

Report To: Corporate Governance Committee

Date of Meeting: 13th Dec 2013

Lead Member / Officers:

Cllr. Barbara Smith – Lead Member for Modernisation
Paul Mcgrady – Head of Finance & Assets;
Alan Smith - Head of Business Planning & Performance

Report Author: Alan Smith

Title: Change to Internal Audit management arrangements

1. What is the report about?

The report concerns a proposed change of line management for the Head of Internal Audit and a relocation of the team from Finance & Assets to Business Planning & Performance.

2. What is the reason for making this report?

To provide information regarding a proposed change in Service structure affecting Internal Audit and to reassure Members that this will not compromise the effectiveness of the internal audit function.

3. What are the Recommendations?

The report recommends that the proposed change is noted and supported by the committee.

4. Report details.

The configuration of Services delivered by the Senior Leadership Team has developed continuously, both to maintain the focus on the Council's objectives and also to keep pace with operational demands. The need to find savings is creating unprecedented challenges for the Council, with particular pressures set for the next 2 financial years. For support services especially, this challenge entails working out how to do things as efficiently as possible. It is critical that Services are proactive, and actively prepare for reductions in resources by aligning and streamlining processes wherever possible, looking for synergies and commonalities that could allow rationalisation, and orientating service configuration firmly around the Council's priorities.

Currently, the Internal Audit function is a part of the Finance and Assets Service and the Head of Internal Audit reports to Paul McGrady, the Head of that Service, but there is an increasing overlap with the work of Business Planning & Performance, especially as Internal Audit has moved towards

'service improvement' as a significant focus. This focus on improvement is a useful innovation for the Council, but the overlap with the Improvement Team in BPP has developed to the point where other Heads of Service have raised the issue of potential duplication. It is important, especially in the current financial climate that 'corporate' demands on customer facing services are kept to a minimum and so this issue needs to be tackled.

Integrating the work of the two functions more closely would eliminate this issue, but it would also bring additional benefits:

- A clear programme of Improvement and Audit work linked to Performance reporting and the Performance challenge programme;
- Better and more efficient sharing of information to support Council improvement and reporting;
- The opportunity to further develop the systems analysis and lean thinking expertise currently found in both teams.

This could be accomplished by the Audit team becoming part of Business Planning and Performance, with the Head of Internal Audit being line managed by the Head of BPP instead. This move would maximise the opportunities for programme alignment and for sharing work, particularly research, and help to minimise the 'burden' on front-line services. Benefits would be most obvious in the area of improvement and performance related work, but benefits derived from cohesion are likely across both teams' programmes. Most of the current arrangements would remain as they are though, including important safeguards on independent action:

- A key element of the Internal Audit programme would remain focused on financial and internal control, directed by the Section 151 officer.
- The independence of the role would continue to be guaranteed as the Head of Internal Audit would still have a reporting link through to the Section 151 Officer and the Chief Executive.
- The Corporate Governance Committee would continue to oversee the function as a whole, including the IA report and the production of the Annual Governance Statement.

Overall, the move will streamline the Council's improvement work, potentially creating opportunities for efficiencies in the future; reduce the burden on front-line services and enhance the Council's ability to support transformational change, whilst protecting core audit functions.

5. How does the decision contribute to the Corporate Priorities?

This change will support Council Modernisation by helping to develop a more coherent and inclusive programme of audit and improvement activity, whilst reducing the burden on front line services.

6. What will it cost and how will it affect other services?

There are no additional costs. Other Services should benefit from more effective information sharing within corporate services. More effective working methods should support efficiencies in the medium term.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.

There are no Equality Impact implications of the change.

8. What consultations have been carried out with Scrutiny and others?

The Wales Audit Office has no concerns about the proposal, except for the proviso that there should be no reduction in core financial audit work.

CET and SLT have considered and agreed the proposal.

9. Chief Finance Officer Statement

Not required

10. What risks are there and is there anything we can do to reduce them?

Whilst there are benefits to integrating the improvement and systems analysis work of the Internal Audit team, it is important that core financial work is protected. It is also important that the Head of internal Audit continues to be able to act independently when circumstances require it. These risks are not increased by the proposal, but they can continue to be mitigated by maintaining strong links with the Section 151 Officer and the Chief Executive, and by the oversight of the Corporate Governance Committee.

11. Power to make the Decision

n/a