

Governance, Risk and Best Value Committee

10.00am, Thursday 21 April 2015

Internal audit and risk services delivery model

Item number	7.4
Report number	
Executive/routine	
Wards	

Executive summary

The Council is operating in a challenging environment and the Council transformation programme aims to ensure a continued focus on outcomes whilst supporting key initiatives and achieving required financial savings.

As the Council moves through a period of transformation it is critical that internal controls continue to be a focus. However, it is important to recognise the constraints on service delivery as a result of the savings that require to be achieved.

The contract between the Council and PwC for the co-sourced delivery of internal audit and risk management services was extended to 31 March 2017 by Council in December 2015.

This report sets out officer recommendations in relation to future service delivery.

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Single Outcome Agreement	

Internal audit and risk service delivery model

Recommendations

- 1.1 To note the proposals for future service provision for internal audit and risk services.

Background

Current service provision - co-source partnership with PwC

- 2.1 Internal audit services are currently provided through a co-source partnership with PwC. The Council's Chief Internal Auditor is provided by PwC under the co-source arrangements and further capacity and capability is provided by PwC colleagues working in partnership with Council staff in a 'one team' approach.
- 2.2 In addition, specialist risk management input has been drawn down under the co-source contract to assist the Council in developing a risk management framework and methodology. The Chief Risk Officer role is presently undertaken by a PwC member of staff. The primary ongoing purpose of this role is to continuously improve the risk management system, set overall direction and ensure smooth operation of the various senior risk committees.

Main report

Current environment

- 3.1 The improvements made in the Council's internal audit function, as well as its risk management arrangements, through the co-source partnership with PwC have been well documented and are outlined in previous reports to Committee in May and October 2013, May 2014, March 2015 and June 2015.
- 3.2 It is clear that the Council's internal control environment will be critical over the next 18-24 months, as the Council moves through a period of major change. However, it is important to recognise the constraints on service delivery as a result of the savings that require to be achieved.

Future service provision

- 3.3 The Council is operating in a challenging environment, with increased demand for services and continuing financial constraints. As a result, the existing

arrangements for internal audit and risk cannot be brought within the available financial envelope for future years. The internal audit function is clearly critical to the Council's internal control and assurance framework. Within the reduced budget available, it will be important to maintain the integrity of this core service. The risk management arrangements have brought considerable benefits in engaging discussion and linkage between risk and the provision of assurance but in light of the need to prioritise the internal audit service it is no longer proposed to continue with the PwC arrangements as they currently stand.

- 3.4 A review of the service has now been undertaken and subject to staff consultation through the usual Council processes, which commences in mid-April 2016, it is proposed that Risk and Internal Audit are bolstered by the permanent recruitment of a Chief Internal Auditor and a Chief Risk Officer. Further risk resource will also be recruited to increase the current internal resource within the existing Risk function.
- 3.5 It is proposed that, to ensure that the Internal Audit and Risk functions maintain the strength and depth of expertise, the continuation of a co-source "light" arrangement is retained through a new procurement.
- 3.6 It is estimated that savings of up to £150,000 could be achieved by adopting this approach when compared to the current arrangements.
- 3.7 PwC have been asked to provide some assistance on a transitional basis during the period of recruitment and bedding-in of the in-house senior risk management resource as well as generating early momentum in the development of the in-house service.
- 3.8 It is anticipated that recruitment for the Chief Internal Auditor and a Chief Risk Officer posts will commence within the next 6-8 weeks, with appointments hopefully made within 4-6 months. The process for procuring a co-source light option will commence in summer 2016, with a view to the new arrangement being in place from March 2017.

Measures of success

- 4.1 Maintaining the effectiveness of the Council's control environment during a period of major change.

Financial impact

- 5.1 Savings of up to £150,000 could be achieved.

Risk, policy, compliance and governance impact

- 6.1 A strong internal audit function will play a significant role in providing assurance over the controls in place to mitigate the Council's most significant risks.
- 6.2 Efficient and effective risk management arrangements will help ensure that the Council's key risk areas are identified and monitored.

Equalities impact

- 7.1 No full ERIA is required.

Sustainability impact

- 8.1 None.

Consultation and engagement

- 9.1 None.

Background reading/external references

[Internal Audit and Risk Service delivery model – Report to Council: 10 December 2015, referral from GRBV](#)

[Internal audit and risk service delivery – Report to GRBV Committee: 18 June 2015](#)

[Internal audit and risk service delivery update – Report to GRBV: 5 March 2015](#)

[Internal Audit co-source update – Report to GRBV: 22 May 2014](#)

[Internal Audit co-source update – Report to GRBV: 10 Oct 2013](#)

[Internal Audit co-source update – Report to GRBV: 23 May 2013](#)

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Links

Coalition pledges	PO30 - Continue to maintain a sound financial position including long-term financial planning
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Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs
Appendices	None.