Audit, Governance and Standards Committee

28 June 2016

EXTENSION OF THE SOUTH WEST LONDON AUDIT PARTNERSHIP

Joint Report by the Head of the South West London Audit Partnership and the Head of Corporate Governance

**Purpose**

To consider the proposal to extend the South West London Audit Partnership (SWLAP) to include the London Borough of Wandsworth (LBW) from the 1st October 2016. This is in light of the Richmond/Wandsworth Shared Staffing arrangement (SSA) which involves the alignment of services and the joint employment of staff. Proposals include the consolidation of the SWLAP and the South West London Fraud Partnership (SWLFP) into one five borough shared service for internal audit and fraud investigations.

**Recommendation**

To RESOLVE that the proposal to extend the South West London Audit Partnership is endorsed and recommended for approval by the Treasury Committee.

**Key Points**

A. The Shared Internal Audit and Investigations Service was established with the LB Richmond on the 1st June 2012. In April 2015, following the transfer of benefit investigation work to the DWP, the South West London Fraud Partnership (SWLFP) was established led by LB Wandsworth. This is a 5 Borough shared fraud investigations service covering the Royal Borough of Kingston and London Boroughs of Wandsworth, Richmond, Sutton and Merton.

B. With staff numbers depleted and the resilience of the audit teams reduced as a result of the transfer of staff to the SWLFP, this paved the way for the development of the 4 Borough shared service. LB Merton and LB Sutton joined the shared audit service in October 2015 and April 2016 respectively and the service was renamed the South West London Audit Partnership.

C. In light of the Wandsworth and Richmond shared staffing arrangement, and the already established SWLFP, it is proposed that LB Wandsworth will join the shared service from the 1st October 2016. This proposal includes the consolidation of the SWLFP into one 5 Borough shared service covering both internal audit and fraud investigation. Approval will be sought from the other partners within the SWLAP through their own schemes of delegation and decision making processes.

D. A project plan is in place to develop and implement the 5 Borough shared service by the 1st October 2016 and Audit Committee will be kept up to date with the development and implementation.

**Resource Implications**
The key driver for the expansion of the current shared service is to establish a more resilient, flexible and effective internal audit service. Whilst it is anticipated that there will be some savings from the sharing of management costs and other economies of scale, (estimated to be approximately £100k). Any further savings will be made through improved audit processes and the development of in-house expertise, some of which is currently procured externally via the LB Croydon through their framework contract with Mazars.

The model is based on maintaining the same level of service at no additional cost other than initial development costs which are anticipated as being minimal. Any savings made as a result of this expansion will be shared between the partners in the form of reduced annual charges based on the number of audit and fraud days delivered.

A Business case has been established and is attached at Annex 1 to this report.

The proposal to admit Wandsworth to the Shared Internal Audit Service has been endorsed by the officer level Shared Service Governance Board and, internally within RBK, through the Commissioning Support Board and the Strategic Leadership Team. Whilst the addition of a fifth and larger partner to the Internal Audit Shared Service might seem to carry certain risks in terms of ensuring that the existing level of service is not diluted in any way, this aspect will be monitored closely by the Governance Board of which both the Director of Finance and the Head of Corporate Governance are members. In fact, as previously indicated, the addition of a fifth member authority will further increase the capacity and resilience of the service, as well as yielding a financial saving to the five Councils.

The proposal to combine the currently separate Internal Audit and Counter Fraud shared services in to a single South West London Audit and Fraud Partnership, headed by the Head of the existing South West London Audit Partnership, is also positive as it will reunite two closely related activities under single management and further increase overall resilience and capacity. It is also intended that the new Service Head will continue to undertake the Head of Internal Audit role for RBK and Richmond, which will also provide useful continuity.

Background papers – held by the authors of the report:

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