Executive Summary

(i) Summary
The Council intends to extend the current shared internal audit service (South West London Audit Partnership) between LB Richmond, RB Kingston LB Merton and LB Sutton to include LB Wandsworth from the 1st October 2016. This extension is in light of the Wandsworth/Richmond Shared Staffing Arrangement (SSA) which is due to formally go live on the 1st October 2016 and involves the sharing of all services with staff jointly employed. As part of these proposals, the South West London Fraud Partnership (SWLFP) currently led by LB Wandsworth will be absorbed back in to create a 5 Borough audit and investigation service.

(ii) Overview of the Services to be commissioned
The extension to the current shared service arrangement will cover both the internal audit and investigation functions with the SWLFP being absorbed to create one 5 Borough shared audit and investigations service. The shared internal audit and investigation service will deliver the following to the 5 Councils:

- Internal audit – delivery of the agreed annual audit plans in each authority
- Internal audit – management support & advice as required to senior managers
- Risk management consultancy – LB Wandsworth/LB Richmond under the SSA. This may also be provided to LB Sutton depending on their future arrangements for Risk Management.
- Fraud investigation service – currently delivered by the SWLFP
- Insurance – LB Wandsworth/LB Richmond

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.

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 Councils reducing in size, increasing commissioning and establishing a greater number of shared services, the level of internal audit required may well reduce over time. Audit plans may be subject to change as a result of the alignment of services, particularly for Richmond and Wandsworth under the SSA. In light of this, the shared service must, above all else, be a flexible resource to expand and contract depending on organizational requirements.

(iii) Strategic Fit
Kingston, Richmond, Merton, Sutton and Wandsworth 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. Wandsworth and Richmond are currently in the process of developing and implementing a Shared Staffing Arrangement (SSA). As a 5 Borough shared investigation service already exists (SWLFP), and under the SSA all services delivered by Richmond and Wandsworth Councils will combine from the 1st October 2016, the proposal is to consolidate both
the 5 Borough audit and fraud teams into one shared service. This will provide an opportunity for the service to bed in and be able to support other SSA service changes as well as providing advice and support where new service arrangements are established across the other partner authorities. 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.

(iv) Considerations
Consultation and engagement

Expansion proposals have been discussed and agreed by the Directors of Finance/Resources at each of the authorities and form part of the SSA project currently being developed for implementation by the 1st October 2016. Formal endorsement will also be sought from Audit Committees at LBS and RBK and General Purposes Committee at LBM. Additional endorsement is not required by LBW or LBR outside of the SSA.

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 has already been undertaken as part of the SSA however some informal consultation will be undertaken as part of the development of the service. TUPE will not apply under the SSA as all staff will be jointly employed under by Wandsworth and Richmond Councils.

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 enlarged shared service commencing on 1st October 2016.

The key driver for the shared service is resilience and the realisation of future savings and economies of scale as other parties join the shared service. It is anticipated that there will be a saving of approximately £100k through the sharing of management resource and some economies of scale. This will be reflected within a lower charge to each of partners dependent on the number of audit and fraud days delivered. Work will be undertaken to streamline processes and undertake audits across five Authorities which should produce efficiencies and make further savings in terms of the number of audit days. The service aims to develop a more commercial approach to service delivery building sufficient resilience and capacity to offer services to other Local Authorities and external partners.

Development costs are expected to be minimal although the ICT solution for the South West London Fraud Partnership has been problematical and has not yet been resolved due to the delayed rolling out of the Modern Desktop.

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/Resources who have the statutory S151 responsibility to meet the requirements of the Accounts & Audit Regulations 2015.

The role of the Audit Committees (LBR, LBS, LBW 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 Head and Deputy Head of the SWLAP will have a reduced capacity to undertake work for the shared service whilst proposals to include LB Wandsworth are developed and implemented.

The key target for both the SWLAP and LBW’s internal audit service to deliver 100% of the 2016/17 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 was largely negated, however input from the
respective Heads of Internal Audit is still required. Consolidating both services into one team may increase this risk slightly however there will be a much larger pool of resources in which to absorb this. Events that highlight significant control issues e.g. a fraud, error or loss, may require additional audit resource to be made available within a particular auditable area. Where possible, this will be managed through current audit and fraud plan days given the flexibility to cancel audits, add new ones and carry forward audits into the new year. Where this need cannot be met from existing resources, this will be discussed with the relevant S151 officer, Audit Committee and Shared Service Board.

Equality impact/considerations

An Internal Audit 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 the expansion of the shared 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 may be completed as part of the informal 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.

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

South West London Audit Partnership

The current shared internal audit service comprises 20 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 c2.3 FTE. The Statutory Head of Internal roles are held by the Head and Deputy Head of the SW LAP. The Head is responsible for LBR, RBK and AfC and the Deputy for LBM and LBS.

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 current shared service delivers the following audit days:
Richmond  657.5
Kingston 657.5
Achieving for Children 285
Merton 908
Sutton 765
Total 3273
The current service comprises 10 FTE’s in addition to the equivalent of 1.5 days of external contractor resource. The service delivers 1900 audit days.

The SWLFP comprises 15 FTE staff.

The current four borough shared service did not involve a significant restructure although some additional posts were created with a view to establishing a structure which was better aligned with that required as a 5 Borough shared service. These will not be filled until after the implementation of the 5 Borough proposals.

From the 1st April 2015, the fraud investigation work has been delivered by the South West London Fraud Partnership (SWLFP) on behalf of Merton, Sutton, Richmond and Kingston and Wandsworth, led by Wandsworth. The Head and Deputy Head of the SWLAP, as statutory Heads of Audit for the 4 Boroughs, and the Head of Audit for LBW currently 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. From the 1st October 2016, it is proposed that both the audit and fraud investigation partnerships are consolidated into one 5 Borough shared service which will be managed by the Head of the SWLAP and overseen by the Shared Service Board.

1.3.1 The proposed service delivery vehicle

In summary, the following services will be delivered to the 5 Councils:

- Internal audit – delivery of the agreed annual audit plans in each authority
- Internal audit – management support & advice as required to senior managers
- Risk management consultancy – LB Wandsworth/ LB Richmond under the SSA and LB Sutton (see comments above)
- Fraud investigation (SWLFP)
- Insurance (LB Wandsworth/LB Richmond)

The full range of services proposed will include:

- Compliance – ensure stated and approved polices 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
- Fraud investigation work following the consolidation of the fraud investigation service (currently delivered by the SWLFP) into the SWLAP
- Attendance and reporting to Audit Committees (RBK, LBS, LBW and LBR) and General Purposes Committee (LBM)
- Co-coordinating and preparing the AGS (LBM and LBW/LBR under the SSA)
- Risk Management (LBS and LBW/LBR)
- Insurance (LBW/LBR)

At a time when all of the Councils 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. For example, the implementation of the SSA and shared services operating across other partner authorities will have a direct impact on the number of audit days and it is likely that over time, the number of audit days in the plans will 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 LBW have in-house teams, and rely on an external contract partner, 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 as part of ongoing service delivery. 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. The current framework contract with LB Croydon for the procurement of days from Mazars is due to be retendered in 2018. The operating model will be reviewed in the light of this.

1.3.2 Main aims and strategic vision

The overall aim of the SWLAP 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:

- 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
- Expand the current shared service and develop a more commercial approach to the delivery of services. This expansion will take into account the opportunities for future expansion or providing services direct to other Councils and external organisations.
- Deliver an effective fraud investigation service (following consolidation of the SWLFP into the SWLAP)

The existing shared service is a high performing service which contributes to the overall sound governance and control environment in LBR, LBM, LBS 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 all authorities.

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. This model will be reviewed in the light of the retendering of the Croydon Framework contract with Mazars in 2018.

In the existing structures, the current internal audit shared service has 20 FTE posts. LBW have 10 FTEs, plus a part share of the costs of the Assistant Head of Audit who is also the Head of the SWLFP. These numbers exclude the Assistant Director of Finance (Financial Services) who acts as the statutory Head of Audit for LBW. This makes a total of 30 FTE; excluding the contractor costs of the SWLAP and LBW (which equate to approx. 4FTE), there is an existing combined budget of £1.8m.

Looking at the current numbers of staff against the planned audit days, it is proposed to establish a structure of 26.5 posts. This is expected to deliver a saving of approximately £100k.

The SWLFP currently has 15FTEs including the Fraud Manager and a budget of £748k.

The total number of posts in the proposed new structure is 41.5 FTEs.

1.3.4 Location and hosting arrangements

The main working base for staff is currently the Civic Centre in Twickenham but there are satellite offices at each of the partner authorities with locally based teams. The location of the main site is to be reviewed as part of the SSA although there will still be a need for office space at each Authority.

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

An ICT workstream will be established to develop an ICT solution which allows staff to have access to the necessary ICT systems across all five 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/Wandsworth under the SSA, so in the main support services will be provided by LBR/Wandsworth. However, as indicated above, there will need to be a continued presence at the other locals sites and staff will need to utilise RBK, LBM and LBS 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, the review related to the establishment of a four borough shared service which was subsequently implemented on the 1st April 2016.

Part 2: Council Perspective of the Business Plan

2.1.1 Savings and Value for Money

Although a saving of £100k is anticipated, the key driver for expansion is the establishment of a more
resilient service, better able to expand and contract in accordance with need. It is anticipated that additional 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 2016/17 and changes to the structure of the shared service. 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.

There will be some development costs for ICT, and it is not anticipated that there will be any redundancies as a result of restructuring.

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 five authorities.

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 plans currently delivered 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 five 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 and Deputy Head of the SWLAP may have less capacity to be involved in corporate / management events/projects than in the past.

2.2.1 Consultation / Customer Engagement
The Head and Deputy Head of the SWLAP will be attending Directorate Management Teams (DMTs) at all the authorities to discuss the proposed Shared Service arrangement, enabling senior managers in the five 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, LBS, LBW and RBK Audit Committees and General Purposes committee at Merton will be kept up to date with developments and have expressed views previously that they would not wish to see the level of service reduced. All are mindful that the expansion forms part of the joining together of services under the Richmond/Wandsworth SSA and 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. Staff meetings will be held, and periodic update briefings will be provided to keep staff up to date with progress.

Formal staff consultation has been undertaken as part of the SSA but some informal consultation will be undertaken with staff around how the service will operate. Formal consultation under the SSA ran from January to May 2016.

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 October 2016, the SWLFP will be consolidated into the five borough shared service.

2.3.2 Peer Review

The original (LBR/RBK) 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 were researched and a number of learning points
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. Prior to Merton joining the shared service, discussions were held with the Tri-Borough service (Kensington & Chelsea, Westminster and Hammersmith and Fulham).

Lessons learnt can be summarised 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 significant, 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 SWLAP in 2017/18.

2.4.1 Risk
<table>
<thead>
<tr>
<th>Description</th>
<th>Recommended Action</th>
</tr>
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<tbody>
<tr>
<td>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</td>
<td>New structure must be flexible so as to be able to expand / contract resources &amp; capacity to fit requirements</td>
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<td></td>
<td>Legal agreement with each authority must include provision for mechanism to review / agree funding requirements and / or charges</td>
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<td></td>
<td>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</td>
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<tr>
<td>The sharing of statutory Head of Internal Audit (HIA) resource across the 5 boroughs results in a reduced and unacceptable lower profile of HIA in one or more boroughs</td>
<td>Governance arrangements to clearly specify role and responsibilities of HIA in each authority</td>
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<td></td>
<td>Structure and roles and responsibilities of staff to ensure adequate support is provided to the HIAs</td>
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<tr>
<td>Loss of experienced staff during period of setting up new arrangements</td>
<td>Staff engagement in change process to allay fears arising from uncertainties</td>
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<td></td>
<td>Ensure staff can use mentoring services if required</td>
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<tr>
<td>Business as usual suffers as focus diverted to creating new arrangements</td>
<td>Robust project management of business as usual and shared services (audit monitoring, timesheets)</td>
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<td></td>
<td>Use additional temporary resource to support delivery of business as usual</td>
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<tr>
<td>Budgets overspend during expansion of the shared service</td>
<td>Robust budget monitoring in each authority</td>
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<td>Funding for any set up costs (e.g. IT, systems costs) to be agreed by each authority</td>
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<tr>
<td>Cost efficiencies arising from new shared service are not achieved</td>
<td>Robust budget monitoring, and performance management to ensure chargeable time is kept to minimum to maximise outputs</td>
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<td>Shared Service Board to receive regular budget monitoring reports to agree remedial action if overspends arise</td>
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<tr>
<td>Flexible service not achieved due to failure on part of contractor to provide acceptable level and quality of resource</td>
<td>Engagement of contractor during development of new shared service arrangements</td>
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<td>New arrangements to consider use of other flexible resource providers (e.g. use of interims, agency staff, seasonal workers)</td>
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<td></td>
<td>Robust performance management of contract staff</td>
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<tr>
<td>Quality of audit work declines and fails to be sufficiently adequate for external audit to place reliance on, resulting in increased external audit fees</td>
<td>Engagement with External Audit to agree expectations, systems, procedures and quality standards</td>
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<td></td>
<td>Regular liaison with External audit to discuss service delivery under new arrangements</td>
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<tr>
<td>Client satisfaction at one or more of the authorities decreases and the credibility / reputation of the shared service gives rise to criticism form senior management and / or members</td>
<td>Engagement with clients, senior management and members as part of set up.</td>
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<td></td>
<td>Governance arrangements must include creation of IA Charter and plan for marketing of services</td>
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<td></td>
<td>Robust client satisfaction questionnaire process required (improve level of returns) &amp; reporting</td>
</tr>
<tr>
<td>Occurrence of significant fraud or other significant call on IA resources in one or more of the authorities impacts on setting up and delivery of shared service arrangement</td>
<td>Business continuity / contingency plan to be agreed. Audit and Fraud Plans remain flexible and allow for in year changes. This risk is reduced where the SWLAP and SWLFP are consolidated into one shared service.</td>
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<tr>
<td>Support services are not available or are inadequate to support the shared service, or delay the implementation of the new shared service arrangement. This includes IT access issues.</td>
<td>Engagement with support services throughout implementation (HR &amp; Payroll, IT, Facilities Management). Involvement in individual workstreams.</td>
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</table>
2.4.2 Constraints / Assumptions

At LBR, the Head of the SWLAP reports to the Director of Finance and Corporate Services. Under the SSA, this will change to the Assistant Director of Finance (Financial Services). At RBK, the reporting lines are different with the shared service reporting initially 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. For LBM, the HIA has a dotted reporting to the Director of Corporate Services. At Sutton, the HIA reports to the Executive Head of Finance. At Wandsworth, the statutory HIA is the Assistant Director of Finance (Financial Services) and 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.

Although the expansion of the shared service is likely to deliver some 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. The proposed expansion of the shared service to include the LB Wandsworth should deliver further economies of scale which should happen particularly as the service develops.

The model for service delivery must be capable of being adapted to allow other partners to join or for the service to bid for other work.

2.4.3 Interdependencies

The shared internal audit service is inextricably 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/LBW, RBK, LBS and LBM and managed by the shared service are as set out in Section 1.3.1. These may be subject to change depending on the requirements of the partners.

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 five Councils will be delegated to the Shared Service Board (see 3.9).

3.3 Contract / Agreement

The shared service arrangement between the five authorities will be overseen by a Collaboration Agreement to which all five Councils subscribe. This will be based on the Collaboration Agreement already in place to govern current arrangements. The Agreement once drafted will be signed off by the Shared Service Board as well as by the five Councils.

3.4 Length of Agreement

The shared service Agreement will commence from 1st October 2016. The proposed period for the agreement is 3 years, with provision included within the Agreement for at least 12 months notice from each 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 in arrears.

3.6 Performance Indicators
These will be developed and agreed with the SSB and 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 (if applicable)
As the shared service is relatively small, the impact on other support services will be minimal. As LBR/LBW will be the hosts under the SSA, the support services will be provided by LBR/LBW. However, for staff working across RBK, LBS and LBM, appropriate support services will also continue to be provided by those authorities and efforts will be made to ensure that duplication of support costs is minimised.

3.8 Arrangements for use of Council accommodation (if applicable)
The exact accommodation requirements are still to be identified but it is expected that the existing accommodation at all five of the Boroughs will continue to be used to facilitate the operation of locally based teams.

3.9 Governance Arrangements
A SSB with senior representative officers from LBR/LBW, RBK, LBS and LBM, including the Directors of Finance/Resources (S151 officers) will oversee the delivery of the Shared Service, and the arrangements between the five 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/Resources can fulfill their Local Government Act S151 responsibilities. This will also be subject to relevant member approval at each authority.

The Head of the South West London Audit Partnership will be line managed by the Assistant Director of Finance (Financial Services) and will report direct to the SSB.

3.10 Client Management Arrangements
As the service will be hosted by LBR/LBW there will not be the requirement for any specific client management function for the service. The Directorate Management Teams across the five authorities will effectively act as the service’s clients – therefore the statutory 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 statutory Heads of Internal Audit remain accountable to the Directors of Finance/Resources (S151 officers) and the respective Audit Committees/GP Committee.

3.11 Summary of Implementation Plan
June 2016
- Establish project workstreams and develop timetable for managing processes
  - Approval of proposal by all five Councils
  - July 2016
    - Informal consultation with Staff
    - Accommodation and ICT requirements agreed
  - August 2016
- Legal agreements drafted

September 2016

- Final proposals on organizational delivery / process agreed for implementation including accommodation and ICT
- Legal agreement signed off
- Staff event prior to go live

October 2016

- Go live
- Debrief and identification of lessons learnt.
South West London Audit and Fraud Partnership (SWLAFP) - Structure

Head of Shared Service

Deputy Head of Shared Service (Internal Audit)

Audit Manager (inc Afc)

External Contractor

Pool of Auditors (Senior Auditors x 7, Auditors x 13.5, Audit Trainees x 2)

Deputy Head of Shared Service (Fraud, ICT, Risk Management) (0.25 Audit FTE, 0.25 Risk, 0.5 Fraud)

Fraud Manager (Housing)

Fraud Manager (Corporate)

Pool of 12 Investigators (Investigators, Housing Investigators)
APPENDIX 2

Equality Impact and Needs Analysis (EINA) for the SWLAP

<table>
<thead>
<tr>
<th>Directorate:</th>
<th>Finance &amp; Corporate Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Area:</td>
<td>Internal Audit Service</td>
</tr>
<tr>
<td>Name of service/ function/ policy/ being assessed:</td>
<td>Shared Internal Audit Service (expansion of current arrangements)</td>
</tr>
<tr>
<td>Officers leading on assessment:</td>
<td>Alix Wilson – Head of Internal Audit Service</td>
</tr>
<tr>
<td>Other staff involved:</td>
<td>Jill Pain – Principal Auditor</td>
</tr>
</tbody>
</table>

BACKGROUND

1. **Briefly describe the service/function/policy:**
   The current shared Internal Audit Service (SWLAP) provided to the London Borough of Richmond upon Thames (LBR), the London Borough of Merton (LBM), the London Borough of Sutton (LBS) 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 20FTE posts. Mazars work as part of the team, providing auditors as and when required. The shared service is hosted by LBR and sits within the Finance and Corporate Services Directorate, with the Head of the SWLAP line managed by LBR’s Director of FCS. The Head of the SWLAP has a direct reporting line to the Head of Corporate Governance at RBK and a dotted reporting line to LBS Executive Head of Finance and the RBK and LBM Directors of Finance. The Statutory Head of Internal roles are held by the Head and Deputy Head of the SWLAP. The Head is responsible for LBR, RBK and AfC and the Deputy for LBM and LBS.

   The shared service reports to the Shared Service Board, which includes the three Directors of Finance (LBR, LBM, RBK), the Executive Head of Finance (LBS) and the Head of Corporate Governance (RBK).

   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 shared service arrangements, is currently delivered through a five borough shared service arrangement by the South West London Fraud Partnership (SWLFP).

   It is proposed that in light of the Wandsworth/Richmond SSA that the London Borough of Wandsworth (LBW) will join the SWLAP on the 1st October. It is also proposed that as part of this arrangement, that the South West London Fraud Partnership (SWLFP) currently led by Wandsworth, will be absorbed into the shared service arrangements to form a five Borough audit and investigations service.
2. **Why is the equality impact and needs analysis being undertaken?**

The SWLAP currently serves LBR, LBM, LBS 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 Wandsworth (LBW).

The service will be governed by the Shared Service Board, which will include the Directors of Finance from all five Councils. Under the Wandsworth/Richmond SSA, there is one Director of Finance covering both Authorities. 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.

Under the Wandsworth/Richmond SSA, Wandsworth/Richmond will be the host authority for the shared service.

3. **SUMMARY OF THE KEY FINDINGS**

Set out the key findings from the equality impact needs analysis of the service/ function/ policy. Key questions to consider when completing this section:

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

There may be an impact on staff currently employed by the shared service and the LBS Audit Team. The impact of any changes as a result of the expansion to the shared service may be considered in a separate staff EINA as part of the informal consultation process.

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

A Screening for Relevance exercise for the extended shared service 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

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:

<table>
<thead>
<tr>
<th>Information source</th>
<th>Description and outline of the information source</th>
</tr>
</thead>
</table>
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?
   Are there any barriers to accessing services for any groups?
   Do differences in service take up, 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?
   Have you identified any need to tackle prejudice or promote understanding between different groups?

<table>
<thead>
<tr>
<th>Protected Group</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>There is no data to analyse in respect to the ‘protected characteristics’.</td>
</tr>
<tr>
<td></td>
<td>The Internal Audit function’s customers are internal. No complaints have been received from internal customers about the service provided by the SWLAP to date.</td>
</tr>
<tr>
<td></td>
<td>The service would seek to address the high priority areas detailed above (to eliminate discrimination, harassment or victimisation; to foster good relations) by engagement with senior management via DMT (Directorate Management Team) meetings providing updates on the shared service proposals.</td>
</tr>
<tr>
<td></td>
<td>For the purpose of this EINA, the investigations work delivered by the SWLFP is covered as this function will be absorbed back into the shared service from October 2016.</td>
</tr>
<tr>
<td>Age</td>
<td>Breakdown of all staff employed by LBRuT (October 2015):</td>
</tr>
<tr>
<td>Age</td>
<td>%</td>
</tr>
<tr>
<td>0-20</td>
<td>2%</td>
</tr>
<tr>
<td>21-30</td>
<td>12%</td>
</tr>
<tr>
<td>31-40</td>
<td>22%</td>
</tr>
<tr>
<td>41-50</td>
<td>25%</td>
</tr>
<tr>
<td>51-60</td>
<td>28%</td>
</tr>
<tr>
<td>61+</td>
<td>11%</td>
</tr>
<tr>
<td>Disability</td>
<td>5% of LBR staff stated that they considered themselves disabled (October 2015).</td>
</tr>
</tbody>
</table>
### Protected Group | Findings
---|---
As host borough to the shared service, the work environment at LBR and LBW is fully accessible to disabled staff members involved in an audit.

**Gender (Sex)**
As of October 2015, 59% of staff employed by LBR are female. No potential issues have been identified for this protected characteristic.

**Gender reassignment**
No potential issues have been identified for this protected characteristic.

**Marriage and civil partnership**
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**
Breakdown of all staff employed by LBR (October 2015):

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>75%</td>
</tr>
<tr>
<td>Black/Black British</td>
<td>8%</td>
</tr>
<tr>
<td>Asian/Asian British</td>
<td>9%</td>
</tr>
<tr>
<td>Mixed</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
<tr>
<td>Not provided</td>
<td>5%</td>
</tr>
</tbody>
</table>

No potential issues have been identified for this protected characteristic.

**Religion and Belief**
No potential issues have been identified for this protected characteristic.

**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?

<table>
<thead>
<tr>
<th>Gaps in data</th>
<th>Action to deal with this</th>
</tr>
</thead>
<tbody>
<tr>
<td>No gaps in data have been identified.</td>
<td></td>
</tr>
</tbody>
</table>

---

1 Only in relation to the first part of the duty: eliminate discrimination, harassment and victimisation
8. **CONSULTATION IN THE EINA PROCESS**

What consultation have you undertaken with stakeholders or critical friends to help inform the EINA process? What consultation has been undertaken about the key findings? What feedback did you receive as part of the consultation?

Senior managers have been consulted via DMT meetings and 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 also be reviewed by the FCS Equality and Diversity Steering Group.

Formal consultation has been undertaken as part of the Richmond/Wandsworth Shared Staffing Arrangement (SSA).
**ACTION PLANNING**

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?

<table>
<thead>
<tr>
<th>Issue identified</th>
<th>Planned action</th>
<th>Lead officer</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>No actions have been identified during the production of this EINA.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**MONITORING AND REVIEW**

10. How will the actions in the action plan be monitored and reviewed? For example, any equality actions identified should be added to business, service or team plans and performance managed.

No issues were identified when producing this EINA so an action plan has not been developed.

On-going monitoring for equality impact will be performed by reviewing any complaints received about the extended shared service arrangement.

**PUBLISHING THE FULL COMPLETED ANALYSIS**

Please note that after completion of EINA findings, a member of DMT can approve the equality analysis, in order to inform further stages of a decision making process. Once fully completed as part of a final decision making, EINA can be published on the Council website. Please also note that various stages of the EINA process can accompany decision making at Cabinet/Committee levels and can be published as part of that decision. Once it is in the public domain it can be open to scrutiny.

Please provide details below:

<table>
<thead>
<tr>
<th>Approved by</th>
<th>Date of approval</th>
<th>Date of publication</th>
</tr>
</thead>
</table>

**DECISION-MAKING PROCESS**

11. 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?

Audit, Standards and Governance Committee – RBK (June 2016)
Treasury Committee – RBK (June 2016)

A copy of this EINA will be made available as an Appendix to the reports to these meetings.
### Appendix 1 - Screening for Relevance

<table>
<thead>
<tr>
<th>Name of Directorate</th>
<th>Finance &amp; Corporate Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contact</strong></td>
<td>Jill Pain – Principal Auditor</td>
</tr>
<tr>
<td><strong>Email</strong></td>
<td><a href="mailto:jill.pain@richmond.gov.uk">jill.pain@richmond.gov.uk</a></td>
</tr>
<tr>
<td><strong>Telephone</strong></td>
<td>020 8891 7278</td>
</tr>
</tbody>
</table>

#### Service/ Function

<table>
<thead>
<tr>
<th>Are the areas listed below relevant to your service/ function?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Please answer H, M or L for ‘High’ Medium or Low’</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service/ Function</th>
<th>Age</th>
<th>Sex</th>
<th>Race</th>
<th>Disab’</th>
<th>Re&amp;B</th>
<th>SO</th>
<th>GeR</th>
<th>P&amp;M</th>
<th>M&amp;CP</th>
<th>Eliminating discrimination, harassment or victimisation</th>
<th>Advancing equality of opportunity between different groups</th>
<th>Fostering good relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expansion of shared service arrangements</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>M</td>
<td>L</td>
<td>L</td>
<td>~</td>
<td>L</td>
<td>L</td>
<td>H</td>
<td>L</td>
<td>H</td>
</tr>
</tbody>
</table>

**Legend**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>Age</td>
</tr>
<tr>
<td>Sex</td>
<td>Sex</td>
</tr>
<tr>
<td>Race</td>
<td>Race</td>
</tr>
<tr>
<td>Disab’</td>
<td>Disability</td>
</tr>
<tr>
<td>Re&amp;B</td>
<td>Religion and Belief</td>
</tr>
<tr>
<td>SO</td>
<td>Sexual orientation</td>
</tr>
<tr>
<td>GeR</td>
<td>Gender re-assignment</td>
</tr>
<tr>
<td>P&amp;M</td>
<td>Pregnancy and maternity</td>
</tr>
<tr>
<td>M&amp;CP</td>
<td>Marriage and civil partnership</td>
</tr>
</tbody>
</table>