

Role of Internal Audit & Update on the Shared Service

Mark Thomas CPFA, MAAT, MStJ
Head of Regional Internal Audit Service

5th November 2019

Introduction

Personal Background & Experience

- Mid Glamorgan County Council – 5 years
- Gwent County Council - 3 years
- Merthyr Tydfil BC & CBC – 25 years
- NHS Capital & PFI Audit – 6 months
- Fully Qualified CIPFA Accountant, Accounting Technician & Programme Manager
- 22 years experience as Internal Auditor/Manager
- 9 years Corporate Management Team experience including leading IA Service alongside a range of other services
- 2 years private sector Director experience

Background to the Service

- Initially established as a Shared Service for Bridgend & Vale of Glamorgan in 2013 (hosted by VofG)
- Discussions started in 2017 over the expansion of service to include RCT and Merthyr Tydfil.
- Decisions made join up to the expanded Shared Service in summer 2018 by the respective Councils.
- Service established on 1st April 2019 with staff transferred to VofG employment.
- Staff still based in each of the 4 Councils
- Oversight of the Service is in the form of a Joint Partnership Board and comprising of Section 151 Officers from each Council as well as each Audit Committee.

Objectives Identified

- The service is affordable and is delivering efficiencies and economies of scale;
- The service enhances the professionalism and quality of audit services provided to each Council through shared knowledge and best practice;
- The service is flexible and can respond to changing service requirements and priorities;
- The service can extend access to specialist audit services and other related disciplines to each Council;
- The service conforms with the Public Sector Internal Audit Standards, with no significant deviations noted.

Opportunities/Benefits

- To further improve the resilience of the service by creating a larger team of staff.
- To develop in-house specialist audit skills not currently in place, such as contract and computer auditing, that will add value to key areas of the Council's business and provide development opportunities for team members;
- To further modernise the service by applying consistent working practices and optimising the use of information technology and agile working; and
- To take advantage of the economies of scale and in-house specialist audit skills to develop a more commercial approach whilst ensuring the Service's core business is maintained.

Immediate priorities & achievements for the service

- Ensure a seamless transition from previous arrangements
- Ensure IA plans for each Council have been developed, consulted on and are deliverable within the likely resources available
- Production of Annual Internal Audit Reports for each Council
- Continue to support all four Audit Committees
- Continue to deliver the planned Audits for each Council

Priorities for the first 12 months

- Develop Structure taking into account TUPE requirements and SWOT analysis (using South West Audit Partnership - SWAP to fill the gap in the short term)
- Confirm ICT Solution & Arrangements
- Identify & evaluate different approaches/ methodologies of each IA team and identify most appropriate to adopt

Ensuring longer term success of the service

- Development of Commercial Approach
 - Analysis of potential public sector market

Neighbouring Councils	Colleges/Universities
Police	Registered Social Landlords
Town & Community Councils	Leisure Trusts
Fire Service	Welsh Government & Agencies

Role of Internal Audit

- Statutory Service - All local authorities in Wales have a legal duty to maintain appropriate and effective internal audit arrangements as set out in the Accounts and Audit (Wales) Regulations 2018
- Audit Charter - Defines the purpose, authority and responsibilities of the Regional Internal Audit Shared Service.
- Definition - 'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes' — Public Sector Internal Audit Standards – March 2017
- Our main role is to check that Policies & Procedures are being complied with and to give an opinion on the arrangements in place.

Role of Internal Audit(cont)

The Public Sector Internal Audit Standards provide the following definitions for assurance and consultancy work:

- Assurance Services - An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.
- Consulting Services - Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the Internal Auditor assuming management responsibility.
- Provided to the 4 Councils in the Shared Service as well as external parties e.g. Amgen and the Central South Consortium Joint Education Service.

Role of Service(cont)

- It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance;
- Support the Chief Finance Officers to discharge their s151 duties;
- Contribute to and support Directorates with the objective of ensuring the provision of, and promoting the need for, sound financial systems;
- Investigate allegations of fraud or irregularity to help safeguard public funds in consultation with other Council Services;
- Support the work of the relevant Audit Committees; and
- Provide an annual audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

Internal Audit Plan for RCTCBC 2019/20

A total of 1,193 audit days covering a range of audits e.g.

- Schools, Attendance & Wellbeing Service, Grants, Sickness Absence
- Major Financial Systems, (Debtors, Pensions, Treasury Management)
- Social Services – Direct Payments, WCCIS, Contract Management, Adoption & Foster Carer Payments
- Performance Indicators, Purchasing Cards
- Capital Projects - 21st Century Schools, Highways
- Various Services- Parking, Legal Services, Street Lighting,
- Fraud & Irregularity

Our Reports – The Opinion

Audit Opinion - Methodology

After audit results have been ranked based upon the criteria and analysis above, the number of audit findings together with the ratings are assessed to determine the overall opinion to be issued. The opinion methodology is summarised as follows:

- **Effective.**
- **Effective with Opportunity for Improvement.**
- **Insufficient & requires improvement.**
- **Not adequate.**

Note: It is important to place the opinion within the context of the scope of the audit review.

<i>Effective</i>	<ul style="list-style-type: none"> • Control environment is adequate • No findings are noted or a very small number of 'low' recommendations. • The control environment appears sound • All high level risks adequately controlled
<i>Effective with opportunity for improvement</i>	<ul style="list-style-type: none"> • Control environment is adequate but some exceptions exist • Some control weaknesses and/or opportunities for improvement observed • The control environment appears otherwise sound.
<i>Insufficient and requires improvement</i>	<ul style="list-style-type: none"> • Some high level risks are not adequately controlled • Immediate safety and soundness are not threatened, but the control environment requires improvement • There may be a risk of exposure to fraud or security vulnerabilities
<i>Not Adequate</i>	<ul style="list-style-type: none"> • Control environment is not adequate and below standard with significant exceptions • Lack of attention could lead to significant losses • The control environment is considered unsound

Recommendations – Categorised as High, Medium or Low according to criteria

Reports that you will receive from Internal Audit

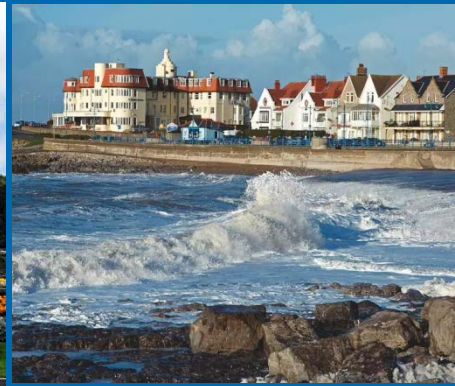
- Summary of finalised audit assignments
- Performance Reports
- Head of Internal Audit Annual Report
- Draft Annual Audit Plan

How we want to be regarded

- Professional
- Approachable
- Flexible
- Independent but Internal to the organisation
- Here to help and advise, to assist management & staff and councillors - critical friend
- We can share best practice based on our knowledge and experience over 4 Councils
- We report to the organisation
- Better for us to work together to identify areas for improvement to prevent things going wrong rather reacting to things that have already gone wrong

Key contacts

Name	Title	Phone number		Email address	Base
Mark Thomas	Head of Regional Audit Service	01446 709572		cmthomas@valeofglamorgan.gov.uk	Vale
Lisa Cumpston	Group Audit Manager	01443 680762		lisa.j.cumpston@rctcbc.gov.uk lcumpston@valeofglamorgan.gov.uk	Porth, RCT
Andrew Hopkins	Principal Auditor	01443 680307		andrew.jm.hopkins@rctcbc.gov.uk	Porth, RCT
Louise Jones	Senior Auditor	01443 680759		sarah-louise.jones@rctcbc.gov.uk	Porth, RCT
Tim Griffiths	Senior Auditor	01443 680772		timothy.griffiths@rctcbc.gov.uk	Porth, RCT
Joanna Huxtable	Auditor	01443 680340		joanna.c.huxtable@rctcbc.gov.uk	Porth, RCT
Huw Griffiths	Auditor	01443 680308		huw.griffiths@rctcbc.gov.uk	Porth, RCT
Gary Evans	Audit Manager	01685 725066	07585 333231	gary.evans@merthyr.gov.uk garyevans@valeofglamorgan.gov.uk	Merthyr Tydfil
Joan Davies	Audit Client Manager	01446 709794	01656 754904	jdavies@valeofglamorgan.gov.uk	Vale



Thank you / Diolch

Questions