

FULL BUSINESS CASE – EXTENSION OF THE SHARED INTERNAL AUDIT SERVICE MAY 2015

Executive Summary
(i) Summary
The Council intends to extend the current shared internal audit service between Richmond and Kingston to include LB Merton.
(ii) Overview of the Services to be commissioned
<p>The extension to the current shared service arrangement will cover the internal audit function only following the establishment of the South West London Fraud Partnership (SWLFP) led by Wandsworth Council. The shared internal audit service will deliver the following to the 3 Councils:</p> <ul style="list-style-type: none"> • Internal audit – delivery of the agreed annual audit plans in each authority • Internal audit – management support & advice as required to senior managers <p>The Accounts & Audit Regulations 2015 require that “A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”. It is the Chief Financial Officer / S151 officer’s responsibility to ensure that an effective internal audit function is resourced and maintained, and that an appropriate level of internal audit work is undertaken to fulfil this statutory requirement. There is no clearly defined minimum statutory level set; this is a professional judgement made by the S151 Officer and the Head of Internal Audit to ensure that there is sufficient audit coverage on which to base assurance on the Council’s overall control environment and on which External Audit can rely.</p> <p>It is essential given the level of organizational change that the internal audit service is fit for purpose and proportionate to any new organizational structures. In periods of significant change there are risks in reducing the level of audit resource and there may be a need for increased audit in some key areas. However, with Council’s reducing in size and increasing commissioning, the level of internal audit required may well reduce over time. In light of this, the shared service must, above all else, be a flexible resource to expand and contract depending on organizational requirements.</p> <p>Once extended, the shared internal audit service will consider the potential for further expansion. At present, this includes plans to extend the service to include Wandsworth Council in 2016/17. Consideration will have to be given to the future of the RBK internal audit service in the light of the Richmond and Wandsworth shared staffing proposals.</p>
(iii) Strategic Fit
<p>Kingston, Richmond and Merton are members of the South London Partnership, the group of South London Boroughs which have agreed to work together where appropriate in delivering new service delivery vehicles.</p> <p>Moreover, the shared service will offer the opportunity to combine the closeness and understanding of the business offered by a mixed service (mix of in-house and contractor resource), with the opportunity for resilience, efficiency and development enabled through a larger core of in-house staff.</p>
(iv) Considerations

Consultation and engagement

Expansion proposals have been discussed and agreed by the Directors of Finance at each of the authorities and formal endorsement sought from Audit Committees at LBR and RBK and General Purposes Committee at LBM. The Heads of Internal Audit and Head of the South London Legal Partnership (SLLP) who line manages the internal audit function at LBM, have had a number of meetings to discuss and progress proposals. Meetings have also been held with staff.

Staff will be involved in the project, some by being involved in project work streams looking at future arrangements for ICT, accommodation etc. A Staff workshop event is planned and there will be regular update briefings to keep staff up to date with progress.

Formal staff consultation procedures will be followed as part of the development of the service and TUPE transfer proposals.

Finance and efficiency

A financial evaluation of the business case for expanding the current shared Internal Audit service has been carried out This is based on the shared service commencing on 1st October 2015.

The key driver for the shared service is resilience and the realization of future savings and economies of scale as other parties join the shared service. Whilst there will be no immediate significant savings anticipated as a result of this expansion of the current shared service arrangement ,work will be undertaken to streamline processes and undertaking audits across three Authorities which should produce efficiencies and make savings in terms of the number of audit days.

Development costs are expected to be minimal particular as an ICT solution already in place for the South London Legal Partnership (SLLP) and SWLFP which can be rolled out to the internal audit shared service. No redundancies are anticipated as a result of this project.

In the longer term, the shared service will seek to improve productivity and methods of working to achieve further efficiency savings. Also, the service will remain flexible so that it can expand or contract to meet organisational and/or statutory needs.

Policy implications

The commissioning role rests with the Directors of Finance who have the statutory S151 responsibility to meet the requirements of the Accounts & Audit Regulations 2015.

The role of the Audit Committees (LBR and RBK) and General Purposes Committee (LBM) will remain in line with their current Terms of Reference

Risks

Risks are detailed at 2.4.1.

One of the key risks, particularly in the interim period, is that the Heads of Internal Audit will have a reduced capacity to undertake work for the shared service and LBM respectively in the period up to October 2015.

The key target for both the current shared service and LBM's internal audit service to deliver 100% of the 2015/16 Audit Plan remains in place. Following transfer of the investigations service to the SWLFP, the risk of a major fraud impacting on the delivery of these Plans has now been largely negated, however input from the respective Heads of Internal Audit may still be required .

Equality impact/considerations

An Internal Audit and Investigations Services Equality Impact and Needs Analysis (EINA) has been completed and is attached at Appendix 2. A Screening for Relevance has also been completed and this is included in the EINA (Annex 1 and 2). These assessments conclude that there is no evidence to suggest that changing to a shared and jointly managed service will bring about any negative or positive effects on any external groups with protected characteristics.

The proposals may have an impact on staff and a further EINA will be done as part of the formal staff consultation process.

Part 1: Business Plan from Service / Description of Proposed Delivery Vehicle

1.1 Description of the Business Need

Internal audit is a statutory service and has to be provided in accordance with the Accounts and Audit Regulations 2015 which require that “A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”. It is the Chief Financial Officer / S151 officer’s responsibility to ensure that an effective internal audit function is resourced and maintained, and that an appropriate level of internal audit work is undertaken to fulfil this statutory requirement. There is no clearly defined minimum statutory level set; this is a professional judgement made by the S151 Officer and the Head of Internal Audit to ensure that there is sufficient audit coverage on which to base assurance on the Council’s overall control environment and on which External Audit can rely.

CIPFA’s Public Sector Internal Audit Standards (PSIAS) set out how an internal audit function should be established and managed to meet the statutory requirements.

Internal audit delivers an annual audit plan, undertaking audit work across all the Councils’ services. The plan is a mix of risk based, compliance and systems based audit and includes ICT audits, key contracts and schools and other establishments.

Internal Audit has to

- develop so that it can continue to meet the needs of the changing organisations that it serves,
- improve its efficiency and effectiveness in delivering the service.
- continue to provide independent assurance over risks and management controls which increases the likelihood of the Councils achieving their key objectives.

1.2 Current Service Delivery Arrangements

Richmond/Kingston

The current shared internal audit service comprises 9 FTE posts. In addition, it supplements the in-house audit team with contract auditors from Mazars(acquired via the Croydon Framework contract) to the equivalent of c2 FTE.

The internal audit team has a number of vacancies and these are also covered by our contract partner auditors (Mazars) and via Agency staff. The total staff / contract budget for 2015/16 is £568k(in house staff £441k and contract £127k).

The current Richmond/Kingston service delivers 1600 audit days, split equally between LBR and RBK.

Merton

The current service comprises of 6 FTE, in addition Mazars provide an additional 0.30 c FTE via the Croydon framework. Total staff /contractor costs for LBM for 2015/16 are £346k (£306k staff and £40k contract)

The current Merton service delivers 993 audit days.

The three borough shared service will initially not involve a significant restructure of the teams but simply an amalgamation of the current staffing structures at Merton into the Richmond/Kingston structure. This means that there will be no changes to staffing costs but the opportunity will be taken to review the staff mix and capacity in the longer term.

From the 1st April 2015, the fraud investigation work is now delivered by the South West London Fraud Partnership (SWLFP). For Merton, Sutton, Richmond and Kingston. The Heads of Internal Audit across each of the five boroughs will oversee the management and delivery of this function through attendance at bi-monthly Steering Group meetings and through receipt and monitoring of monthly performance reports.

1.3.1 The proposed service delivery vehicle

In summary, the following services will be delivered to the 3 Councils:

- Internal audit – delivery of the agreed annual audit plans in each authority
- Internal audit – management support & advice as required to senior managers

The full range of services proposed will include:

- Compliance – ensure stated and approved policies are being complied with
- Operational – ensure systems of internal control are effective, risk are well managed and operations achieve objectives
- Regularity – support of external audit to ensure key financial controls work
- Analytical – support managers? with specialist analytical skills
- Computer – ensure IT controls are working effectively
- Contract – monitor all aspects of the delivery of major contracts
- Value for Money – measuring effectiveness and efficiency against the economies of any particular activity
- Advice and Guidance
- Oversee delivery of fraud investigation service by SWLFP including completion of the agreed Fraud plans
- Attendance and reporting to Audit Committees (RBK and LBR) and General Purposes Committee (LBM)
- Co-coordinating and preparing the AGS (merton)

At a time when both organisations are undergoing significant organisational and service changes, the level of risk exposure is increased and therefore it is critical that an adequate level of internal audit work is maintained to ensure new working systems and processes are implemented well across the organisations. Once the changes have become embedded, then the level of internal audit required may well reduce. In light of this, the shared service must, above all else, be a flexible resource to adapt and be fit for purpose in the new organisational structures.

Both the current shared service and LBM have in-house teams, and rely on an external contract partner, Mazars, to help deliver the audit service. This will continue although there are other options available through the employment of agency staff or procurement of audit days from other external providers. These will be considered more fully. The Internal Audit shared service provides an opportunity to make best use of existing resources and expertise to develop a more flexible and resilient service, which is fit for purpose. This will include developing specialisms within the in-house team to reduce reliance on external contractor resource which is more expensive. This should deliver savings in the longer term.

1.3.2 Main aims and strategic vision

The overall aim of the Shared Internal Audit Service is to combine the closeness and understanding of the business offered by a mixed service (mix of in-house and contractor resource), with the opportunity for resilience, efficiency and development enabled through a larger core of in-house staff. The aims of the shared service are to:

- Expand the current shared service and develop a more commercial approach to the delivery of services.
- Deliver a programme of assurance on all key governance, risk and control systems to each Council, operating in accordance with legislative requirements and recognised best practice methodology;
- To deliver the service through a mix of in-house staff and contract days procured through the Croydon framework contract (or similar). This allows greater flexibility to buy in specialist audit services and in a period of significant organisational change in both authorities, to expand or contract as and when required;
- Deliver high standards of customer service and be responsive and flexible in its approach, offering the benefits of a mixed service which understands its clients.
- Offer a wider base of experience, resilience, specialisms and skills, taking advantage of the economies of scale available to larger audit teams
- Deliver efficiencies through exploiting opportunities for joined up working, adopting a common methodology and service standards

The existing shared service is a high performing service which contributes to the overall sound governance and control environment in LBR and RBK. This includes consistent delivery of 100% of audit plan days.

1.3.3 Proposed organisational structure

See structure chart attached at Appendix 1

There will be one combined team, providing a flexible pool of staff resource working across each authority.

The structure includes a mix of in-house and contractor staff. Whilst the structure includes a core of in-house staff, it also allows for internal audit resource to be procured from an external contractor. The initial options appraisal reviewed a number of options for service delivery however the mix of in-house and contractor resource was recommended as the preferred option as this allowed greater flexibility and resilience, essential particularly in a time of significant organizational change.

In the existing structures, the current shared service has 9FTE posts including the Head of Internal Audit. Merton have 6 FTE, including the Head of audit post
This makes a total of 15 FTE; including the contractor costs at Richmond and Merton (which equate to c2.3 FTE), there is an existing combined budget of £915k

1.3.4 Location and hosting arrangements

The main working base for staff will be in the Civic Centre in Twickenham but there will need to be working space available at Kingston and Merton as well.

For internal audit work, there needs to be a presence at Kingston and Merton and auditors need to be located on site for meetings with clients and given access to all relevant information and documents. Some of this may be available remotely via ICT connections.

All three authorities are committed to hot-desking and home-working and staff will need to work flexibly at either location as required to attend meetings and respond to client needs.

An ICT workstream has been established to develop an ICT solution which allows staff to have access to the necessary ICT systems across all three authorities. This will utilize systems and expertise already established through other shared service arrangements.

1.3.5 Support Services Arrangements

It is proposed that as the shared service will be hosted by LBR, so in the main support services will be provided by LBR, although as indicated above, there will need to be a continued presence at RBK and LBM and whilst working there, staff will need to utilise RBK and LBM support services as required.

1.4 Service Delivery Vehicle

Alternative delivery vehicles were considered in the initial Outline Business Case undertaken as part of the current shared service development in 2011/12 this included a reduced in-house service, and full or partial outsourcing. The initial options appraisal identified that a shared service with a mix of in-house and contract resources would be the optimal solution. This initial business case was subject to an officer challenge / review session to validate the findings.

A further independent review was undertaken in 2013/2014 recommending a shared service delivery model. Although this was not taken forward at the time and the review related to the establishment of a four borough shared service, the principles remain relevant.

Part 2: Council Perspective of the Business Plan

2.1.1 Savings and Value for Money

The key driver for this is the establishment of a more resilient service, better able to expand and contract in accordance with need. It is anticipated that savings will be identified through improving process, undertaking joint audits across authorities and potential future expansion of the service.

Costs are based on estimates for 2015/16 and since the expansion will not result in a substantial restructure of the service, it is not anticipated that costs will change significantly if at all. There could be an impact on productivity in year 1 to allow a period of settling into new working practices, and additional staff development but productivity and efficiency would be expected to improve from year 2. There may be some time lost due to staff travelling between sites however this will be managed and kept to a minimum.

No redundancies are anticipated. Whilst there may be some development costs for ICT, these are expected to be minimal.

The shared service will charge each authority on the basis of an agreed number of audit days. Regular reports will be made to the Shared Service Board (SSB) governing this arrangement, so that the SSB can monitor costs and performance levels. Any under or over spends at the year end will be shared equally between the two authorities in line with the collaboration agreement.

2.1.2 Service Quality

It is absolutely essential that the quality of internal audit service is not adversely affected as a result of the shared service arrangement. Poor quality of audit work can lead to the provision of audit assurance to senior managers which is incorrect and could ultimately result in key control weaknesses having a detrimental effect on the achievement of objectives and / or resulting in an inefficient use of resources; at worst, it could result in a fraud being committed.

The Internal Audit service works to Public Sector Internal Audit Standards (PSIAS) and is subject to annual review to monitor compliance with the expected service standards. There are also working protocols for internal audit work and with the external auditors. .

A number of factors will work to ensure the quality of services is maintained:

- structure – skills matched to audit work required
- audit protocols and service plans will include performance indicators for audit work
- post audit quality questionnaires to ascertain client feedback
- monitoring of the delivery of the Fraud plan by the SWLFP including achievement of key performance indicators.

2.1.3 Service Continuity

As mentioned previously, access to a larger pool of staff will provide greater resilience and better use of audit skills. The sharing of knowledge across three boroughs will provide staff with improved experience and improved professional development opportunities.

Although the key driver is the provision of a more resilient and effective audit service, it needs to be recognized that the Head of the Shared Service and Head of Internal Audit (LBM) may have less capacity to be involved in corporate / management events/projects than in the past.

2.2.1 Consultation / Customer Engagement

The Heads of Internal Audit will be attending Directorate Management Teams (DMTs) at all the authorities to discuss the proposed Shared Service arrangement, enabling senior managers in the 3 authorities to have an opportunity to comment on the proposals and to indicate what they see as important issues for the service to provide / address.

LBR and RBK Audit Committees and General Purposes committee at Merton have been kept up to date with developments and have expressed views that they would not wish to see the level of service reduced. All are mindful that the expanded shared service arrangements should not have a detrimental impact on the service currently provided.

Staff will be involved in the project, some by being involved in project work streams looking at future arrangements for ICT, accommodation etc. A Staff “away” day is due to be held in July 2015, and weekly update briefings will be provided to keep staff up to date with progress.

Formal staff consultation procedures will be followed for the proposed new structure.

2.2.2 Equalities

An Internal Audit Equality Impact and Needs Analysis (EINA) has been completed and is attached at Appendix 2. A Screening for Relevance has also been completed and this is included in the EINA (Annex 2). These assessments conclude that there is no evidence to suggest that changing to a shared and jointly managed service will bring about any negative or positive effects on any external groups with protected characteristics.

The proposals may have an impact on staff and a further EINA will be done as part of the formal staff consultation process.

2.3.1 Statutory duties

Internal audit is a statutory service and has to be provided in accordance with the Accounts and Audit Regulations 2015 which require that “A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”. It is the S151 officer’s responsibility to ensure that an appropriate level of internal audit work is undertaken to fulfil this statutory requirement. There is no clearly defined minimum statutory level set; this is a professional judgement made by the S151 Officer

and the Head of Internal Audit to ensure that there is sufficient audit coverage on which to base assurance on the Council's overall control environment and on which External Audit can rely.

Internal audit delivers an annual audit plan, undertaking audit work across all the Councils' services. The plan is a mix of risk based, compliance and systems based audit and includes ICT audits, key contracts and schools and other establishments.

Under the shared service arrangement, an annual audit plan will be agreed with each authority, via the respective Director of Finance (s151 officer) and Audit Committees/General Purposes Committee. These plans will be subject to discussion with the Directorate Management Teams as now.

Fraud investigations work is not in itself a statutory function but is an essential service to "protect the public purse" from misuse, loss or theft. It forms part of the council's anti-fraud strategies. From the 1st April 2015, this work is undertaken by the SWLFP and will be overseen by the Steering Group which consists of Heads of Internal Audit from each of the 5 boroughs.

2.3.2 Peer Review

The current shared service arrangement has been in place since 1st June 2012. As part of the establishment of this service, independent reviews of the audit and investigation services were undertaken. Other shared service arrangements will also be researched and a number of learning points were taken into account in developing the shared service. The authorities reviewed were: Hertfordshire, South Devon, South West Audit Partnership, Preston/Lancaster/Fylde Borough Council and Cambridgeshire CC & Northamptonshire CC shared investigations service. This time around, discussions have been held with the Tri-Borough service (Kensington & Chelsea, Westminster and Hammersmith and Fulham).

Lessons learnt can be summarized as follows:

- The importance of sound communication with staff and other key stakeholders
- Need to ensure ICT is fit for purpose
- Whilst savings are not always huge, there are benefits from increased resilience created in the service and improved focus on performance

A Peer review of compliance with the Public Sector Internal Audit Standards was undertaken at Merton in 2013/14 and is due to be undertaken for the current shared service in 2016/17.

2.4.1 Risk

Description	Recommended Action
New shared service not able to meet statutory requirement and / or business need due to uncertainty in each authority and the extent of changes to services as yet undetermined	New structure must be flexible so as to be able to expand / contract resources & capacity to fit requirements
	Legal agreement with each authority must include provision for mechanism to review / agree funding requirements and / or charges
	Legal structure of shared service must be such that allows it to take on new work with other organisations in the future whilst complying with procurement legislation
The sharing of HIA resource across the 3 boroughs results in a reduced and unacceptable lower profile of HIA in one or more boroughs	Governance arrangements to clearly specify role and responsibilities of HIA in each authority
	Structure and roles and responsibilities of staff to ensure adequate support is provided to the HIAs
Loss of experienced staff during period of setting up new arrangements	Staff engagement in change process to allay fears arising from uncertainties
	Ensure staff can use mentoring services if required
Business as usual suffers as focus diverted to creating new arrangements	Robust project management of business as usual and shared services (audit monitoring, timesheets)
	Use additional temporary resource to support delivery of business as usual
Budgets overspend in 2015 /16 during expansion of the shared service	Robust budget monitoring in each authority
	Funding for any set up costs (e.g. IT, systems costs) to be agreed by each authority
Cost efficiencies arising from new shared service are not achieved	Robust budget monitoring, and performance management to ensure chargeable time is kept to minimum to maximise outputs
	Shared Service Board to receive regular budget monitoring reports to agree remedial action if overspends arise
Flexible service not achieved due to failure on part of contractor to provide acceptable level and quality of resource	Engagement of contractor during development of new shared service arrangements
	New arrangements to consider use of other flexible resource providers (e.g. use of interims, agency staff, seasonal workers)
	Robust performance management of contract staff
Quality of audit work declines and fails to be sufficiently adequate for external audit to place reliance on, resulting in increased external audit fees	Engagement with External Audit to agree expectations, systems, procedures and quality standards
	Regular liaison with External audit to discuss service delivery under new arrangements
Client satisfaction at one or more of the authorities decreases and the credibility / reputation of the shared service gives rise to criticism from senior management and / or members	Engagement with clients, senior management and members as part of set up.
	Governance arrangements must include creation of IA Charter and plan for marketing of services
	Robust client satisfaction questionnaire process required (improve level of returns) & reporting
Occurrence of significant fraud in either or both authorities impacts on setting up and delivery of shared service arrangement	Business continuity / contingency plan to be agreed . This should be minimal given fraud work is now undertaken by the SWLFP
Support services are not available or are inadequate to support the shared service, or delay the implementation of the new shared service arrangement	Engagement with support services throughout implementation (HR & Payroll, IT, Facilities Management). Involvement in individual workstreams.

2.4.2 Constraints / Assumptions

At LBR, the HIA reports to the Director of Finance and Corporate Services. At RBK, the reporting lines are different with the IA and Investigations Capability Lead post sitting lower down the Authority, reporting to the Head of Corporate Governance who reports then to the Executive Head of Organisational Development and Strategic Business. There is a dotted reporting line to the Director of Finance. At LBM, the HIA has a dotted reporting to the Director of Finance and a management reporting line to the Head of the SLLP who reports to the Director of Finance.

Different reporting structures could have an impact on the effectiveness of internal audit across the shared service however this will be monitored as part of governance arrangements through the Shared Service Board.

It is intended that the Head of Internal Audit for Merton, whilst being line managed by the Head of the Shared service under the new arrangements, will continue to have a dotted line of reporting to the Director of Finance at Merton.

Although the expansion of the shared service is likely to deliver any savings in the short term, in the longer term, the shared service will seek to improve productivity and methods of working to achieve further efficiency savings. The service will remain flexible so that it can expand or contract to meet organisational and/or statutory needs.

Options will be considered and developed to expand the service to include Wandsworth and potentially other clients in 2016/17. This should deliver savings through shared management costs and economies of scale. As this is considered to be the likely future direction, the model for service delivery must be capable of being adapted to allow other authorities to join the shared service. RBK will need to review the current shared service delivery option in light of the Richmond and Wandsworth shared staffing proposals and obtain member approval should further expansion or other delivery options be considered .

2.4.3 Interdependencies

The shared internal audit service is inexplicably linked to other change programmes within each authority. Until the future shape and delivery of services across these authorities is defined, the volume of internal audit activity is not quantifiable. Hence it is critical that the shared service has a flexible structure and resource to be able to expand or contract depending on levels of audit required.

Part 3: The Council's Commissioning Approach

3.1 Services to be commissioned

The details of the service to be commissioned by LBR, RBK and LBM and managed by the shared service are as set out in Section 1.3.1

The overall requirement is to have a flexible structure and resource which can expand or contract to meet statutory and client needs. The main deliverable is completion of the annual audit plan at each authority.

3.2 Process for acquiring the service

As this is to be an internal service hosted by the Council, no procurement process will be required to commission the service. Any decisions relating to the arrangements between the three Councils will be delegated to the Shared Service Board (see 3.9). The LBR senior officer representatives on this Board (including the Section 151 Officer) will therefore take responsibility for commissioning the service.

3.3 Contract / Agreement

The shared service arrangement between the three authorities will be overseen by a Collaboration Agreement which will be drafted by Legal Services. This will be based on the Collaboration already in place to govern current arrangements. The Agreement once drafted will be signed off by the Shared Service Board.

3.4 Length of Agreement
The shared service Agreement will commence from 1 st October 2015. The proposed period for the agreement is 3 years, with provision included within the Agreement for at least 6 months notice from either party should they wish to terminate the agreement. The agreement will include details of how any dissolution costs will be dealt with and how overspends and savings will be shared.
3.5 Charging Mechanism
The charging mechanism will be agreed by the SSB. It is proposed that the current method of charging remains based on the number of deliverable audit days and that invoices will be raised on a 6 monthly basis.
3.6 Performance Indicators
These will be developed and agreed with the SSB but will follow common benchmarking performance indicators for internal audit. Performance will also be monitored via customer satisfaction returns and feedback from senior managers / audit clients on a regular basis as is currently the case.
3.7 Arrangements for use of Council support services <i>(if applicable)</i>
As the shared service is relatively small, the impact on other support services will be minimal. As LBR will be the host authority, the support services will continue to be provided by LBR. However, for staff working across RBK and LBM, appropriate support services will also continue to be provided by those authorities.
3.8 Arrangements for use of Council accommodation <i>(if applicable)</i>
The exact accommodation requirements are still to be identified but it is expected that the existing accommodation at LBR and RBK for the Shared Service will continue to be used, with a satellite office available at LBM.
3.9 Governance Arrangements
A SSB with senior representative officers from LBR, RBK and LBM, including the three Directors of Finance (S151 officers) will oversee the delivery of the Shared Service, and the arrangements between the three authorities. Regular reports will continue to be made to the Audit Committees/General Purposes Committee. Decisions regarding the volume / level of audit and investigation work will rest with the SSB so that the Directors of Finance can fulfill their Local Government Act S151 responsibilities. This will also be subject to relevant member approval at each authority. The Head of the Shared Service will be line managed by the Director of Finance and Corporate Resources at LBR and will report direct to the SSB.
3.10 Client Management Arrangements
As the service will be internally managed within LBR there will not be the requirement for any specific client management function for the service. The Directorate Management Teams across the three authorities will effectively act as the service's clients – therefore the Heads of Internal Audit will visit Directorate Management Teams in both authorities on a quarterly basis to discuss internal audit work and whether client needs are being met. At all times, the Heads of Internal Audit remain accountable to the Directors of Finance (S151 officers) and the respective Audit Committees/GP Committee.
3.11 Summary of Implementation Plan
June 2015 <ul style="list-style-type: none"> Establish project workstreams and develop timetable for managing processes July 2015 <ul style="list-style-type: none"> Issue of Formal Consultation Document to staff and Trade Unions and have launch event Formal consultation with Trade Unions under TUPE regulations begins August 2015

- Review consultation responses
- Final proposals on structure / process agreed for implementation

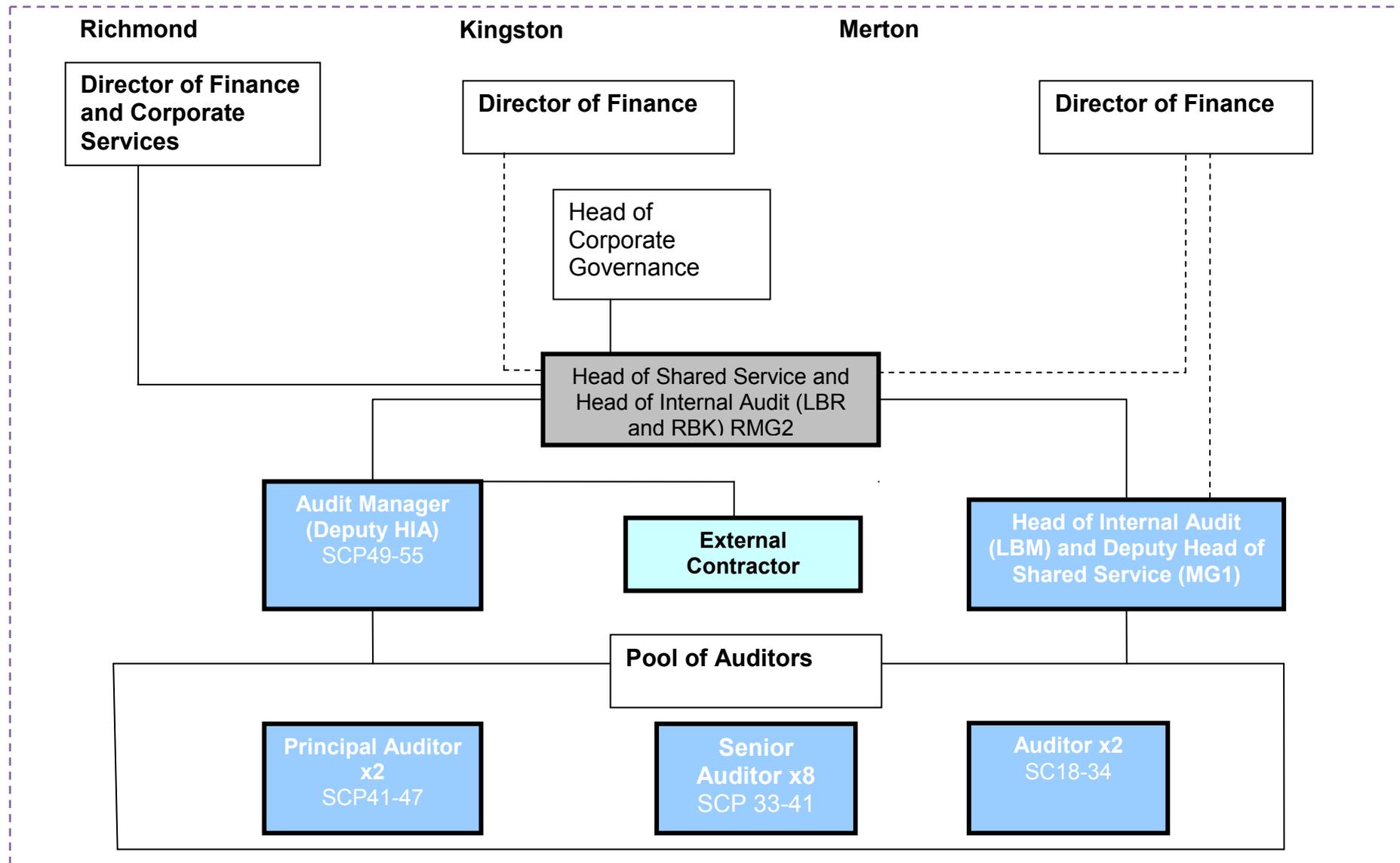
September 2015

- Legal agreement drafted and signed off
- Staff event prior to go live
- Accommodation and ICT arrangement agreed and put in place

October 2015

- Go live and TUPE of staff
- Debrief and identification of lessons learnt.

APPENDIX 1



APPENDIX 2

Equality Impact and Needs Analysis (EINA) for the Shared Internal Audit Service

Directorate:	Finance & Corporate Services
Service Area:	Internal Audit Services
Name of service/ function/ policy/ being assessed:	Shared Internal Audit Service (expansion of current arrangements)
Officers leading on assessment:	Alix Wilson – Head of Internal Audit Service
Other staff involved:	Jill Pain – Principal Auditor

BACKGROUND

1. Briefly describe the service/ function/ policy:

The current shared Internal Audit Service provided to the London Borough of Richmond upon Thames (LBRuT) and the Royal Borough of Kingston (RBK) is delivered by a mix of in-house staff and through an external contract with Mazars (via the Croydon Framework contract).

The in-house team consists of eight members of staff. Mazars work as part of the team, providing auditors as and when required. The shared service is hosted by LBRuT and sits within the Finance and Corporate Services (FCS) Directorate, with the Head of Internal Audit (HIA) line managed by LBRuT's Director of FCS. The HIA has a direct reporting line to the Head of Corporate Governance at RBK and a dotted reporting line to the RBK Director of Finance. The shared service reports to the Shared Service Board, which includes both Directors of Finance.

Internal Audit's role is to protect the public purse – to ensure Council Tax payers' funds are used for proper purposes, in accordance with agreed plans and priorities, and to ensure value for money is obtained. This also includes the management of risks associated with all the Council's activities.

An effective system of Internal Audit is a statutory function within Local Government, as required by the [Accounts and Audit Regulations 2015](#).

Internal Audit work is governed by CIPFA's [Public Sector Internal Audit Standards](#). This sets out the framework for internal audit and identifies the key objectives, status and processes for internal audit.

The investigation service which previously formed part of the current shared service arrangements, is now delivered through a five borough shared service arrangement by the South West London Fraud Partnership. The annual Fraud Plan continues to be established by the HIA and agreed by members. The delivery of this plan is overseen and monitored by the HIA through membership on the Steering Group.

2. Why is the equality impact and needs analysis being undertaken?

The Internal Audit shared service currently serves both LBRuT and RBK Councils. An EINA is being undertaken because it is proposed that the current shared service arrangements are extended to include the London Borough of Merton (LBM). The service will be governed by the Shared Service Board, which will include the Directors of Finance from all three Councils. The EINA is being prepared to help ensure that there is transparency, fairness and accountability in the decision making process and to seek to ensure that the needs and rights of different members of the community are considered.

It has been agreed that the LBRuT will continue to be the host authority for the shared service.

3. Summary of the key findings

There is no evidence to suggest that expanding the shared service arrangement will bring about any negative or positive effects on any external groups with protected characteristics.

There may be an impact on the staff currently employed by the shared service and LB Merton Audit Team. The impact of any changes as a result of the expansion to the shared service will be considered in a separate staff EINA which will be finalised following completion of the staff consultation on the shared service.

4. Has this service/ function/ policy undertaken a screening for relevance?

An initial Screening for Relevance exercise was performed for the current shared service, a copy of this is attached as [Annex 1](#).

The following protected characteristic was identified as medium relevance:
Disability

The following aims were identified as high priorities for the service to address:

- Eliminate discrimination, harassment or victimisation
- Foster good relations

A further document for the extended shared service has also been completed and this is attached as [Annex 2](#).

5. What sources of information have been used in the preparation of this equality impact and needs analysis? For example, this could include equalities monitoring information, performance data, consultation feedback or needs assessment. Please provide the details in the table below:

Information source	Description and outline of the information source
http://www.legislation.gov.uk/ukxi/2015/234/contents/made	Accounts and Audit Regulations 2015: Legislation for requirement for an effective system of internal audit to be a statutory function within Local Government.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207064/public_sector_internal_audit_standards_december2012.pdf	Public Sector Internal Audit Standards: CIPFA document that sets out framework for internal audit and identifies the key objectives, status and processes for internal audit.
Workforce Survey 2014	Annual document produced by LBRuT's HR Service to assess the Council's workforce – not published (as of June 2015).

ANALYSING IMPACT, NEEDS AND EFFECTS

It is important that the analysis addresses each part of the duty assessed as relevant to the area being examined.

6. Key questions to consider:

- **What does customer feedback, complaints or discussions with stakeholder groups tell you about the impact of the service/ function/ policy on the protected characteristic groups, where assessed as relevant to area being examined?**
- **Important to understand levels of disadvantage experienced by groups, different needs people have.**
- **Are there any barriers to accessing services for any groups?**
- **How well are diverse needs understood and met?**
- **Do differences in service take up, user feedback or satisfaction levels indicate that it is not accessible to certain protected groups, or does not meet their needs?**
- **Are there population changes that might indicate new needs?**
- **Have the needs of disabled people been identified and addressed where these are different from the needs of non-disabled people?**
- **Is there evidence of differential impact or different outcomes which need to be addressed?**
- **Are there opportunities to promote equality or improve participation by diverse groups?**
- **Identify any need to tackle prejudice or promote understanding between different groups?**

Protected Group	Findings														
	<p>There is no data to analyse in respect to the 'protected characteristics'.</p> <p>The Internal Audit function's customers are internal. No complaints have been received from internal customers about the service provided by the shared Internal Audit function to date.</p> <p>The service would seek to address the high priority areas detailed above (to eliminate discrimination, harassment or victimisation and foster good relations) by engagement with senior managers via DMT meetings providing updates on the shared service proposals.</p> <p>For the purposes of this EINA, the investigations work delivered by the SWLFP is not covered as this moved to sit outside of the function on 1st April 2015.</p> <p>Equality objectives were included within the Service Plan for 2015/16.</p> <p>There may be an impact on staff working in the shared service and within the LBM Audit Team. An EINA will be prepared following completion of the staff consultation on the proposed shared service.</p>														
Age	<p>Breakdown of all staff employed by LBRuT (Oct 2014):</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #0000FF; color: white;">Age</th> <th style="background-color: #0000FF; color: white;">%</th> </tr> </thead> <tbody> <tr> <td>0-20</td> <td>2%</td> </tr> <tr> <td>21-30</td> <td>16%</td> </tr> <tr> <td>31-40</td> <td>20%</td> </tr> <tr> <td>41-50</td> <td>27%</td> </tr> <tr> <td>51-60</td> <td>24%</td> </tr> <tr> <td>61+</td> <td>10%</td> </tr> </tbody> </table> <p>No potential issues have been identified for this protected characteristic.</p>	Age	%	0-20	2%	21-30	16%	31-40	20%	41-50	27%	51-60	24%	61+	10%
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31-40	20%														
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61+	10%														
Disability	<p>As of October 2014, 6% of LBRuT staff stated that they considered themselves to be disabled.</p>														
Gender (Sex)	<p>As of October 2014, 58% of staff employed by LBRuT were female.</p> <p>No potential issues have been identified for this protected characteristic.</p>														
Gender reassignment	<p>No potential issues have been identified for this protected characteristic.</p>														

Marriage and civil partnership ¹	No potential issues have been identified for this protected characteristic.																				
Pregnancy and maternity	No potential issues have been identified for this protected characteristic.																				
Race/ethnicity	<p>Breakdown of all staff employed by LBRuT (Oct 2014):</p> <table border="1"> <thead> <tr> <th>Ethnicity</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>White</td> <td>82%</td> </tr> <tr> <td>Black/Black British</td> <td>8%</td> </tr> <tr> <td>Asian/Asian British</td> <td>7%</td> </tr> <tr> <td>Mixed</td> <td>2%</td> </tr> <tr> <td>Other</td> <td>1%</td> </tr> </tbody> </table> <p>No potential issues have been identified for this protected characteristic.</p>	Ethnicity	%	White	82%	Black/Black British	8%	Asian/Asian British	7%	Mixed	2%	Other	1%								
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Religion/Belief	%																				
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No religion	19%																				
Prefer not to say	24%																				
Sexual orientation	No potential issues have been identified for this protected characteristic.																				

7. Have you identified any data gaps in relation to the relevant protected characteristics and relevant parts of the duty?

If so, how will these data gaps be addressed?

What further information is needed to enable a robust equality analysis of the area?

Gaps in data	Action to deal with this
No gaps have been identified.	

8. Consultation in the EINA process

Senior managers have been consulted via DMT meetings.

Audit Committee members have received regular reports regarding the shared service proposal.

Feedback indicated that managers and Audit Committee members were happy with the existing levels of service and would not wish to see any diminution in service under the shared service.

This EINA will be reviewed by the FCS Equality & Diversity Steering Group and feedback considered.

ACTION PLANNING

¹ Only in relation to the first part of the duty: eliminate discrimination, harassment and victimisation.

9. What issues have you identified that require equality actions? What are these equality actions, who will be responsible for them and when will they be completed?

Issue identified	Planned action	Lead officer	Date
No issues have been identified.			

MONITORING AND REVIEW

10. How will the actions in the action plan be monitored and reviewed?

No issue were identified when producing this EINA so an action plan has not been developed. Ongoing monitoring for equality impact will be performed by reviewing any complaints received about the service.

11. Publishing the full completed analysis

Please provide details below:

Approved by	
Date of approval	
Date of publication	

DECISION-MAKING PROCESS

12. Has a copy of this EINA or summary of key findings been provided to key decision-makers, where relevant, to help inform decision making, for example as an appendix to a Cabinet or Committee report or report for DMT or Exec Board?

- **If so please provide the details including the name of the report, the audience i.e. Cabinet/ Committee, the date it went, and the report author.**
- **Please also outline the outcome from the report and details of any follow up action or monitoring of actions or decision taken:**

Cabinet report – LBRuT (July 2015)
 Report to Policy & Finance Committee – RBL (July)
 Cabinet report – LBM (to be confirmed)

A copy of this EINA will be attached as an Appendix to the reports for these meetings.

Annex 1

Public Sector Equality Duty 2011: Screening for Relevance

Name of Directorate	Finance & Corporate Services		
Contact	Jill Pain – Principal Auditor		Telephone
			020 8891 7278
		Email	jill.pain@richmond.gov.uk

Service/ Function	Are the areas listed below relevant to your service/ function? Please answer H, M or L for 'High' Medium or Low'											
	Age	Sex	Race	Disab'	Re&B	SO	GeR	P&M	M&CP	Eliminating discrimination, harassment or victimisation	Advancing equality of opportunity between different groups	Fostering good relations
Internal Audit and Investigations	L	L	L	M	L	L	~	L	L	H	L	H

Legend			
Age	Age	Sex	Sex
Race	Race	Disab'	Disability
Re & B	Religion and Belief	SO	Sexual orientation
GeR	Gender re-assignment	P&M	Pregnancy and maternity
M&CP	Marriage and civil partnership		

Rationale for no relevance to one or more protected characteristics or one or more parts of the duty:
Gender reassignment is not measured or reported on within the Internal Audit function.

Disability has been rated medium relevance, as measures may need to be considered to facilitate disabled members of staff involved in an audit.