

**AUDIT COMMITTEE: 01 February 2016**

---

**AUDIT MANAGEMENT ARRANGEMENTS**

**REPORT OF THE CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 8.3**

---

**Reason for this Report**

1. The Audit Committee Terms of Reference sets out their responsibility for approving the Internal Audit Strategy comprising the risk based internal audit plan containing the internal audit resources. This report has considered that there is no impact on the approved Internal Audit Strategy.
2. This report has been prepared to provide the Audit Committee with the amended management arrangements that will be put in place for Internal Audit.

**Background**

3. In April 2011, the management arrangement in respect of the functions of Internal Audit, Pensions and Risk were job share as a result of flexible retirement of the two postholders. With the exit of one half of the job share arrangement in May 2015, temporary measures were put in place which enabled the role to continue at 0.5 FTE. flexible retirement.
4. The Pensions Team has over the last ten months reported directly to the S151 Officer whilst there was also a managed reduction of staff in relation to investigations and fraud as a result of the introduction of the Single Fraud Investigation service and the transfer of benefit fraud work and benefit fraud investigators to the Department for Work and Pensions.
5. The recent guidance from the Public Sector Internal Audit Standards board reaffirms the position that the Internal Audit role should be an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. With the Audit Manager role having responsibility for areas such as Pensions and Risk, the principle of objectivity needed particular consideration so that assurance could be taken that a balanced assessment could still be made of these activities.
6. With the appointment of the Head of Finance in September 2015, a review has been undertaken to consider the overall management structure for Finance which included consideration of the sustainable arrangements needed going forward for the Internal Audit function.
7. Specifically in respect to Pensions, the outcome of this review was the transfer of responsibility being permanently allocated to the Operational Manager for Revenues.

## **Issues**

8. The reducing role in Pensions and Fraud and Investigation indicated that there would be a need to assess the Grade of the role of the Audit, Pensions & Risk Operational Manager OM1.
9. In addition, the responsibility for overseeing risk management arrangements has lain with Internal Audit. Whilst, there have been clear lines of separation in order to avoid any conflict when reviewing those said arrangements the position has not been ideal. Therefore any review needs to consider the advantages of allocating the management arrangements for risk to a different area within the Resources Directorate. Those advantages would include a clear distinction between the championing of risk across the Council and performing the independent review.
10. Looking forward, the sustainability of a 0.5 FTE Internal Audit Manager also needed to be reviewed. This needed to be in conjunction with ensuring that there was appropriate management resource available to lead a team that focussed on delivering the Internal Audit function. This review identified the need for a full time manager which required formal evaluation as per the Council's senior management arrangements. The evaluation determined that the Internal Audit Manager post was at OM2.
11. This review provides the Council with a opportunity to reset the function of Internal Audit in order for it to be focussed on delivering an independent assessment of the Council's governance and control arrangements. The Internal Audit Manager will be the key link with Audit Committee going forward and a key member of the Finance Management Team.
12. The recruitment for the role has commenced and it is anticipated that the interview arrangements will be concluded in March 2016. In the event of the successful applicant not joining before 1 April 2016 then interim arrangements will be put in place that will involve the Head of Finance.

## **Reasons for Recommendations**

13. To inform the Audit Committee of the change in the management arrangements in respect of Internal Audit.

## **Legal Implications**

14. There are no direct legal implications arising from this report.

## **Financial Implications**

15. There are no direct financial implications arising from this report as all changes will be found from within currently allocated budgetary resources.

## **Recommendations**

4.CTC.CS.018	Issue 1	Date: Jan 13	Process Owner: Committee & Member Services Manager	Authorised: Deputy Committee & Member Services Manager	Page 2 of 3
--------------	------------	-----------------	---	---	-------------

16. Audit Committee to note the content of the change in the management arrangements in respect Internal Audit.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**

**Date: 19.01.16**

4.CTC.CS.018	Issue 1	Date: Jan 13	Process Owner: Committee & Member Services Manager	Authorised: Deputy Committee & Member Services Manager	Page 3 of 3
--------------	------------	-----------------	---	---	-------------