

Committee: Standards and General Purposes

Date: 30 June 2016

Wards: All

Subject: Expansion of Shared Internal Audit Partnership

Lead officer: Caroline Holland Director of Corporate Services

Lead members: Peter McCabe- Chair of Standards and General Purposes Committee

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Recommendations: The Committee considers the proposals outlined in this report and notes the approach:

- to extend the South West London Audit Partnership (SWLAP) to include the London Borough of Wandsworth Internal Audit from the 1 October 2016; and,
 - that the Fraud Partnership (SWLFP) and the SWLAP will merge from the 1 October 2016, establishing a five borough audit and fraud investigation service
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

This report provides an update to the Standards/ General Purposes Committee on the extension of the South West London Audit Partnership (SWLAP) from a 4 to a 5 Borough shared service. The proposals are that LB Wandsworth will join the shared service on the 1st October 2016.

2. DETAILS

- 2.1 The shared Internal Audit and Investigations Service was established between LB Richmond and RB Kingston in 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.
- 2.2 Opportunities to expand the Internal Audit Service were explored to increase resilience and to benefit from economies of scale and improved recruitment, retention and development of staff. 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.

2.3 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 Audit service from 1 October 2016. As part of this process, the SWLFP will be incorporated into the Audit service to establish a five borough shared audit and fraud investigations service. Under the existing agreements all partners must agree to the admission of new partners. Approval is being sought from the partners within the SWLAP through their schemes of delegation and decision making processes. For Merton the decision to admit LB Wandsworth can be made by the Director of Corporate Services under delegated authority.

2.4 A project plan is in place to develop and implement the 5 Borough shared service by 1 October 2016. The Standards/GP Committee will be updated on progress at future committees.

3. ALTERNATIVE OPTIONS

3.1 There are no alternative options

4. CONSULTATION UNDERTAKEN OR PROPOSED

4.1 Consultation is proposed to commence on the 7th July 2016 with all staff. Any concerns or questions arising from this will be responded to and included in the final business case.

5. TIMETABLE

5.1 A project plan has been developed to include target dates for the 5 work streams. Frequent meetings will be held to keep the project on course.

5.2 The proposed timescales are for the staff consultation to start on the 7th July 2016 with a view to starting the shared service on 1st October 2016.

6. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1 The key driver 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, these are not likely to be significant and 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.

6.2 It is anticipated that development costs will be minimal.

7. LEGAL AND STATUTORY IMPLICATIONS

- 7.1 The proposal is that staff will be employed under the Wandsworth/Richmond shared staffing arrangement and governed by the SSA Shared Service Board. TUPE will not apply.
- 7.2 The shared audit service arrangement between, LB Merton, LB Sutton, LB Richmond, and RB Kingston is currently governed by a Collaboration Agreement, as is the Fraud Partnership by a separate agreement. The documentation will be reviewed by legal services and amended to reflect the new service.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1 A full EIA will be updated and completed by the formal consultation. A full EIA will be completed will be taken into account as part of the future decision making.

9 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 9.1 The Project Board will be responsible for managing the key risks and issues arising from the delivery of the project, and a full risk register will be developed during the initiation phase. This is likely to reflect a number of the initial challenges and potential constraints that have already been identified:
- 9.2 The business case for the inclusion of LB Wandsworth has reviewed all potential risks for the project. One of the key risks, particularly in the interim period, is that the Head and Deputy Head of the SWLAP will have a reduced capacity to undertake work for the shared service whilst proposals to include LB Wandsworth are developed and implemented. Once the five borough service is in place, there is an increased likelihood across the partnership of a major incident such as a fraud or control failure that might divert senior attention; however, this is also a benefit in being able to have greater flexibility in diverting resources where they are most needed.
- 9.3 Wandsworth joining will not affect Merton's position as the Council will receive the agreed service as set out in the 2016/17 Internal Audit plan. The key target for the SWLAP to deliver 100% of the 2016/17 Audit Plan remains in place and delivery will be monitored by a Shared Service Board on which all partners have equal representation. The increased risk of a major incident will be mitigated by an increase in capacity and more opportunities to flex resources temporarily across the five boroughs, creating greater resilience. Events that highlight significant control issues such as a fraud, error or loss, may require additional audit resource to be made available within a particular auditable area. Where possible, this will be managed through current audit and fraud planned days given the flexibility to cancel audits, add new ones and carry forward audits into the following year. Where this need cannot be met from existing resources, this will be discussed with the Shared Service Board and, if necessary, with the s151 officer and

the Standards/GP Committee.

- 9.4 Overall the governance processes in place are sufficient to give a high level of assurance that internal audit and fraud investigation services will be delivered as agreed.