

Shared Services Arrangements APPENDIX B

Shared Service Arrangements

Internal audit

Introduction

This briefing note sets out the current situation with the Internal Audit Service.

Information

Internal audit was previously provided under the Local Government Shared Service (LGSS) arrangement. In December some ex-LGSS services were essentially replicated in a lead authority arrangement whereby resources should be put at the disposal of a lead authority who would direct those resources to provide the relevant service to the participating organisations.

The lead authority for Internal Audit Services is currently Milton Keynes Council.

Lead authority arrangements work for high volume transactional services but do not work very effectively for professional or advisory services. The resource and charging mechanism is also overly complicated and difficult to understand.

The arrangement is further complicated where ex-District and Borough councils also ran those services and the staff involved in those services transferred to West Northamptonshire on 1 April.

The expectation for those services was that all resources (regardless of where they came from) would be delegated to the lead authority who would then provide the service back to participating authorities.

However, the structures for the lead authority services were not agreed and therefore consultation with affected staff could not take place and from the 1 April we have had interim arrangements in place whereby all the staff (and contracts in some cases) transferred to West Northants .

It is fair to say that these interim arrangements and lack of clarity on the arrangements are having a negative impact on some staff.

The current interim arrangement for Internal audit Services is as follows:

- Chief Internal Auditor role (Duncan Wilkinson) provided by Milton Keynes
- Some management support provided by Milton Keynes
- Half of the ex LGSS/NCC staff transferred to WNC
- SNC external contract for internal audit transferred to WNC
- NBC internal controls staff and manager transferred to WNC
- DDC internal audit staff transferred to WNC

As the lead authority internal audit structure was not in place for vesting day the direct line management arrangements currently reports into the Executive Director – Finance with a dotted

line into the Chief Internal Auditor at Milton Keynes in order for resources to be directed to the audit plan.

Under the lead authority arrangement all resources should be put at the disposal of the Chief Internal Auditor for him to use across the all of the different partners as he sees fit. However, it has been made clear that there is an expectation in this interim period that the resources that have come across to WNC are dedicated to WNC and should not provide support to other areas.

Ordinarily the resources would be provided to Milton Keynes who would then provide a service back to WNC and then charge WNC for that service. This is an unnecessarily over-complicated arrangement.

The preference is for a straightforward arrangement whereby the resources inherited by WNC for Internal Audit are used for WNC's internal audit and we move away from the lead authority arrangement. This would involve recruiting our own Chief Internal Auditor who would have responsibility just for WNC and the resources available for Internal Audit that came across on vesting day. But we would have a fully dedicated resource.

The complication in all of this is that to exit the lead authority arrangements we would be expected to give 18 months' notice to the Lead Authority board. The preference is for us to exit the arrangement as soon as possible but ensuring a smooth transition to exit.

The issue of potentially exiting the internal audit arrangement was raised at the lead authority board on 26 May 2021 with a preference that we have exited the arrangement by 1 April 2022. This approach was supported by North Northamptonshire who also have a preference for their own dedicated internal audit team.

Milton Keynes (as lead for this service) agreed to bring back an options paper to the board setting out the potential consequences of this decision and options associated with it. A subsequent discussion with Milton Keynes indicated that there may be agreement to bring the arrangement to an end sooner rather than later but certainly ahead of the 18 month notice period.

Recommendation

This briefing paper has been brought for information and for ELT colleagues to consider and endorse the approach to bring the internal audit service back in house as soon as is practicably possible whilst ensuring the authority is not exposed to an excessive level of risk in relation to bringing the service back in house.

There are HR and transformational implications associated with this approach and these will be picked up separately with these service areas.

Should we move from the interim arrangements to the lead authority arrangement properly there would also be HR and Transformation implications.

Martin Henry

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