

Accounts, Audit and Risk Committee

New reporting line arrangements for Internal Audit

26 October 2009

Report of Chief Executive

PURPOSE OF REPORT

To share with Members of the Committee the options under consideration for the new reporting line arrangements for Internal Audit following the removal of the post of Strategic Director, Customer Service and Resources from the staffing structure.

This report is public

Recommendations

The Accounts, Audit and Risk Committee is recommended to:

- (1) Note the options under consideration and provide views on these.
- (2) Ask the Chief Internal Auditor to revise the charter for Internal Audit once the final decision on reporting arrangements has been made and to bring this to the Committee's December meeting for consideration.

Executive Summary

Introduction

- 1.1 Internal Audit has reported in recent months directly to the Strategic Director, Customer Service and Resources. This role has now been removed from the Council's staffing structure and responsibility for Internal Audit needs to be allocated to another post in the structure.
- 1.2 Internal Audit is one of several functions that need to be reallocated to other posts. Interim arrangements have been in place since 1st October and the Head of Legal and Democratic Services has taken on responsibility for Internal Audit in the interim.

- 1.3 No permanent arrangements will be confirmed until after the conclusion of a review of the structure and responsibilities of the Extended Management Team at the end of November. Only then will we have sufficient information to make the series of decisions which are required, while being sure that the overall structure makes sense and the workloads of individuals are reasonable.

Proposals

- 1.4 The main option under consideration is to make the interim arrangements permanent, that is, that the Head of Legal and Democratic Services becomes responsible for Internal Audit and the Chief Internal Auditor reports to her. There are some good connections between the governance responsibilities of the Head of Legal and Democratic Services and the work of Internal Audit.
- 1.5 The alternative is to give responsibility to one of the two remaining Strategic Directors, although both these roles will be taking on other new responsibilities as a result of our move from three Strategic Directors to two.
- 1.6 Asking either the Head of Finance or the Chief Executive to take on responsibility for Internal Audit is not under consideration. We have previously moved away from having Internal Audit report to the Head of Finance as a significant amount of Internal Audit's work falls within finance and there are therefore potential conflicts of interest in this arrangement. The Chief Executive's direct reports need to be kept to a reasonable number and adding Internal Audit will not help achieve this.

Conclusion

- 1.7 Allocating responsibility for Internal Audit to the Head of Legal and Democratic Services on a permanent basis appears to be the most appropriate option, subject to the conclusion of the wider discussions about the structure and responsibilities of the Extended Management Team.

Background Information

- 2.1 The CIPFA Code of Practice for Internal Audit in Local Government lays down standards regarding both the independence and status of the function. This includes the view that Internal Audit should be managed directly by a member of the Corporate Management Team.
- 2.2 The Head of Legal and Democratic Services is not a member of the Corporate Management Team but has a standing invitation to all Corporate Management Team meetings and always attends. The

postholder therefore has an extremely good understanding of the work of the Council and the risks and issues we are facing at any one time. As Solicitor to the Council and Monitoring Officer the postholder has significant influence in the organisation.

- 2.3 The direct access the Chief Internal Auditor has to the Accounts, Audit and Risk Committee and to the Chief Executive will remain unchanged.
- 2.4 The Chief Internal Auditor has confirmed that he believes that these proposed arrangements are acceptable and meet the spirit of the CIPFA Code. After the meeting of the Accounts, Audit and Risk Committee the Chief Executive will also seek the view of the Audit Commission but in light of previous discussions anticipates that the Audit Commission will be comfortable with these arrangements too.

Key Issues for Consideration/Reasons for Decision and Options

- 3.1 The need to set up permanent reporting arrangements for Internal Audit which are in line with the CIPFA Code of Practice for Internal Audit in Local Government.
- 3.2 The need to ensure a balance of responsibilities and workload for staff in a smaller Corporate Management Team and a re-visited Extended Management Team structure.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

- Option One** Report to the Head of Legal and Democratic Services
- Option Two** Report to either the Strategic Director, Planning Housing and Economy or the Strategic Director, Environment and Community

Consultations

- Chief Internal Auditor** Content with proposed arrangements

Implications

- Financial:** There are no financial implications of this report.
Comments checked by Karen Muir, Corporate System Accountant 01295 221559

Legal: There are no legal implications arising from this report. The arrangements comply with the CIPFA Code of Practice

Comments checked by Liz Howlett,
Head of Legal and Democratic Services, 01295
221686

Risk Management: There is a risk in any change to reporting lines, particularly in terms of continuity. In this case, our contract with PWC clearly states what the Chief Internal Auditor is expected to deliver this year. What is more, much of the discussion about the shape of the internal audit plan and its ongoing delivery occurs at Corporate Management Team meetings so the Chief Executive and remaining two Strategic Directors can provide support to the Head of Legal and Democratic Services as she takes on this role.

Comments checked by Rosemary Watts, Risk Management & Insurance Officer, 01295 221566

Wards Affected

All

Document Information

Appendix No	Title
N/A	
Background Papers	
N/A	
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