audit Service will deliver:
  - a. increasing the sharing of best practice and access to a larger pool of specialist knowledge;
  - b. economies of scale e.g. training, resourcing specialist skills such contract audit and specialist fraud expertise;
  - c. maximising productive audit time in line with industry best practice
  - d. providing for flexible deployment if and when necessary, and allowing staff to build up specialist knowledge of the council(s) they are working within;
  - e. providing better opportunities for staff to further careers within the internal audit function.
9. The work to develop the attached business case has been undertaken by a project group consisting of audit staff from the two Councils.

### **Considerations**

10. The business case for the establishment of the Shared Internal Audit Service is at **Appendix A** to this report.
11. The Shared Internal Audit Service would have an opening staffing budget of circa £280k, a combination the 2016/17 staffing budgets for each of the two current audit service operations which accounts for 97% of current Internal Audit spend. The ratio of the budget contribution at start-up is CCC 79% and SCDC 21%. This ratio forms the basis of potential saving distribution and additional cost incurred.
12. No savings are built into the business case, as the Shared Internal Audit Services of both Councils have reduced their combined budgets by 23% since 2012-13. Instead, the focus of the new Shared Internal Audit Service will be the delivery of benefits that can only be achieved through joint working, particularly a shared management arrangements and improved shared processes.
13. The current staffing structures are shown at Appendix 1 of the Business Case. In line with the approach taken in other shared services, a new, joint lead post will be created to lead the implementation of the Shared Internal Audit Service. Currently CCC and SCDC contribute a combined £52k towards Internal Audit management costs provided by Peterborough City Council.
14. Following a recruitment process to the joint lead post, the lead role will review the remaining structure within year 1. The parameters for any review will be to remain within the existing budget and quality.
15. Since SCDC employs only 1 internal auditor and Cambridge City 5, it is proposed that Cambridge City Council will act as the employing authority for the Shared Internal Audit Service. It is proposed that, subject to formal consultation, the SCDC officer will TUPE transfer to Cambridge City Council during 2017/18.
16. The work of the Shared Internal Audit Service will be driven by its Audit Plan which will be agreed with the two client Councils. The Audit Plan will identify what has to be delivered and establish the means for measuring and assuring its performance. Cambridge City Council will act as a client of its services. The Audit Plan will be agreed on an annual basis.

## **Implications**

17. In the writing of this report, the following implications have been considered:

### ***Financial***

18. There will be a one-off Year 1 financial contribution of £4.2k from SCDC, to be taken from transformation funds.

### ***Staffing***

19. Cambridge City Council will become the Employing Authority for the Shared Internal Audit Service. As such, identified Audit staff in South Cambridgeshire District Council will transfer under TUPE to Cambridge City Council on the go-live date, subject to formal consultation with staff and Unions during February/March 2017 in accordance with each Council's organisational change policy.

### **Risk Management**

20. A Shared Internal Audit Service will increase assurance by sharing learning and best practice across the two Councils, so improving risk management.

### **Effect on Strategic Aims**

21. **Aim 2** – Ensure best use of Council Assets and benefit from opportunities to achieve efficiencies from partnership working. Creating a Shared Internal Audit Service would deliver against this objective.

Background Papers – None.

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