

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
<b>Cabinet</b>	<b>16 February 2011</b>

Report template revised June 2008



<b>SUBJECT</b>	<b>PORTFOLIO</b>	<b>AUTHOR</b>	<b>ITEM</b>
<b>Shared Assurance Budget 2011/12</b>	<b>Cabinet Member for Shared Services</b>	<b>G Barclay</b>	<b>8</b>

## **SUMMARY AND LINK TO CORPORATE PRIORITIES**

At the October meeting of the Shared Services Joint Committee members were informed of outline proposals to reduce inputs to Internal Audit and Risk Management from 2011/12. Given their potential corporate governance implications it was agreed that the outline proposals would be subject to consultation with the Audit Commission and the Audit & Governance Committees of the host Councils.

These consultations have now taken place and have paved the way for more definitive proposals which are contained within this report and have already been considered by the Shared Services Joint Committee on 24<sup>th</sup> January 2011.

The Shared Services Partnership is seen as a key project by both Chorley and South Ribble Councils and makes a direct and extensive contribution to the following strategic objectives:

“Ensuring that **Chorley** Council is a consistently top performing organisation”.

“**South Ribble** is an efficient, effective and exceptional council”

## **RECOMMENDATIONS**

The Shared Services Joint Committee has recommended that:

(1) the budget implications arising from the report be approved by the Cabinets of both host authorities in terms of the overall budget proposals to be submitted to the February meetings.

(2) the Head of Shared Assurance Services be authorised to deal with the staffing issues arising from the report, in consultation with the South Ribble Cabinet member responsible for Shared Assurance Services, within the agreed budget and in accordance with the Human Resources Policies of South Ribble Borough Council.

## **DETAILS & REASONING**

During recent consultations with the Audit Commission and other Councils in Lancashire it has been established that most authorities are planning to reduce inputs to Internal Audit and Risk Management next year in response to the Comprehensive Spending Review. Many are now focusing on “core” activities such as auditing key financial systems and this will also underpin the approach adopted at South Ribble and Chorley from next year.

However the Shared Assurance Service was already planning to reduce its inputs next year and as such is not purely a reaction to the new financial situation.

There are several reasons why it is now possible to reduce inputs to Internal Audit and Risk Management next year without it impacting on service quality or on overall good governance and these are noted below.

## **INTERNAL AUDIT**

### *National Policy Changes*

There has been considerable input to Comprehensive Area Assessment and Use of Resources in recent years both in terms of supporting the inspection process and in conducting audits in areas covered by the regime. Their recent abolition by the new coalition government means that this will no longer be required.

The reduction in the number of National Performance Indicators has also led to a reduction in the requirement for auditing the corresponding data collection and data checking processes. It is still very important that the quality of the data being used for management decisions is reliable and Internal Audit will continue to undertake risk-based checks on the respective systems and data.

### *Audit Inputs Not Required in 2011/12*

Internal Audit was a member of the project team overseeing the establishment of a common financial system for Chorley and South Ribble in 2010/11. Given that the system is expected to go live on 1<sup>st</sup> April 2011, input to this will no longer be required next year

### *Control & Risk Self Assessment*

A further way in which lower audit inputs will be achieved next year will be for Internal Audit to assist managers to undertake risk and internal control self-assessments in their service areas. During the recent Customer Survey this was highlighted as something that Internal Audit's customers wished to see in place. This approach is an efficient way of evaluating controls within services and is a valuable tool to apply in circumstances where there is significant organisational change, such as that brought about by the current financial climate.

### *Other Process Efficiencies*

As combined ways of working have become established there are a number of areas where processes have been streamlined to remove duplication of effort. An example of this includes an ability to undertake repeat audits within fewer days.

## **INTERNAL AUDIT PLANS 2011/12**

Therefore when consulting with the Audit/Governance Committees at Chorley/South Ribble, members were presented with outline Audit Plans which encompass the above new developments and new ways of working. The total proposed reduction in inputs across all the Audit Plans next year is 210 audit days or 18%.

Further work, including a detailed risk assessment will be undertaken before the Audit Plans for Chorley and South Ribble can be finalised and re-submitted to the Audit/Governance Committees for approval.

## **RISK MANAGEMENT**

The Risk Management function currently contains the following elements:

- Strategic Risk Management
- Emergency Planning Administration
- Business Continuity Planning
- Insurance Administration

With regard to Strategic Risk Management, over the last year or so the Risk Manager has been working closely with the Policy Units at both Chorley and South Ribble Councils in order to align and streamline the strategic risk and performance management processes which were hitherto separate. This has culminated in a more efficient data collection and reporting system and therefore a consequential reduction in the staff time required in the Risk Management Team to maintain the process.

Emergency and Business Continuity Planning are statutory services under the Civil Contingencies Act 2004. However since the formation of the shared services partnership, areas of duplication have been identified and overlap between the previously separate services thereby creating efficiency savings in those areas also.

For these reasons there is now some spare capacity in the Risk Management Team and there is an opportunity to reduce the resources to deliver additional savings next year and beyond.

## **STAFFING IMPLICATIONS**

The proposed changes will have a minimal overall impact on staff as they will largely be met by not filling posts in Internal Audit which are due to a number of vacant part-time posts in the structure that have existed since the formation of the Shared Services Partnership.

A conscious decision was made to not fill these posts and recycle the savings to buy in resources from an external provider in anticipation that some efficiency savings could be achieved around now. It was seen as a temporary measure until it was known what the long-term staffing requirements would be once the shared service was fully embedded.

There will also be some additional impact in the Risk Management Team as a result of the efficiency improvements noted above.

The total savings in Shared Assurance Services next year as a result of the proposed changes is estimated at £90k or almost 19% of the current budget.

## **CONSULTATION**

Internal Audit is a statutory service under Section 151 of the Local Government Act 1972. Its scope and terms of reference are also set out in the CIPFA Code of Practice for Internal Audit in Local Government. Internal Audit's compliance with the Code of Practice is subjected to a triennial review by External Audit.

Feedback from External Audit on the outline proposals has therefore been obtained. Whilst acknowledging the pressures imposed by the new financial climate and accepting that most authorities are reviewing their Internal Audit inputs next year, the Audit Commission has reminded Internal Audit that its activity needs to remain linked to an assessment of risk at each Council and that it can still provide sufficient assurance and meet CIPFA Internal Audit standards in the context of that risk assessment.

Internal Audit is satisfied that the proposed changes to time allocations will enable it to continue to provide each Council with the necessary assurance in respect of their respective control environments and in doing so continue to meet CIPFA standards.

The Statutory Finance Officers of both Councils have been consulted on these proposals and have given an undertaking that the level of Internal Audit resources will be kept under continuous review to ensure that they remain adequate.

Members should also note that a feasibility study is currently in progress involving other councils in Lancashire to develop a larger shared services footprint for Internal Audit and this may provide an option for delivering further efficiencies and budget savings beyond next year.

## WIDER IMPLICATIONS

<b>FINANCIAL</b>	The above proposals are aimed at delivering significant savings from 2011/12 and beyond whilst maintaining service levels and quality required by the host authorities.		
<b>LEGAL</b>	The above proposals recognise the ongoing need to comply with the Local Government Act 1972, Civil Contingencies Act 2004 and the CIPFA Code of Practice for Internal Audit in Local Government		
<b>RISK</b>	Although there is the potential for a reduced Assurance Service to impact on governance this will be mitigated through more efficient ways of working.		
<b>OTHER (see below)</b>			
<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>