

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

17 FEBRUARY 2009

REPORT OF HEAD OF INTERNAL AUDIT & RISK STRATEGY

Report prepared by Brian Parsons

1. MID-KENT INTERNAL AUDIT PARTNERSHIP

1.1 Issue for Decision

1.1.1 To consider and comment to the Cabinet Member on the proposal, originating from the Mid Kent Improvement Partnership, to create an Internal Audit Partnership between Maidstone, Ashford, Swale and Tunbridge Wells Borough Councils.

1.2 Recommendation of the Head of Internal Audit & Risk Strategy

1.2.1 That the Audit Committee give consideration to the attached report which sets out a proposal to create a four-way Internal Audit Partnership between the members of the Mid-Kent Improvement Partnership.

1.2.2 That the Audit Committee comment to the Cabinet Member on the proposal in terms of the service that the Committee would expect to be in place if the Internal Audit Partnership proposal proceeds

1.3 Reasons for Recommendation

1.3.1 The Mid Kent Improvement Partnership Board, which comprises the Leaders and Chief Executives from the four partner authorities, has agreed that there is potential for the creation of an internal audit partnership which would serve the four authorities.

1.3.2 The creation of a four-way partnership will lead to the end of the two-way partnership between Maidstone and Ashford.

1.3.3 A report has been prepared by the Director of Change and Environmental Services, which sets out the potential structure and delivery arrangements for an internal audit partnership. The report is intended to provide a template for reports to each of the four authorities, so that a consistent case is put forward to Members for consideration.

- 1.3.4 The report will be submitted to the Cabinet Member for Corporate Services at Maidstone in order that key elements of the partnership can be agreed. This agreement will allow the more detailed elements of the partnership to be developed and the formal consultation with staff to commence. The final stage will be for a fully costed business case to be provided to Cabinet.
- 1.3.5 The implementation of the four-way partnership will lead to a number of changes to the provision of the internal audit service as set out in the attached report.
- 1.3.6 The average number of days allocated to each audit will be slightly reduced; this will be facilitated through improved use of the audit management system and through ensuring that work is accurately scoped. However, if individual audit projects require additional time to be spent because of the issues that have been identified, then this will still occur where it is necessary and justifiable
- 1.3.7 The proposed structure will mean that the Head of Internal Audit Partnership will attend meetings of all four Audit Committees. The Audit Managers will also attend the Audit Committee meetings for the two authorities for which they have operational responsibility.
- 1.3.8 It will be necessary to realign the operational responsibility for Risk Management, which currently rests with the Head of Internal Audit & Risk Strategy. A similar arrangement currently exists at three of the four partner authorities. It is intended to give more detailed consideration to this aspect over the coming months where the potential for creating a post of Risk Manager to serve all four partner authorities will be explored. It is possible that this post may be located within Internal Audit with a direct reporting line to the Head of Internal Audit Partnership.
- 1.3.9 The attached report will seek approval from the Cabinet Member to proceed with the proposed four-way internal audit partnership. A similar report will be prepared at each of the partner authorities.
- 1.3.10 A final report will be prepared for approval for the actual creation of the partnership, which will set out the final shape of the arrangements and the costs for each Authority.
- 1.3.11 The proposed partnership arrangement will affect the way that the service is provided to the Council. Members of the Audit Committee are asked to consider the proposal and to comment on the proposed arrangements, identify any aspects that should be incorporated and seek further explanations or assurances as necessary.

Comments from the Section 151 Officer

- 1.3.12 The Councils 'Section 151 Officer' has a statutory responsibility in relation to the financial management of the Authority and therefore maintains a close working relationship with Internal Audit in order to help to ensure that his responsibilities are discharged. Therefore, it is essential that the views of the Section 151 Officer are sought in relation to the proposed arrangements for the delivery of the internal audit service.
- 1.3.13 The Chief Financial Officer is the Council's designated Section 151 Officer and his views on the proposed Internal Audit Partnership are set out below.
- 1.3.14 "I am satisfied with the proposed partnership arrangements as set out in the attached report and am confident that the new four-way partnership can build upon the success of the existing audit partnership with Ashford."
- 1.4 Alternative Action and why not Recommended
- 1.4.1 It is necessary for the Audit Committee to consider the proposed internal audit partnership before the Cabinet Member is asked to agree the arrangements. There is no alternative course of action.
- 1.5 Impact on Corporate Objectives
- 1.5.1 The Council is committed to working in partnership where this will lead to improvements in service and where more can be achieved in partnership than would be achieved otherwise. The creation of a four-way partnership would meet this commitment.
- 1.6 Risk Management
- 1.6.1 The role of internal audit and its impact on the control environment and corporate governance arrangements mean that a failure in the service could have strategic implications. Therefore the proposed arrangements need careful and competent management in order to ensure that they are successful. The implementation of a four-way internal audit partnership should lead to a more robust, stronger internal service and therefore reduce the potential for service failure.
- 1.6.2 The creation of a four-way internal audit partnership will create a range of operational risks. A detailed risk assessment will be prepared which will set out the risks and the actions that will be taken to mitigate them.

1.7 Other Implications

1.7.1

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|----|---------------------------------------|---|
| 1. | Financial | X |
| 2. | Staffing | X |
| 3. | Legal | X |
| 4. | Equality Impact Needs Assessment | |
| 5. | Environmental/Sustainable Development | |
| 6. | Community Safety | |
| 7. | Human Rights Act | |
| 8. | Procurement | |
| 9. | Asset Management | |

1.7.2 A detailed financial assessment will need to be prepared to accompany the eventual report that will seek the approval of Cabinet. The partnership proposals are currently being progressed on the basis that the partnership will not cost more than the existing arrangements and that in the medium term, savings in the region of 15% will be obtained.

1.7.3 The creation of a partnership will affect all of the staff within the Internal Audit Team. It is anticipated that the three management posts within the partnership structure will be subject to interview leading to appointment, potentially on an 'in designate' basis. The remaining staff are expected to be assimilated where the jobs have not fundamentally changed.

1.7.4 The arrangements between the four authorities will be subject to a legal agreement. The current internal audit partnership agreement between Maidstone and Ashford will terminate on commencement of the four-way partnership.

1.8 Background Documents

1.8.1 None.

NO REPORT WILL BE ACCEPTED WITHOUT THIS BOX BEING COMPLETED

Is this a Key Decision? Yes No

If yes, when did it appear in the Forward Plan? _____

Is this an Urgent Key Decision? Yes No

Reason for Urgency

[State why the decision is urgent and cannot wait until the next issue of the forward plan.]