

Audit and Governance Committee

15 January 2008

Report of the Assistant Director of Resources (Audit & Risk Management)

Audit and Fraud Shared Service – Progress Report

Summary

- 1 The purpose of this report is to advise Members of the progress made in developing the shared audit and fraud service with North Yorkshire County Council.

Background

- 2 A report was presented to Corporate Services EMAP on 11 September 2007, setting out the benefits of developing a shared service solution for the future provision of internal audit and fraud services. Preliminary discussions between CYC and North Yorkshire County Council (NYCC) had shown that there was a mutual desire to identify suitable options for joint working and a clear commitment to deliver greater efficiencies across both authorities. Audit and fraud services had been identified as suitable areas for early consideration. The intention was to treat this as a pilot exercise so as to enable the benefits of such an approach to be properly assessed in a discrete, low risk service area for both authorities. The experience gained would then inform consideration of future collaboration in other service areas.
- 3 Members approved a three phase strategic approach as follows;

Phase I – short term management arrangement and development of business options (to commence from 1 October 2007);

Phase II – implementation of the agreed service vehicle and benefits realisation;

Phase III – review, evaluation and appraisal of other shared service opportunities.

Benefits of Collaboration

- 4 The key benefits of this collaboration with NYCC are;
 - a) Greater resilience and capacity in audit and counter fraud provision. The combined team is better placed to manage

- resource pressures, including staff vacancies and/or unexpected service demands;
- b) Greater flexibility in responding to changing priorities, initiatives and/or new working methods;
 - c) The ability to deliver efficiencies through sharing best practice, integrating processes and reducing duplication of effort;
 - d) Demonstrating a positive response to the government's efficiency and service transformation agenda;
 - e) Achieving economies of scale by sharing overheads and reducing unproductive time whilst maintaining or improving current levels of performance;
 - f) Enhancing the focus on service delivery, professionalism and quality;
 - g) Increasing the opportunities for staff to specialise and enhancing career opportunities, resulting in greater staff satisfaction and retention;
 - h) Greater opportunity to develop audit specialisms and reduce the reliance on bought-in services;
 - i) Providing a robust shared service model which offers greater opportunity for future collaboration with other Councils in the region, particularly the North Yorkshire districts, and which helps to develop the existing market place;
 - j) The opportunity for both authorities to evaluate the benefits of sharing back office functions before considering more high profile transactional and/or public facing services

Progress to Date

- 5 Phase I of the shared service with NYCC commenced on 1 October 2007. The interim shared management arrangements are in place with the CYC Audit and Fraud Manager assuming overall management responsibility across both teams. NYCC is providing £32k to CYC to fund this management support and to provide appropriate backfill.
- 6 A Project Board, comprising the Assistant Director Resources (ARM), the Assistant Director (Central Finance – NYCC) and the Audit and Fraud Manager has been established to direct and coordinate the development and delivery of the shared service. During phase I of the process, the two staff groups are continuing to operate from their existing office locations. The staff have also remained on their current terms and conditions. A minor restructure has however been undertaken to reflect the changed management responsibilities and to establish a local 'site' manager to support the Audit and Fraud Manager in the operational delivery of the service. NYCC has also made an appointment to a new post of Audit and Information Assurance Manager (the NYCC equivalent local 'site' manager).

- 7 Work is ongoing to evaluate the detailed business options for the long term organisational structure of the service. Baseline financial and benchmarking information has been collected, and is currently being analysed. The local government project delivery specialists, 4ps have agreed to provide technical advice and support to the project. NYCC has also secured funding of £21.5k from the Yorkshire and Humber Centre of Excellence to help fund external legal, HR and procurement advice, and integration costs.
- 8 Progress has also been made to integrate working practices and systems across both teams. Although both teams use the Galileo IT application to manage and record audit work, the version operated by NYCC uses a different operating system. It is therefore anticipated that NYCC will migrate to the CYC version of the system. Work is ongoing to identify the necessary system modifications, data transfer and security implications and access requirements. A standard audit procedure manual is being prepared and audit programmes consolidated.
- 9 Staff and key stakeholders are being kept updated on progress with the project, at regular intervals. A Communications Strategy has been agreed and two joint staff workshops held. Local and regional representatives from Unison are also being kept informed of developments.
- 10 Details of the options appraisal together with the business case for the preferred option will be reported to Members by March 2008. Implementation of the new arrangements is then expected to take place in early 2008/09 with full implementation expected by March 2009.

Consultation

- 11 Not relevant for the purpose of the report.

Options

- 12 Not relevant for the purpose of the report.

Analysis

- 13 Not relevant for the purpose of the report.

Corporate Priorities

- 14 This report contributes to the Council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

Implications

- 15 The implications are;
 - **Financial** – there are no financial implications.

- **Human Resources (HR)** – there are no HR implications to this report.
- **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 to this report.
- **Property** - there are no property implications to this report.

Risk Management Assessment

- 16 The shared service with NYCC offers an opportunity to deliver efficiencies and economies of scale. The financial, HR and legal risks of collaborating with NYCC to deliver audit and counter fraud services through a shared management arrangement (phase I) were assessed and judged to be low. A full options appraisal including a detailed risk assessment is being undertaken as part of the process to identify the most suitable long term delivery vehicle for the service.

Recommendation

- 21 Members are asked to:

- note the progress made in developing the shared service initiative with North Yorkshire County Council for the provision of audit and fraud services.

Reason

To enable Members to consider the progress made with the shared service project.

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Report Approved**Date** 27/12/07**Specialist Implications Officers**

Not applicable

Wards Affected: Not applicable**All****For further information please contact the author of the report****Background Papers**

- Report to CS EMAP(11/9/07) – Shared Service Initiative for Audit and Fraud Services in the North Yorkshire Region.

Annexes

None