

Agenda Item No: 7
Report To: Audit Committee
Date: 3 December 2013
Report Title: Internal Audit – Update
Report Author: Brian Parsons – Head of Audit Partnership



Summary: The meeting of the Committee on 26 September 2013 received and considered a report on a number of matters affecting the Internal Audit service, including:

- The creation of an Internal Audit Charter
- The external quality assessment of internal audit for conformance with the new Public Sector Internal Audit Standards
- The creation of 'one team' with Ashford audit staff transferred to Maidstone Borough Council
- The extension, by a further four years, of the collaboration agreement for the audit partnership
- The proposed arrangements for the recruitment of a new Head of Audit Partnership

The current report provides an update on the action that has been taken or is planned for the coming months.

Key Decision: No

Affected Wards: N/A

Recommendations: **The Audit Committee is asked to:-**
Note the actions that have been taken (or will be taken) to develop and sustain the Internal Audit Partnership.

Policy Overview: N/a

Financial Implications: There are a number of financial implications arising from the transfer of staff. These will be addressed within a revised collaboration agreement which will be subject to the agreement of each of the four partner Councils.

Risk Assessment No

Equalities Impact Assessment No

Other Material Implications: Legal – Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2011. The service to be

provided to Ashford Borough Council is currently defined in a collaboration agreement, which will be revised to reflect the changed employment position.

**Background
Papers:**

Report to Audit Committee – 26 September 2013 – ‘Internal Audit Charter’.

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Report Title: Internal Audit Update

Purpose of the Report

1. The report updates the Audit Committee on the progress that has been made to implement the service developments that were agreed or noted at the last meeting of the Committee on 28 September 2013.
2. Members are asked to note the current position relating to the Internal Audit Partnership.

Issue to be Decided

3. The Audit Committee is asked to note the actions that have been or will be taken to further develop the Internal Audit Partnership.

Background

4. The Audit Committee meeting on 26 September 2013 considered a report on the Internal Audit Charter, which also updated members of a number of service developments that will take place prior to 31 March 2014. The Committee resolved that:
 - The Internal Audit Charter appended to the report be approved, subject to the addition of Internal Audit's role in monitoring and identifying value for money.
 - It be noted that an external quality assessment of the conformance of Internal Audit to the Public Sector Internal Audit Standards will be carried out in January 2014.
 - It be noted that it is proposed to adopt a one employer model for the Internal Audit Service
 - It be noted that it is proposed to extend the Internal Audit shared service agreement to 31st March 2019.
 - It be noted that a timetable has been put in place for the recruitment of a new Head of Audit Partnership
5. The Committee also considered a report 'Mid Kent Audit Partnership – Evolution to One Team – One employer'. It was resolved that:
 - the Committee is supportive of the proposal to evolve the Internal Audit Partnership to a 'One Team One Employer' model and that this view should be expressed to the Cabinet when the matter is considered in October.
 - it be noted that the matter is the subject of full consultation with staff and their representatives across the four Councils.
 - the Chairmen of the four Audit Committees in the Partnership should be consulted on the new Collaboration Agreement.
6. The current report provides a brief update on actions taken since the last meeting.

Cabinet decision

7. The Cabinet meeting on 10 October 2013 resolved :

That subject to all four Councils agreeing on the proposal, acceptable terms being agreed on the Partnership (Collaboration) Agreement and employee consultation, it be agreed that:

- A “One Team – One Employer” employment model be adopted for the Mid Kent Internal Audit Partnership.
- The employing authority for the Mid Kent Audit would be Maidstone Borough Council.
- The timetable for the transfer of staff to the new employer as set out in the report be agreed.
- The transfer to take place under TUPE.
- An amendment be made to the collaboration agreement to reflect the new employment arrangements.
- The Partnership Agreement be extended from 1st April 2014 for five years (therefore expiring 31st March 2019).
- Delegated authority be given to a Senior Officer (The Deputy Chief Executive for Ashford) to agree any final changes.

Internal Audit Charter

8. The Internal Audit Charter has now been agreed by the four Councils and the Internal Audit service is now being delivered in accordance with the Charter.

External Quality Assessment (Public Sector Internal Audit Standards)

9. The External Quality Assessment of conformance with the Public Sector Internal Audit Standards will be carried out between the 13th and the 17th January 2014. The assessment will be by a team from the Chartered Institute of Internal Auditors. They will carry out a ‘validated self assessment’ based on evidence collated in advance by the Internal Audit Partnership. The collation process is currently underway, with the intention to finalise this before the end of December. The programme of work for the assessment team includes ‘1 day interviewing IA stakeholders – audit committee members and senior managers’. Clarification will be sought on who, specifically, the team wish to interview and when they would like to do so. Meetings will be arranged in advance on that basis.

One Employer

10. All four Councils have now decided to move forward to create one internal audit team, whereby all audit staff will in the future be employed by Maidstone. The decisions taken require that a formal consultation process

takes place with the affected staff and that the collaboration agreement between the parties is amended to reflect the new employment arrangements and their implications. The terms and conditions for staff will be protected under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE regulations).

11. The staff consultation process commenced formally on 27th November 2013 and will run to 6th January 2014. It is intended that the transfer takes place on 1 April 2014.
12. A review of the collaboration agreement is currently taking place and it is intended that the review will be completed and the revised document agreed by 28th February 2014.
13. As resolved at the last meeting of the Audit Committee, the Chairmen of the four Audit Committees in the Partnership will be consulted on the new Collaboration Agreement

Extension of the current partnership agreement.

14. The four Councils have agreed to extend the period of the collaboration agreement to 31 March 2019.
15. The collaboration agreement will be amended and agreed by 28th February 2014.

Recruitment of Head of Audit Partnership

16. The post of Head of Audit Partnership was advertised on the 15th November 2013. The post has been advertised using a broad range of web sites in order to help to ensure that it is seen by a broad range of potential candidates, with various backgrounds and experience, subject to them being a qualified internal auditor or accountant. The closing date for applications is 6th December 2013.
17. Interviews will take place on the 19th December 2013. The interview panel will be Paul Naylor (Ashford) and David Edwards (Maidstone). They will be supported by Christine Parker (Head of East Kent Audit Partnership) acting as 'technical adviser' and a Human Resources officer.
18. The appointment decision is scheduled for the 20th December and will involve the two other members of the Audit Partnership Board, Mark Radford (Swale) and Lee Colyer (Tunbridge Wells). Therefore the appointment will be a joint decision on behalf of the four Councils.
19. The new Head of Audit Partnership is expected to take up the position from 1 April 2014.

Risk Assessment

20. The current report simply updates Members on previous decisions that have been taken. There are no additional risks arising.

Equalities Impact Assessment

21. Not applicable.
22. The appointment of the new Head of Audit Partnership will take full account of equalities legislation.

Other Options Considered

23. The report provides an update for the Audit Committee, no other options are appropriate.

Consultation

24. The four partner Councils (Ashford, Maidstone, Swale and Tunbridge Wells) have been consulted on all of the issues referred to in this report.
25. The internal audit staff are being formally consulted in relation to the change of employer.

Implications Assessment

26. Financial – none of the matters referred to in this report will have a direct financial impact other than the cost of the External Quality Assessment, which will be spread across the four Councils and can be funded from existing budgets.
27. Legal – the existing collaboration agreement will be rewritten to reflect the revised employment arrangements.

Portfolio Holder's Views

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