

Thurrock Council

Standards & Audit Committee

Service Update Report

Date of Committee: 13th December 2018

Service Update for Standards & Audit Committee – 13th December 2018

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. We have continued to utilise this framework following a competitive tendering process undertaken by Croydon Council in March 2018, when the previous contract ended, which resulted in the current provider retaining the contract. The rates remained the same so there has been no additional cost to the council. In addition, as this is a call-off agreement, we only pay for the days we use.

Staffing

The current service operates with an establishment of 4.90 full-time equivalent in-house staff. 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.

In addition, we are currently investigating, with the Essex Audit Group which is represented by members from Essex County Council, Southend and Thurrock unitary authorities and a number of district councils, potentially sharing resources including apprentices. This is currently in the early stages but would help those councils with diminished resources to provide sufficient assurance to issue an opinion in the Head of Audit's Annual Report.

One of the Assistant Internal Auditors has recently been accepted on the first cohort of apprentices to undertake Level 7 of the Institute of Internal Auditor's scheme. This takes 3 years but will lead to him becoming a fully qualified internal auditor. As this has been leveraged through the apprenticeship levy, the cost to the council is minimal, although there is a time and supervision element which has to be absorbed.

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 in 2015, Thurrock's team now have to put in place a process for meeting the standards by March 2020. During 2018/19, we have started a 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 2019/20 with a view to getting an external review towards the end of the financial year.

The previous 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 lies 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 2018/19 and presented to members for approval in early 2019/20.

Moving forward

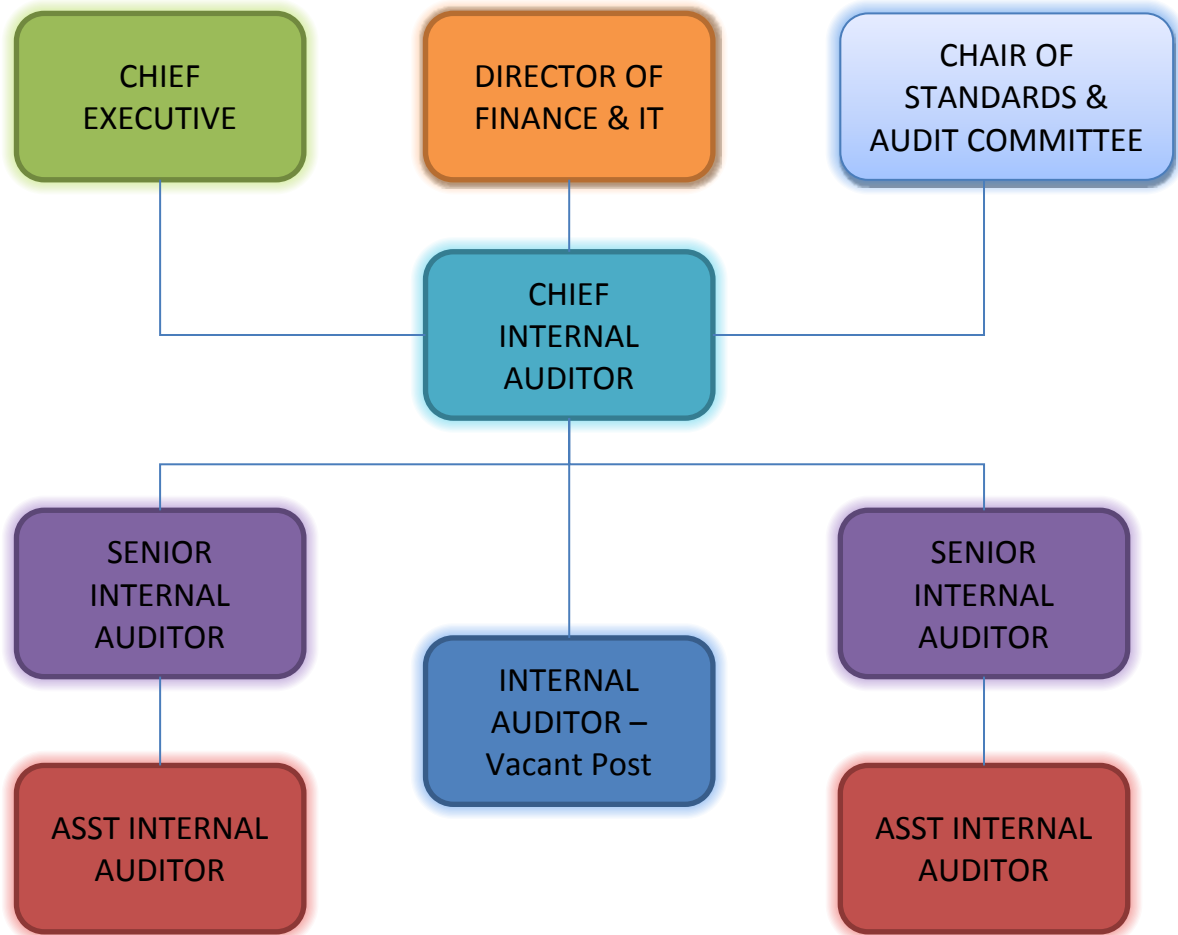
Part of the process for meeting the Standards was to install and implement electronic working papers and reporting. TeamMate software has been installed on machines and we moved to a production, from a development database, in October 2018.

Now 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. This process has started and will be completed by March 2019.

In addition, 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.

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 Local Authority's 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.

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 (2017/18)	Revised Budget (2017/18)	Last Year Outturn (2017/18)	Variance (2017/18)	Base budget (2018/19)
DA002 - Internal Audit Total		243801	249974	192341	(57633)*	258815

* The large underspend in 2017/18 was caused by the following factors:

- Vacant post costed into salaries.
- TeamMate training deferred to 2018/19.
- Limited use of private contractor for IT Audit work undertaken.