

23 November 2017		ITEM: 8
Standards and Audit Committee		
Internal Audit Service Update 2017/18		
Wards and communities affected: All		Key Decision: Key
Report of: Gary Clifford – Chief Internal Auditor		
Accountable Assistant Director: N/A		
Accountable Director: Sean Clark – Director of Finance & IT		
This report is public		

Executive Summary

This update provides a high level summary of the progress that the service has made since it was brought back in-house from the 1st April 2015. This report will be presented to members of the Committee on an annual basis to provide them with an update on how the service is developing in the long term.

1. Recommendation(s)

1.1 That the Standards & Audit Committee:

Agree that the new structure will improve the service being provided by internal audit and will provide members of the Standards & Audit Committee with additional assurance around the internal control, risk management and governance frameworks to senior management and members.

2. Introduction and Background

- 2.1 The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is therefore a key part of Thurrock Council's internal control system and integral to the framework of assurance that the Standards & Audit Committee can place reliance on to assess its internal control system.
- 2.2 The Accounts and Audit Regulations 2015 require that a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. This responsibility has

been delegated to the Director of Finance & IT (Section 151 Officer) under the Council's Executive Scheme of Delegation and is delivered through the Head of Audit in consultation with the Director of Finance & IT.

- 2.3 The contract with the external provider of internal audit services ended on 31st March 2015, with the staff being brought back in-house from the 1st April 2015. As a result of this action, resources during 2015/16 were stretched due to the small permanent on-site team. To help with the resource issue, a framework agreement was entered into with the London Borough of Croydon to provide additional audit resource.
- 2.4 It was agreed with the Director of Finance & IT, that in the longer-term, a new structure needed to be developed and additional resources obtained. This process started in 2016/17. Following agreement for the new posts and a job evaluation process to determine their grade, recruitment started in November 2016 and the 2 successful staff started in January 2017.
- 2.5 In addition, it is clear that with all of the budgetary pressures being put on local authorities to make savings, do more with less and look for additional ways to generate income, means that having a robust, well-resourced internal audit service is more important than ever to provide senior management and members with assurance around the internal control, risk management and governance frameworks.

3. Issues, Options and Analysis of Options

- 3.1 To address some of these issues, the Chief Internal Auditor continues to utilise the framework agreement with Croydon Council but this is now limited to IT Audit where there is no capacity within the team. The framework operates under a call off arrangement so there is no commitment by the Council on how much or little it is used.
- 3.2 It is acknowledged that there is still much to do in getting the service to a position where it will be compliant with the Public Sector Internal Audit Standards (PSIAS) but progress has, and continues to be made, in developing the service. The service update at Appendix 1 provides more detail on this.
- 3.3 The service needs to undertake a self-assessment and have a full external assessment against the PSIAS by 31st March 2020 i.e. within 5 years of it being brought back in-house. It is anticipated the self-assessment process will be carried out early in 2018/19 with the external assessment being undertaken in early 2019/20.

4. Reasons for Recommendation

- 4.1 To assist the Standards & Audit Committee in satisfying itself that the internal audit service is making progress in being able to provide additional assurance

through its new structure and will meet the PSIAS within the required timeframe.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The review of the structure was consulted on with the Director of Finance & IT, senior HR Advisors and staff within the internal audit team.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The Council's corporate priorities are used to inform the annual audit plan and the internal audit service makes recommendations which are designed to further the implementation of these corporate priorities.

7. Implications

7.1 Financial

Implications verified by: **Y. Adeboye**

Management Accountant

This report is for information purposes only so there are no direct financial implications arising from the report. Any financial decisions made around staffing levels have been considered and will be contained within the existing budget.

7.2 Legal

Implications verified by: **D Lawson**

Deputy Head of Law & Governance

This report is for information purposes only so there are no direct legal implications arising from the report

7.3 Diversity and Equality

Implications verified by: **R Price**

Community Development Officer

This report is for information purposes only so there are no direct diversity and equality implications arising from the report

7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

This report is for information purposes only so there are no other implications arising from the report.

8. Background papers used in preparing the report:

- Internal Audit budget reports
- Internal Audit Structure Chart.

9. Appendices to the report

- Appendix 1 – Service Update.

Report Author:

Gary Clifford

Chief Internal Auditor

Thurrock Council Internal Audit Service, Corporate Finance