

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE: Ending of the Internal Audit and Risk Management Shared Service arrangements between London Borough of Islington and Camden Council	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Audit and Corporate Governance Committee	DATE: 20 February 2025
<p>SUMMARY OF REPORT: This report presents to the Audit and Corporate Governance Committee the plan to cease the shared service arrangements for the Internal Audit and Risk Management Service between Islington Council and Camden Council.</p> <p>LOCAL GOVERNMENT ACT 1972 – ACCESS TO INFORMATION No documents that require listing have been used in the preparation of this report.</p> <p>CONTACT OFFICER: Daniel Omisore Director of Finance 5 Pancras Square London N1C 4AG Telephone: 020 7974 5199 daniel.omisore@camden.gov.uk</p>	
<p>RECOMMENDATIONS</p> <p>The Audit and Corporate Governance Committee is asked to:</p> <ol style="list-style-type: none"> 1. Note the contents of the report. 2. Note the benefits of the shared service arrangements since 2012. 	
<p>SIGNED: Agreed by the Director of Finance</p> <p>DATE: 10th February 2025</p>	

1. Purpose of Report

- 1.1. This report updates the Audit and Corporate Governance Committee on plans to end the shared Internal Audit and Risk Management Service between Camden and Islington Councils. Whilst the two services will continue to collaborate, this change will allow for each service to be better resourced, with a dedicated Head of Internal Audit and Risk Manager delivering a more focussed service based on the specific needs of the respective Councils.

2. Background

- 2.1. In September 2010, Islington and Camden Councils started to explore opportunities to share services across the range of Council services, building on existing joint working between the two boroughs. The Internal Audit and Risk Management Service was formally established under Section 113 (1) of the Local Government Act 1972. Under these arrangements only one authority can act as the employer, therefore as Camden's Head of Internal Audit (HIA) was the only incumbent officer, the service was hosted by the London Borough of Camden.
- 2.2. Whilst the shared service initially covered just the HIA post, it was envisaged that over time the service would be expanded to eventually cover a fully integrated audit team, a shared audit support contract and the potential to onboard other authorities. As things stand, the posts which are shared remain the HIA in addition to the Risk Manager role. The teams also share knowledge and best practice and on occasion have provided support with specific tasks, but essentially function as two separate services.
- 2.3. Islington's current team includes:
 - 1 shared Head of Internal Audit (shared with Camden)
 - 1 shared Risk Manager (shared with Camden)
 - 1 Internal Audit Manager
 - 1 Investigations Manager
 - 3 Principal Investigators
 - 2.6 Principal Auditors
- 2.4. Camden's current team includes:
 - 1 Head of Internal Audit (shared with Islington)
 - 1 shared Risk Manager (shared with Islington)
 - 1 Audit Manager
 - 3 Principal Investigators
 - 3 Principal Auditors
- 2.5. In addition to the above structures, both teams buy a small number of audit days in additional support from Price Waterhouse Coopers (PwC), accessed through a framework operated by Barnet Council that is principally drawn upon to access specialist audit capability such as IT, programme, and key financial systems assurance.
- 2.6. Following the ending of the shared service, the officers occupying the shared posts (Head of Internal Audit and Risk Manager) will retain their current positions

but will work exclusively for Camden. Appendix A shows the current and proposed structure for Camden following the change.

Shared service objectives and outcomes

2.7. The benefits anticipated at the time of inception have been broadly delivered. The scale of the realisation of the benefits anticipated within the 2011 report to the Islington and Camden Audit Committees are considered further below.

a) Head of Internal Audit cost savings – It was envisaged that the shared HIA post would provide financial savings of £65k across the two boroughs.

- Both councils have secured a financial saving resulting from a 50% reduction in the cost of the HIA within each borough. While a 50% saving was achieved by sharing the HIA salary, the lack of a dedicated HIA has meant less resource to focus on risk and controls for each borough.

b) In house audit teams – It was envisaged that bringing the two teams together would provide resilience and flexibility regarding resource planning, coordinate skills and specialisms, and enable good practice to be shared across both boroughs and deliver savings through reducing reliance on external support.

- Following the inception of the shared service, a number of benefits were achieved including the creation of a shared service Internal Audit methodology and shared working practices across both Councils, in line with the Public Sector Internal Audit Standards. This was the key benefit of the shared service and resulted in high performing audit teams across both Councils. It is felt that this benefit has now been realised. In terms of resourcing, in practice, it was found that each Council was served best by having dedicated auditors focussed on each borough. This also ensured continuity of knowledge for each borough. External support via a co-sourced provider (currently PwC) also continued as it was found that specialist expertise continued to be needed particularly in areas such as IT and programme assurance. Whilst the teams do share knowledge and ideas on an ad hoc basis, the sharing of resources between teams is limited to critical situations only, which in practice has been rare.

c) Audit support contracts – When the shared service began both Councils used the same external supplier to supplement their in-house audit functions. It was envisaged that a single contract would be let and that other Councils would be invited to join. This would deliver savings through reduction of day rates and economies of scale.

- While both Councils accessed the same framework, this was done so separately by each Council in line with their respective procurement processes. In practice it was found that more favourable rates did not result from being a shared service, however there were benefits to be

had by both Councils participating in a wider London consortium during procurement.

d) Other authorities. It was expected that opportunities to deliver savings through working with other north London boroughs would be explored.

- While this was explored, it was found that direct work with other North London boroughs was not practicable. Therefore the shared service continued to collaborate with other boroughs via the usual channels such as the London Audit Group.

Reasons for change

- 2.8. Both organisations acknowledge the benefits this arrangement has brought since 2012, however the operating environment has changed significantly over the last 14 years. Local Government is experiencing unprecedented change, financial pressures, demographic shifts and increasing demands. Given this outlook there is a need for additional resources to address the increasing complexity around delivery and demand for council services, particularly in the areas of adults and children's social care services, temporary accommodation, and housing.
- 2.9. The shared service has delivered cost benefits and progressed key deliverables but the challenges associated with constrained finances and rapidly rising demand for critical services requires additional capacity to continue to meet wider organisational needs. The ending of the shared service arrangement presents several benefits for both Islington Council and Camden Council.
- 2.10. For Islington, transitioning to a full-time resource dedicated to the oversight of Internal Audit, Investigations and Risk Management is essential to adequately mitigate risks, ensure compliance, and uphold the integrity of the Council's processes. This additional capacity will allow better access to Officers across the council, enabling a greater focus on adding value and advising on direction at the inception of initiatives. An example of this is the increased capacity to proactively support the finance system replacement project. Further attendance at regular leadership and management team meetings will enable the audit service to better understand emerging risks within the Council and respond quickly, while also providing wider influence on the organisation.
- 2.11. For Camden, this will provide additional bandwidth for the continued effective delivery of the annual audit plan and assurance on controls and governance frameworks. It will also provide additional capacity for the management and oversight of key corporate risks. The change will also allow for a better allocation of resource to focus on Camden's needs. It will mean that resources are not overstretched and there will also be an opportunity for closer collaboration with wider Directorate Management Teams from closer joint working between the Head of Internal Audit and the Risk Manager and the auditors and investigators. The ending of the shared service arrangement will also provide opportunities for the HIA and Risk Manager to more meaningfully collaborate in pan London forums due to the increase in capacity.

- 2.12. In summary, the ending of the shared service will enable both councils to better address the current unique challenges and priorities, ensuring more effective and responsive internal audit and risk management functions.

Service Implications

- 2.13. The change primarily relates to the two shared posts, namely the Head of Internal Audit and the Risk Manager posts. Both posts are split 50:50 in duties but are employed by Camden. Going forward, they will retain their positions and work exclusively for Camden. Following the staff consultation, the equivalent roles will then need to be established and recruited to within Islington. Within Islington it is possible that there will be a period of vacancy beyond the intended shared service cessation. In which case, interim line management arrangements will need to be considered.
- 2.14. It is anticipated that, given that Internal Audit and Investigations staff remain stable at both boroughs, the change will not cause any significant disruption. The Head of Internal Audit and the Risk Manager have begun transitional arrangements to ensure a smooth handover at Islington, including compliance with information governance arrangements. The Anti-Fraud and Investigations service will not be impacted, and the statutory whistleblowing requirements and process will remain in place.

Termination

- 2.15. The section 113 Agreement states that “Either party may terminate the agreement by giving the other three months prior advance written notice”. It is intended that each council will give the other simultaneous Notice on 1 April 2025 by way of hand delivery/first class post in compliance with the termination clause of the Agreement.

Consultation Process

- 2.16. The ending of the shared service will involve a structured process to sensitively manage the transition of the two directly affected staff. This will be managed through the organisational change procedure.
- 2.17. Specifically, this will include:
- Reviewing current roles and responsibilities.
 - Providing support and guidance to staff throughout the transition.
 - Clear and proper explanation of the change rationale.
 - Clear and proper explanation of the proposed change and the impact on affected posts.
 - Proper engagement with stakeholders and those staff affected by the proposed change.

- Adequate opportunity for views to be put forward to inform the final decision.
- Appropriate engagement of the Unions.
- Comprehensive consultation and communication to stakeholders.

Recruitment Process

2.18. As the individuals who are shared are employed by Camden Council, it is envisaged they will continue on their existing terms and conditions solely supporting Camden. There will be a need to create new roles within Islington to take on the sovereign management of the service.

Timeline

2.19. The process leading to the termination of the shared service arrangements is expected to follow the following timelines:

- Formal staff consultation commenced on 10 February 2025 and is expected to run up until 21 February 2025.
- A separate report on the proposals is scheduled to be presented to both Islington's Audit & Risk Committee on 18th February 2025, and then to Camden's Audit & Corporate Governance Committee on 20 February 2025.
- There then follows a further period of consultation, dialogue and communication with key stakeholders.
- Following consultation, the equivalent roles will be established and recruited to within Islington.
- Formal notice to terminate the agreement will be submitted by 1 April 2025 by way of first class post, hand delivery or facsimile transmission.
- Termination of the agreement by 1 July 2025 (three months after the formal notice).
- From 1 July 2025, the Head of Internal Audit and Risk Manager will revert to working at Camden 100% of the time.

3. Finance Comments of the Executive Director Corporate Services

3.1. Camden directly employs the Head of Internal Audit and the Risk Manager, therefore under the current arrangements, 50% of the cost is recharged to Islington on an annual basis. Upon ending the shared service, 100% of the cost will fall to Camden giving rise an additional cost of c130k which will be fully met from within existing budgets.

4. Legal Comments of the Borough Solicitor

- 4.1. The Section 113 Agreement can be terminated by either party by giving the other at least three months' written notice. Notice is to be by way of first class post, hand delivery or facsimile transmission.

- 4.2. The provision of Internal Audit is a statutory requirement under the Local Government Act 1972. Under the Accounts and Audit Regulations 2015 the Council is required to ensure that it has a sound system of internal control which;
(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the Authority is effective; and (c) includes effective arrangement for the management of risk. The council should make provision to have sufficient internal audit capacity to meet the obligations set out above.

- 4.3. The Council is to ensure compliance with all employment consultation and other related measures, as required.

5. Environmental Implications

- 5.1. There are no environmental implications.

6. Appendices

- 6.1. Appendix A – Current and proposed structure at Camden

REPORT ENDS