

Meeting:	Audit and Governance Committee	Date:	20th November 2017
Subject:	Audit Risk Assurance (ARA) Shared Service Evaluation of Effectiveness		
Report Of:	Head of Policy and Resources Head of Audit Risk Assurance (Chief Internal Auditor)		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	1. Audit Risk Assurance (ARA) Shared Service Evaluation of Effectiveness report		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To inform Members of the outcomes of reviewing the effectiveness of the ARA shared service against its original business case objectives.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** to:

- (1) Consider whether the shared service has made a positive contribution to the Council's overall governance and control arrangements.

3.0 Background and Key Issues

- 3.1 Discussions had taken place over many years between the various Councils within Gloucestershire regarding the benefits of joint working between the authorities' respective internal audit teams. Following the successful partnering agreement between Gloucester City Council (GCiC) and Stroud District Council (SDC) for the management of the internal audit team in SDC, in December 2010 GCiC and SDC entered into a formal shared internal audit service, known as G A A P for the provision of an internal audit service to both Councils. Due to the success of this internal audit shared service arrangement between GCiC and SDC, the S151 Officers of GCiC, SDC and Gloucestershire County Council (GCC) agreed to consider extending the shared service arrangement to include GCC and review the opportunities available to:

- Formally share internal audit and risk management services between the three Councils; and
- Bring the management of an extended shared service under one manager.

- 3.2 In February and March 2015, the three Councils recommended the introduction of a new shared service, with GCC becoming the host authority under a section 101 collaboration agreement, and agreed to GCiC staff, including those based at SDC, being transferred to GCC under TUPE arrangements. Whilst all staff were TUPE transferred to GCC on 1st June 2015, the new shared service, re-branded Audit Risk Assurance (ARA) did not become fully operational under the new Head of Service until 1st May 2016.
- 3.3 The development and implementation of ARA has been designed to re-profile the service to address changing demands to meet customer and business requirements. However the environment demands that the service stays ahead of the game and, together with all parts of our shared service partner organisations and external clients achieve more with fewer resources. To do this, we needed not only a different structure, but also a new way of working, which were built around the following principles:
- Being open and honest with ourselves and with our customers;
 - Strong relationships with everyone that we do business with;
 - Working as a team, because we are stronger collectively than as individuals;
 - A positive, can-do and problem-solving approach;
 - Clear leadership and direction at all management levels; and
 - Openness to new ways of working.
- 3.4 The business case objectives (all of which have been achieved) represented a real opportunity to provide:
- Economies of scale from the employment of a single Head of Service (Chief Internal Auditor), across the three authorities;
 - Pool expertise to strengthen business delivery to the benefit of the clients;
 - Provide critical mass and improved business resilience e.g. enabling the risk of sickness and vacancies to be better managed;
 - Enhanced ability to undertake thematic reviews across the three authorities to share best practice across the shared service;
 - Present succession planning, career opportunities and development for staff;
 - Optimal use of resources through a modern collaborative approach;
 - Economies of scale through shared training and procurement;
 - Increased capacity, flexibility and specialist knowledge from pooling staff resources; and
 - Benefits of adopting common day to day audit reporting and procedural approaches driven by a single Audit Management System for the shared service, along with common audit committee reporting protocols/methodologies/formats.

4.0 Asset Based Community Development (ABCD) Considerations

4.1 There are no ABCD implications as a result of the recommendation made in this report.

5.0 Alternative Options Considered

5.1 Not applicable.

6.0 Reasons for Recommendations

6.1 To provide the Committee with the outcomes of the review of the effectiveness of the shared service.

7.0 Future Work and Conclusions

7.1 In conclusion, based on the evaluation against the original shared service business case and the annual review of the effectiveness of internal audit, it is recommended that the Audit and Governance Committee consider whether the shared service has made a positive contribution to the Council's overall governance and control arrangements.

8.0 Financial Implications

8.1 There are no direct financial costs arising out of this report.

(Financial Services have been consulted in the preparation this report).

9.0 Legal Implications

9.1 On 27th May 2015 the City Council (together with and Stroud District Council) entered into an agreement under s101 Local Government Act 1972 (and related legislation) to delegated the City Council's Internal Audit function to the County Council. The agreement also relates to the provision of risk management services by the County Council. The new shared service commenced on 1st June 2015.

(One Legal have been consulted in the preparation this report).

10.0 Risk and Opportunity Management Implications

10.1 Failure to deliver an effective Internal Audit Service will prevent an independent, objective assurance opinion from being provided to those charged with governance that the key risks associated with the achievement of the Council's objectives are being adequately controlled.

11.0 People Impact Assessment (PIA):

11.1 A requirement of the Accounts and Audit Regulations 2015 is for the Council to *'undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'*. The Internal Audit Service is delivered by Audit Risk Assurance which is an internal audit and risk management shared service between Gloucester City Council, Stroud District Council and

Gloucestershire County Council. Equality in service delivery is demonstrated by the team being subject to, and complying with, the Council's equality policies.

- 11.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

12.0 Other Corporate Implications

Community Safety

- 12.1 There are no 'Community Safety' implications arising out of the recommendations in this report.

Sustainability

- 12.2 There are no 'Sustainability' implications arising out of the recommendations in this report.

Staffing & Trade Union

- 12.3 There are no 'Staffing and Trade Union' implications arising out of the recommendations in this report.

Background Documents: None