

13 June 2018**Agenda Item: 14****REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT &
IMPROVEMENT****INTERNAL AUDIT COLLABORATION****Purpose of the Report**

1. To propose a collaborative working arrangement for Internal Audit with Assurance Lincolnshire.

Information

2. The Head of Internal Audit has recently held consultations with neighbouring authorities to explore the opportunities to collaborate in the provision of the internal audit service. Discussions have been held with the corresponding Head of Internal Audit for Derbyshire County Council and Lincolnshire County Council. The discussions with Derbyshire identified some scope to work collaboratively on an ad hoc basis, as and when mutually beneficial opportunities arise. In the case of Lincolnshire, however, the discussions identified a more definite and developed opportunity to progress in the shorter term.
3. The internal audit service for Lincolnshire County Council is delivered by the in-house service, known as Assurance Lincolnshire. The service also delivers an internal audit service to a number of other public sector clients, including district councils. Newark & Sherwood District Council is currently one of Assurance Lincolnshire's clients.
4. Assurance Lincolnshire has an existing collaboration arrangement in place, which it has operated for a number of years with other internal audit providers. Currently, the in-house internal audit services at Lincoln City Council and East Lindsey District Council are members of the collaboration group. Leicester City Council's internal audit service was also a member until recently, but it left the arrangement to enter into a more consolidated shared service with Leicestershire County Council's internal audit service.
5. The primary aim of the Assurance Lincolnshire collaboration is encapsulated in the following extract from the collaboration agreement:
To share information, training, experience, methodologies underpinning software, policies, strategies, materials and skills to learn from each other and develop effective working practices, work collaboratively to identify solutions, eliminate duplication of effort, mitigate risk and reduce cost.

The working protocol elaborates further:

Working together will improve the overall quality of the service provided through:

☐ *Sharing of knowledge and experience*

☐ *Adoption of leading audit techniques and methods*

☐ *Pooling resources across the organisations to make savings, improve efficiency and offer greater value for money to our clients through streamlining our audit plans to audit / research specific areas of common interest.*

6. The manner in which the collaborative partnership operates is set out in its '*Partnership Working Protocol and Terms of Reference*'. Key features of this protocol may be summarised as follows:

- Each member of the partnership retains its own identity. Joining the partnership would not mean that the internal audit service to Nottinghamshire County Council would be delivered by Assurance Lincolnshire; this is simply the title of the partnership arrangement
- A steering group oversees the strategy and direction of the partnership and an operational management group monitors the delivery of services.
- The Council would be free to serve 12 months' notice to leave the partnership.
- Joining the partnership would not alter the local arrangements at the Council for the Internal Audit service to agree its coverage, deliver services and report outcomes.
- Joining the partnership would open up the opportunity to pool resources, to deliver services jointly where appropriate, and to learn from each other in terms of sharing and jointly developing knowledge, techniques and approaches.
- Aside from modest travel expenses to attend routine meetings of the partnership's steering group and operational management group, membership of the partnership would not involve additional costs for the County Council.

7. The key benefits from joining the Assurance Lincolnshire Partnership are considered to be the following:

- a) It is an open ended arrangement, which is free to join and to leave
- b) Assurance Lincolnshire is a progressive and well-respected provider of internal audit services, benefiting from a number of areas of expertise to which this Council's in-house service would have access. It would also be an opportunity to work together to jointly fund the procurement of specialist internal audit resources, where risk assessments and competency assessments demand it.
- c) This Council's in-house internal audit team and the Assurance Lincolnshire in-house team both use the same audit automation software, Pentana. This would provide mutual opportunities to develop approaches to its use and to maximise its potential.
- d) The partnership would provide opportunities for this Council's in-house team to collaborate in future commercial opportunities to deliver internal audit services to other public sector organisations.

Other Options Considered

8. The in-house service could continue with its present arrangements, seeking to collaborate on an ad hoc basis, forging closer links with neighbouring and regional partners without a formal agreement. This may lengthen the timescale over which progress might be expected to be realised.

Reason for Recommendation

9. To actively seize opportunities to develop the effectiveness and efficiency of the audit service through collaboration with respected partners.

Statutory and Policy Implications

10. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

If approved, it is anticipated that the collaboration arrangement will strengthen the value for money delivered to the Council by its in-house internal audit service.

RECOMMENDATION

- 1) The Governance & Ethics Committee endorses the proposal to enter into the Assurance Lincolnshire Partnership and that it recommends this course of action to the Policy Committee for formal approval.

Nigel Stevenson

Service Director – Finance, Procurement & Improvement

For any enquiries about this report please contact:

Rob Disney

Head of Internal Audit

Constitutional Comments (KK 15/5/18)

11. The proposal in this report is within the remit of the Governance and Ethics Committee.

Financial Comments (SES 16/05/18)

12. There are no specific financial implications arising directly from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- Assurance Lincolnshire's collaboration agreement.

Electoral Division(s) and Member(s) Affected

- All