

# Shadow Dorset Council

Date of Meeting	21 August 2018
Officer	Jason Vaughan, Interim Section 151 Officer
<b>Subject of Report</b>	<b>Appointment of Internal Auditors</b>
Executive Summary	To appoint SWAP Ltd as the internal auditors for Dorset Council from April 2019 in order to ensure compliance with the legal requirements concerning internal audit. This will provide some service continuity as they are the current providers for Dorset CC, North Dorset DC, West Dorset DC and Weymouth & Portland BC. East Dorset DC and Purbeck DC currently have in-house provision for this service.
Impact Assessment:	Equalities Impact Assessment: None
	Use of Evidence: None
	Budget: This is within the existing budgetary provision of the Dorset Councils and will deliver future savings
	Risk Assessment: Having considered the risks associated with this decision using the LGR approved risk management methodology, the level of risk has been identified as: Current Risk: LOW Residual Risk LOW
	Other Implications: There are potential TUPE implications for internal audit staff employed in Purbeck and East Dorset Councils.
Recommendation	1. That SWAP Ltd be appointed as the internal auditors for Dorset Council from April 2019

	<p>2 That the Section 151 Officer appoints an appropriate representative to be on the SWAP Board of Directors.</p> <p>3 That the Councillor representative for SWAP be appointed following the May 2019 elections</p>
Reason for Recommendation	To ensure compliance with the legal requirement to have an internal audit service and to enable the development of an internal plan for 2019/20.
Appendices	None
Background Papers	None
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## 1. Background

- 1.1 There is a legal requirement for a council to have an internal audit service. SWAP provides an internal audit service for Dorset CC, North Dorset DC, West Dorset DC and Weymouth & Portland BC. Dorset CC has an audit plan of 1,067 days and DCP has an audit plan of 700 days. The councils have previously TUPE transferred staff into SWAP and do not employ any staff directly. SWAP started off as a teckel compliant partnership between councils and in 2013 became a limited company for governance reasons. SWAP is owned by its partner councils and each Council has a Director on the Board. There is also a Councillor Board that oversees the Budget, Business Plan and the admittance of new partners.
- 1.2 Purbeck DC have an in-house service employing 2 staff (1.21 fte) with 200 days coverage. East Dorset DC have a combined in-house service with Christchurch BC employing 3 staff with 442 days coverage. This service will be disaggregated between the two new unitary councils.
- 1.3 Having a combination of a service provided by SWAP whilst still directly employing some in-house staff is not feasible or practical and therefore a decision is required concerning the future service arrangements.

## 2. Consideration of Options

- 2.1 There are three options that were considered and a brief summary of each is set out below:-
- In-house Provision – this option would require Dorset CC, North Dorset DC, West Dorset DC and Weymouth & Portland BC to give notice to SWAP. The notice period is 12 months and therefore could not be achieved by 1 April 2019. As part of the legal agreement with SWAP each council is liable to pay any costs arising from SWAP having to restructure or make any staff redundant as a result of them leaving the company. There would be a TUPE transfer of staff to the council and any pensions liabilities would need to be settled.

- SWAP to be the provider – As they are a teckel compliant company there is no need to tender the service which means a single service could be achieved for April 2019. There would be a TUPE of up to 5 staff to SWAP and the current agreements with DCC, NDDC, WDDC & WPBC to be changed to one agreement with Dorset Council.
- Alternative external provider – would require the TUPE transfer of the staff employed by SWAP, as well as the exiting 5 current employees. A year's notice is required to terminate the agreement with SWAP and there is not enough time to give this notice. Not therefore an option.

2.2 The Dorset Finance Officers Group considered the options and recommended that SWAP be appointed as the provider of internal audit services. This was considered by the LGR Programme Board and they endorsed the decision.

### **3. Audit Service**

3.1 Once appointed SWAP would start the work on developing the internal plan for the new council which would be brought to the Shadow Executive for approval. It is recognised that during the LGR period with significant changes taking place there is increased risk and a need for a robust internal audit service. SWAP are currently undertaking some work on the LGR programme in order to provide some assurance around the current arrangements. This will be the start of on-going work as the LGR programme intensifies.

3.2 The first year of the new Dorset Council will be turbulent as the 6 sovereign councils are brought together. It will be vital that there is an adequately resourced internal audit service during this period. However this is an area where efficiencies can be made and I would expect to achieve savings from a reduction in the number of days required for an internal audit service.

### **4. External Audit**

4.1 All of the 6 councils signed up to the Public Sector Auditor Appointment (PSAA) process and as a result now all have Deloitte who have been appointed for 5 consecutive financial years commencing 1 April 2018. We are currently working with PSAA and MHCLG to ensure this arrangement continues for the new Dorset Council.