

Thurrock Council

Standards & Audit Committee

Service Update Report

Date of Committee: 27th November 2017

Service Update for Standards & Audit Committee – 27th November 2017

Background

The Internal Audit Service provides senior management and members with assurance around the council's governance, internal control and risk management arrangements. It achieves this by preparing and agreeing an annual plan with Director's and senior management. The final plan is presented to Directors Board and presented to members at the meeting of the Standards & Audit Committee in March each year. This plan then forms the work programme for the internal audit team. However, it should be noted that the plan has to remain fluid as there are likely to be changes during the year e.g. services evolve and working practices change, departments restructure, high priority one-off assignments need to be undertaken etc.

The service transferred back in to the Council on the 1st April 2015. During the previous 8½ years, it was provided through an outsourced arrangement with a number of private firms of Chartered Accountants (the contractor).

With the transfer of the core team back into the Council, this resulted in the need to identify and source the shortfall from another provider in the short-term and to look at options for a more permanent solution in the longer term. On this basis, a decision was made to utilise a framework agreement with Croydon Council for the provision of additional internal audit resources.

In the longer term, the recruitment of additional staff was considered and a new structure for the service agreed. A business case was prepared and presented to the Director of Finance & IT and a consultation process carried out with the current staff in post.

The process for the recruitment of the 2 Assistant Internal Auditor posts commenced in November 2016 and 46 completed application forms were received by the closing date. From these completed applications, the Chief Internal Auditor and 2 Senior Auditors independently reviewed the applications to each come up with a shortlist, together with reasons for their decision. A meeting was then held to pull together all of the results and from this, we were able to come up with a final list of 9 applicants who were invited to a formal interview. There were 4 strong candidates and 2 were selected and commenced their employment with the Council in early January 2017. It was agreed that for 2017/18, the trainee post would be put on hold to enable the Chief internal Auditor and 2 Senior Auditor's to concentrate on developing the skills of the new Assistant Auditors.

Staffing

Due to the way the previous contractor operated, the contract was resourced with a small permanent on-site team of 3.15 full-time equivalent staff and additional staff

would be sourced through the contractor to carry out specialist IT audits, contract audits and assist with the core audit work. At that time, there was a shortfall of 180 days which had to be resourced using these additional staff to ensure the annual audit plan could be achieved.

The current service operates with an establishment of 4.90 full-time equivalent in-house staff which has been achieved at a lower cost, and resulted in more audit days being available, than that provided by the previous contractor. Some additional resource has been purchased, on a call-off arrangement, through the framework agreement. This is limited to IT audits where there is insufficient work to justify employing a specialist IT auditor in-house on a full-time basis but the skills do not exist within the current team.

Processes and Procedures

All public sector internal audit functions, whether in-house, outsourced or co-sourced (a mixture of both), have to undertake an internal self-assessment and external assessment of their compliance with the Public Sector Internal Audit Standards (PSIAS) within 5 years. With the team coming back in-house, Thurrock's team now have to put in place a process for meeting the standards by March 2020. However, during 2017/18, it is intended to start the self-evaluation process to identify any gaps between the requirements to meet the Standards and how the service currently operates. This will allow the Chief Internal Auditor to develop an action plan to address these gaps during 2018/19 with a view to getting an external review towards the end of the financial year.

The contractor had their own processes and procedures covering all aspects of the internal auditing process which were documented within their Internal Audit Manual. However, as this document reflected the working practices which used their own bespoke audit software, a new Thurrock Council Internal Audit Manual needs to be developed. This will need to cover all aspects of the internal auditing process from the planning of individual assignments through to the issuing of final reports, how to use the internal audit software, the annual plan and 3 year strategy and compliance of the staff with all relevant professional and ethical regulations.

At its meeting of the 8th December 2015, the Standards & Audit Committee approved the Internal Audit Charter and the Internal Audit Protocol. The Internal Audit Charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The Internal Audit Charter establishes the internal audit activity's position within the Council, including the nature of the Chief Internal Auditor's functional reporting relationship with the Standards & Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the Internal Audit Charter lays with the Standards & Audit Committee and having a formally approved Charter meets one element of compliance with the PSIAS. The

Internal Audit Protocol gives some general guidance on responsibilities of members, officers and the internal audit team. It also provides detailed guidance on specific issues around the internal audit processes, such as turnaround times for reports and the timeframes for management responses. The Charter and Protocol will be further developed during 2017/18 and presented to members.

Moving forward

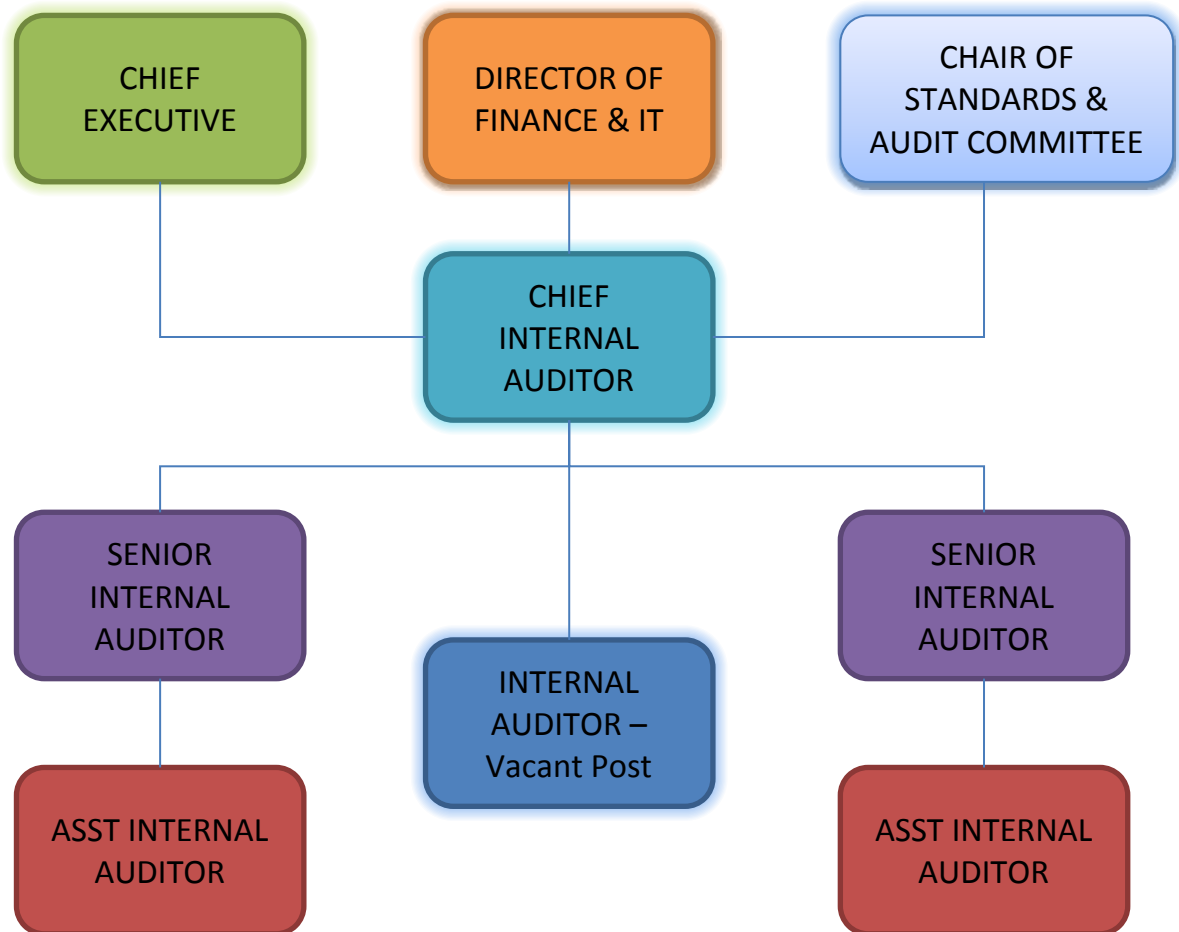
Part of the process for meeting the Standards is to install and implement electronic working papers and reporting. TeamMate software has been installed on machines and we are currently entering a “dummy” audit to allow the supplier to produce template assignment briefs and reports. User training will then be provided with the system anticipated to go live from April 2018.

Once the TeamMate software has been implemented, the Internal Audit Manual will need to be fully developed to provide the advice and guidance that is required to shape the service. This will ensure there is a consistent approach to the work and the service can provide high quality and relevant output to senior and operational management and give additional assurance to members of the Standards & Audit Committee around the internal control, risk management and governance frameworks.

We need to develop the Internal Audit intranet site and raise the profile of the service. We can do this internally, by raising awareness of the work we can undertake and by becoming more involved in projects and providing assurance to Project Managers around their monitoring and governance arrangements. We can also carry out post implementation reviews on an advisory basis to determine if outcomes are meeting the original expectations. This process has started and we are finding ourselves being asked to provide advice and guidance on more projects. Recent work includes providing advice around the Business User Allowance process, advising on the roll out of corporate credit cards, providing guidance on changes to the working and monitoring arrangements around the contract with Thurrock Lifestyle Solutions and various changes around the authorisation and reconciliation processes between Oracle and some of its feeder systems.

Externally, the process of raising our profile continues with the Chief Internal Auditor now attending not only local internal audit groups such as the Essex Audit Group but also regional meetings of the London Audit Group and the Home Counties Chief Internal Auditor's Group and national meetings such as the Counties Chief Auditor Network. Not only do these meetings provide excellent opportunities to be updated on any new legislation, regulations etc. that we need to consider in carrying out our audit work, but also allow us to network with other local authorities and increase the sources of information we can access through points of practice requests and direct contact requests with other local authority Heads of Internal Audit.

CURRENT INTERNAL AUDIT ORGANISATIONAL STRUCTURE CHART



1 x Senior Internal Auditor post term time only so 0.90 fte. Total permanent staff on site 4.90 fte's (including Assistant Auditor and Trainee posts when filled).

There is 1 vacancy which is the Internal Auditor post.

Now only require additional resources for specialist IT audit.

Cost Centre	Subjective Code	Original Budget (2016/17)	Revised Budget (2016/17)	Last Year Outturn (2016/17)	Variance (2016/17)	Base budget (2017/18)
DA002 - Internal Audit	0001 - Salary	201296	201296	136585	(64711)	201915
	0060 - National Insurance	20958	20958	14931	(6027)	21103
	0065 - Superannuation	19602	19602	19532	(70)	32421
	0160 – Long Service Awards	0	300	300	0	0
	0360 - Seminars And Courses	3000	3000	185	(2815)	3000
	1250 - Reimbursement Of Fares	360	0	0	0	0
	1300 - Car Allowances	240	600	548	(52)	600
	1400 – Equipment Purchases	0	0	370	370	0
	1681 - Stationery	0	0	88	88	0
	1682 – Books & Publications	0	0	2504	2504	0
	1683 - Photocopying	300	300	0	(300)	300
	1750 - Professional Fees	2000	2000	0	(2000)	1900
	1751 – Medical Fees	0	0	39	39	0
	1901 - Software Acquisition	5000	14000	10911	(3089)	14000
	2049 - Subscriptions Prof Bodies	270	488	388	(100)	488
	2600 - Private Contractors	36138	26620	7380	(19240)	21696
	5616 – Job Evaluation	0	0	80	80	0
DA002 - Internal Audit Total		289164	289164	193841	(95323)*	297423

* The large underspend in 2016/17 was caused by the following factors:

- 2 x Assistant Auditor posts budgeted for whole year but only appointed in Jan 17.
- 1 x Trainee Auditor vacancy – not only impacts on salary budget but also on courses and subscriptions to professional bodies.
- Reduction in use of private contractor as no IT Audit work undertaken.