



Role of Internal Audit & Update on the Shared Service

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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 MTCBC 2019/20

A total of 938 audit days covering a range of audits e.g.

- Various Schools, School Budget Monitoring ,
- Major Financial Systems, (Budgetary Control, Creditor Payments, Debtors, General Ledger Feeder Systems)
- Social Services – Direct Payments, Looked After Children Respite and Emergency Services, Looked after Children Placements-Independent Fostering, Fostering & Provision for Foster Parents, In house fostering Services
- Certification of Grant Claims, Fleet Management, Fuel Systems & Procedures, Use of consultants, Food Safety & Prevention of Infectious Diseases, IT Related Audits-controls, Welsh Language Policy, Bridge Maintenance
- Fraud & Irregularity

Our Reports – The Opinion

Audit conclusions are graded using the following grading structure:

LEVEL OF CONTROL	GRADE	EVALUATION OF SYSTEM OF INTERNAL CONTROL OPINION	GRADE	TESTING OPINION
VERY GOOD	A	There is a sound system of internal control designed to achieve the Authority's strategic aims.	A	The controls are being consistently applied with no errors identified.
GOOD	B	There is a sound system of internal control designed to achieve the system/Authority or establishment objective(s).	B	The controls are being consistently applied with a small number of minor errors identified.
SATISFACTORY	C	While there is basically a sound system of control, there are weaknesses, which put some of the System's/Authority's or establishment objectives at risk.	C	There is evidence that the level of non-compliance with some of the controls may put some of the system's objectives at risk/may leave the Authority or establishment open to risk.
UNSATISFACTORY	D	Weaknesses in the system of controls are such as to put the System's/Authority's or establishment objectives at risk.	D	The level of non-compliance puts the system's objectives/Authority or establishment at risk.
POOR	E	Control is generally weak leaving the System/Authority or establishment open to significant risks.	E	Significant non-compliance with basic controls leaves the System/Authority or establishment open to error or abuse.

Risk may be viewed as chance, or probability, of one or more of the Authority's objectives not being met. It refers to both unwanted outcomes that may arise, and to the potential failure to realise desired results.

OVERALL OPINION ON THE INTERNAL CONTROL ENVIRONMENT

On completion of the audit the auditor will need to provide an evaluation opinion and a testing opinion, both these opinions will then be used to formulate an overall opinion of the system/establishment/area etc. audited. The overall opinion will be formulated and arrived at by using the lower of either the evaluation opinion or testing opinion.

Recommendations

Priority / Key	Category	Definition
1	Mandatory - Urgent	Action is imperative to ensure that the objectives for the area under review are met.
2	Mandatory - Less Urgent	Requires action to avoid exposure to significant risks in achieving the objectives for the area under review.
3	Best Practice / Other Recommendations	Action is advised to enhance control or improve efficiency.

Reports that you will receive from Internal Audit

- Head of Internal Audit Annual Report
- Annual Audit Plan
- Annual Governance Statement
- Audit Charter
- Information Reports for Members to identify areas of concern for future meetings

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

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Thank you / Diolch

Questions