

6 February 2013		ITEM: 7
Standards & Audit Committee		
Internal Audit Progress Report 2012/13		
Report of: Cllr Philip Smith – Portfolio Holder Central Services		
Wards and communities affected: All	Key Decision: N/A	
Accountable Head of Service: Chris Harris – Head of Internal Audit		
Accountable Director: Martin Hone – Director of Finance & Corporate Governance		
This report is Public		
Purpose of Report: For the Standards & Audit Committee to satisfy itself that progress against the Internal Audit Plan is sufficient as one of the means of assuring itself of the effective operation of internal controls.		

EXECUTIVE SUMMARY

This report sets out progress against the Internal Audit Plan 2012/13, Internal Audit Performance and management actions in response to Internal Audit reports.

1. RECOMMENDATIONS:

1.1 That the Standards & Audit Committee:

Consider reports issued by Internal Audit in relation to the 2012/13 audit plan.

Note those areas of Internal Audit activity which are not formally reported to the Standards & Audit Committee.

Note progress against the Internal Audit Plan for 2012/13.

2. INTRODUCTION AND BACKGROUND:

2.1 The Accounts and Audit (England) Regulations 2011 require that a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

2.2 The Internal Audit Service carries out the work to satisfy this legislative requirement and part of this is reporting the outcome of its work to the Standards & Audit Committee.

- 2.3 The Standards & Audit Committee has a responsibility for reviewing the Council's corporate governance arrangements, including internal control and formally approving the Annual Governance Statement. The audit work carried out by the Internal Audit Service is a key source of assurance to the Standards & Audit Committee about the operation of the internal control environment. The procedures and practices that Internal Audit operates at Thurrock are designed to reflect adherence to these standards.
- 2.3 The audits contained in the Internal Audit Plan 2012/13 are based on an assessment of risk for each system or operational area. The assessment of risk includes elements such as the level of corporate importance, materiality, service delivery/importance and sensitivity.
- 2.4 This report comments on Internal Audit performance relating to the period since the last progress report was presented to the Standards & Audit Committee on 6th December 2012.

3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:

- 3.1 Following widespread consultation with clients across all service sectors, the reports issued by Internal Audit now provide 4 levels of assurance opinion. The 4 opinions use a Red/Amber/Green assurance level and reports are now categorised as: Green; Amber/Green (positive assurance opinions); Amber/Red (some assurance but a number of weaknesses) and Red (negative assurance opinion).
- 3.2 We have summarised below those reports that have been issued as final and received a Green or Amber/Green assurance opinion. There were no reports issued that received an Amber/Red opinion. There is one Red assurance opinion on Re-charging Tenants which is being reported as a separate item on the agenda of this meeting.
- 3.3 The following 6 reports received a **Green** assurance rating for the control frameworks in their area:

Sickness Management – The review only identified 1 medium and 3 low recommendations. The medium recommendation related to the need to provide further training to managers to ensure they were able to use the DHS system for recording sickness. It was noted that prompt action was taken by managers when they were notified that sickness triggers had been reached, cases referred to Occupational Health were seen quickly and sickness levels had reduced by approximately 1 day per member of staff since the last review in 2009/10.

Uniform System – The Uniform system provides workflow solutions to the following departments: environmental health, housing, planning and highways, licensing, land and property, building control, trading standards, community protection, GIS, LDF and public access provisions. The operational review of the use of the Uniform System, within the Planning & Transportation Directorate, identified 1 medium and 2 low recommendations. The medium recommendation related to the requirement to agree a new contract with the current supplier of the system. Since the original contract was agreed, the

business has changed ownership and the new contract needs to reflect current legal arrangements and responsibilities. It was noted that overall, the effectiveness of the Uniform System within the Planning & Transportation Directorate is good. This has been demonstrated by the increase in number of staff utilising the software and the additional modules procured to extend its use.

Stifford Primary School – This review was carried out at the request of the client due to the amalgamation of the infant and junior schools into a primary school in September 2012. The review identified 1 low level recommendation. Overall, the financial management arrangements of the school were very good.

Shaw Primary School – This review was carried out at the request of the client as the school was due to become an academy from January 2013. The review identified 1 medium and 4 low recommendation's. The medium recommendation was around the need for the school to develop more robust debt management processes to address arrears accrued by parents who have to pay for their child's school meals. Overall, the financial management arrangements of the school were good.

Abbots Hall Primary School – This review was carried out at the request of the client as the school is due to become an academy from May 2013. The review identified 1 medium and 3 low recommendation's. The medium recommendation related to the need for the school to ensure it obtains two references and copies qualifications and retains these on file. Overall, the financial management arrangements of the school were found to be good.

Whilst the review identified 5 low level recommendations, the risks associated with these findings were minimal. Overall, the financial management arrangements of the school were good.

Graham James Primary School – This review was carried out at the request of the client as the school is due to become an academy from May 2013. The review identified 1 low level recommendation. Overall, the financial management arrangements of the school were very good.

3.4 The following 3 reports received an **Amber/Green** assurance rating for the control frameworks in their area:

Emergency Planning - The review identified 3 medium and 3 low recommendations. The medium recommendations related to:

- The need to publish the latest Major Incident Plan (amended July 2012) as the current published plan is dated 2007.
- The requirement to have a local plan to define roles and responsibilities and outline the Authority's response for warning and informing businesses and the community in the event of an emergency.
- The need to have a complete set of local and/or regional plans within the emergency plans folder.

It was noted, however, that this represented a significant improvement from the previous review in 2006 when there were 1 high and 9 medium recommendations.

Somers Heath Primary School – This review was carried out as part of the approved internal audit plan for 2012/13. Whilst the review did not identify any high or medium recommendations, there were 9 low recommendations. These mainly related to the need to tighten up administrative controls but the risks associated with these findings were not considered to be high. Overall, the financial management arrangements at the school were found to be adequate.

Herringham Primary School – This review was carried out at the request of the client as the school was due to become an Academy from 1st November 2012. The review identified 2 medium and 4 low recommendations. The medium recommendations related to:

- The need to submit petty cash reimbursement forms in a more timely manner.
- The need for the school to develop more robust debt management processes to address arrears accrued by parents who have to pay for their child's school meals.

Overall, the financial management arrangements at the school were adequate.

3.5 No **Amber/Red** assurance ratings were issued during the period covered by this progress report.

3.6 During the period being reported, there are 7 reviews which are currently at draft stage and are with the client, 5 where the fieldwork has been completed and the draft report is being prepared and 4 reviews which are work in progress.

4. CONSULTATION (including Overview and Scrutiny, if applicable)

4.1 The audit risk assessment and the plan are periodically discussed with the Chief Executive, Directors and Heads of Service before being reported to Directors Board and the Audit Committee.

4.2 All terms of reference and draft reports are discussed and agreed with the relevant Corporate Directors and/or Heads of Service before being finalised.

4.3 The Internal Audit Service also consults with the Council's External Auditors to ensure that respective audit plans provide full coverage whilst avoiding duplication.

5. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

5.1 The Council's corporate priorities were used to inform the annual audit plan 2012-13. Recommendations made are designed to further the implementation of these corporate priorities.

6. IMPLICATIONS

6.1 **Financial**

Implications verified by: **F. Gardiner**
 Telephone and email: **01375 652147**
fgardiner@thurrock.gov.uk

Whilst there are no direct financial implications arising from this report, it is important that the authority maintains adequate internal controls to safeguard the authority's assets. This is not to say that audit recommendations do not have financial implications but these are for management to identify and contain within existing budgets.

6.2 **Legal**

Implications verified by: **D. Lawson**
 Telephone and email: **01375 652087**
david.lawson@bdtlegal.org.uk

The Council has a legal obligation under the Accounts and Audit (England) Regulations 2011 to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. The Council has delegated responsibility for ensuring this is taking place to the Standards & Audit Committee. There are no adverse legal implications relating to the reporting progress.

6.3 **Diversity and Equality**

Implications verified by: **S. DeAlyn**
 Telephone and email: **01375 652472**
sdealyn@thurrock.gov.uk

There are no direct diversity implications arising from this report as it is for information purposes only.

6.4 **Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental**

In terms of risk and opportunity management, the Internal Audit Plan and its outcomes are a key part of the Council's risk management and assurance framework. The Internal Audit Plan is based on risk assessments that include a review of the Council's risk and opportunity register.

BACKGROUND PAPERS USED IN PREPARING THIS REPORT:

- Strategy for Internal Audit 2012/13 to 14/15 and Internal Audit Plan 2012/13
- Internal Audit Reports issued in 2012/13.

Report Author Contact Details:

Name: Gary Clifford

Telephone: 01375 652702

E-mail: gclifford@thurrock.gov.uk