

**Meeting of the Executive Member for  
Corporate Services and Advisory Panel**

**10 June 2008**

Report of the Assistant Director (Audit and Risk Management)

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**Audit and Fraud Shared Service – Progress Report**

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**Summary**

- 1 To advise Members of the progress which has been made to date in developing the audit and fraud shared service initiative with North Yorkshire County Council (NYCC), and to recommend a few working adjustments to the proposed scope of the shared service project (as previously set out in the original Outline Business Case).

**Background**

- 2 A report was presented to Corporate Services EMAP on 18 March 2008, detailing the progress which has been made since the original approval to develop an audit and fraud shared service initiative with North Yorkshire County Council (NYCC). The report also provided details of the Outline Business Case (OBC), which set out the aims and objectives of the project, and the outcome of the options analysis for the future direction of the project and the long term organisational structure of the service.
- 3 Further to that report, Members agreed that:
  - a) work should continue to proceed with the scope and direction of the project, ie to establish a formal shared service between CYC and NYCC, as originally set out and agreed by Members in September 2007;
  - b) officers should develop a detailed business case for the implementation of option E (a wholly owned company limited by shares or guarantee) as the preferred (in principle) long term organisational structure of the shared service.

It was agreed that officers would report back to this Committee before progressing to full implementation of the chosen option.

- 4 The following outline timetable was proposed for developing the detailed Business Case/Project Implementation Plan;

Action	Date
Prepare detailed Project Implementation Plan – which would include the following elements; <ul style="list-style-type: none"> <li>• Company formation</li> <li>• Governance arrangements</li> <li>• Client roles and reporting arrangements</li> <li>• Contract preparation</li> <li>• Charging arrangements</li> <li>• Cost allocation</li> <li>• Staffing</li> <li>• Accommodation, IT and support services</li> </ul>	April - August 2008
Prepare Change Management Programme	June - August 2008
Implement agreed structure, subject to final Member approval.	September - December 2008
Target go-live date	1 April 2009

## Progress to Date

- 5 Members at NYCC also considered the Outline Business Case and the results of the options appraisal, at a meeting of the NYCC Executive on 6 May 2008 and the recommendations of the Project Board to CYC in March (as set out in paragraph 3 above) were similarly approved by NYCC Cabinet.
- 6 Progress has continued to be made to integrate working practices and systems across both teams. This work has included the preparation of consolidated audit and fraud procedure manuals, and the development of standard audit programmes. Work is also continuing with the process to migrate NYCC staff onto the CYC Galileo IT application. This involves reconfiguring the CYC system and the transfer of data from the NYCC system. Subject to testing, the migration work is expected to be completed by 30 June 2008.
- 7 Work on preparing the detailed Business Case/Project Implementation Plan is also progressing. Annex 1 provides details of the key actions and decisions which will be required as part of this process and before final Member approval is sought to implement the chosen organisational structure.

## Outline Business Case

8 It is apparent that some adjustments to the original scope of the shared service initiative are necessary, further to the work now in hand to fully develop the outline business case as set out below.

9 Information Governance

The Internal Audit Service at NYCC has responsibility for all data management and information governance matters and these services were therefore included in the original scope of the project on the NYCC side of things. However, the decision as to whether or not these services should be included on behalf of CYC was left open until further consideration could be given to whether or not it would be to the Council's advantage to do so or not. Whilst there is no necessity for both Councils to receive exactly the same services from the shared service it is recognised that there is a close synergy between internal audit and information governance. In developing the outline business case, the Project Board has identified the opportunity to streamline some of the existing processes and generate efficiency savings by now including the transactional elements of data management work at CYC, within the shared service. This work involves the recording, distribution, monitoring and tracking of information requests to the Council (Freedom of Information requests and Data Protection Act – subject access enquiries). It is therefore proposed to extend the scope of the project to include this work, together with the administration of the Staff Warning Register and the central record of Regulation of Investigatory Powers Act (RIPA) authorisations. The responsibility for the ongoing development of the information governance policy framework at the Council and the provision of corporate advice will remain outside the shared service and will continue to be provided directly to CYC by ARM officers. In addition, the responsibility for responding to information requests will remain a directorate responsibility.

10 Administrative Support at CYC

Administrative support to the Audit and Fraud teams at CYC is currently provided by two members of staff. The two post holders also undertake the transactional data management work noted in paragraph 9 above. The original intention was that these posts might not be included in the shared service subject to the decision made in respect of the arrangements for information management services (hence their not being included in the original outline business case). The proposed inclusion of the transactional elements of data management work within the scope of the project now though means that the majority of the work undertaken by these two members of staff will relate to services provided through the shared service. The inclusion of this resource will also help provide the necessary capacity needed to service the general business and administration support needs of the new company. For this reason it is considered necessary and appropriate to include these two posts within the scope of the project.

11 Internal Audit and Fraud Structure Chart

The structure chart included in the original Outline Business Case contained an error in terms of reporting lines. The Financial Investigator should have been shown as reporting to the Deputy Audit and Fraud Manager rather than the Fraud Team Leader. An amended structure chart is attached at Annex 2 for information. This structure chart also includes the two administrative posts, noted above.

## **Consultation**

- 12 Staff from both authorities, together with local and regional representatives from Unison are being kept informed of progress with the shared service. The two administrative assistants have been informed of the proposal to include their posts within the scope of the shared service.
- 13 Further formal consultation with staff and Unison on the proposals will be undertaken as part of the implementation process, in accordance with the Council's change management policies.

## **Options**

- 14 Members have two options to consider at this stage in the project process. The first is to agree the minor changes to the Outline Business Case as set out in paragraphs 9-10. The second option is to leave the scope of the project unchanged. The first option is recommended.

## **Analysis**

- 15 Not relevant at this stage. The detailed Business Case/Project Implementation Plan will be presented to Members for final approval prior to implementation of the chosen organisational structure. This will include a full analysis of the financial, legal and staffing implications of implementing the shared service.

## **Corporate Priorities**

- 16 This report contributes to the Council's overall aims and priorities by helping to provide strong leadership, and by encouraging improvement in everything we do.

## **Implications**

- 17 The implications are;
  - **Financial** – The proposed minor changes to the OBC have been discussed with Finance. The detailed Business Case/Project Implementation Plan will include details of the payment mechanism for the shared service, and the cost sharing arrangements between the two Councils. The Plan is being developed in accordance with the financial principles and projections set out in the original OBC. Final implementation will only take place when there is agreement between the two

Councils on the appropriate financial arrangements, and subject to final Member approval.

- **Human Resources (HR)** – HR have been consulted on the proposed minor changes to the OBC. The detailed Business Case/Project Implementation Plan will include full consideration of all the TUPE and other related implications, both for the Council and the staff concerned. Final implementation will not proceed until there is agreement between the two Councils regarding all aspects of the staffing implications.
- **Equalities** - there are no equalities implications to this report.
- **Legal** – there are no legal implications to this report.
- **Crime and Disorder** – there are no crime and disorder implications to this report.
- **Information Technology (IT)** - there are no IT implications for CYC arising from this report. Work is ongoing to enable NYCC staff to use the audit IT application currently used by CYC staff. The costs of this work are being met from funding provided by the Y&H Centre of Excellence.
- **Property** - there are no property implications to this report. It is proposed that the Council would provide fully serviced accommodation to the shared service, keeping with the provision currently made available to CYC audit and fraud staff.

## **Risk Management Assessment**

- 18 The shared service offers an opportunity to deliver efficiencies and economies of scale. The risks of the project and the preferred option for the long term structure for the shared service are being monitored by the Project Board. Details of the initial risk assessment and the planned actions to mitigate those risks, were set out in the original OBC.

## **Recommendation**

- 19 Members are asked to advise the Executive Member to;
- a) Note the progress which has been made in developing the audit and fraud shared service to date, and the work required to develop the full Business Case/Project Implementation Plan (prior to final Member approval);

### Reason

To enable Members to consider the progress made to date and the next steps in the development of the shared service.

- b) Approve, the minor changes to the scope of the shared service project (as set out in paragraphs 9-10).

### Reason

To enable Members to agree the scope of the services which are included in the project.

### **Contact Details**

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**Report Approved**



**Date** 20 May 2008

### **Specialist Implications Officers**

Patrick Looker – Finance Manager, City Strategy  
Janet Neeve – HR Business Partner, Chief Executives

**Wards Affected:** Not applicable

**All**



**For further information please contact the author of the report**

### **Background Papers**

None

### **Annexes**

Annex 1 – Key actions/decisions necessary to support the preparation of the full  
Business Case/Project Implementation Plan

Annex 2 - Revised Structure Chart