

10 July 2014		ITEM: 10
Standards & Audit Committee		
Internal Audit Annual Report – Year Ended 31 March 2014		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Chris Harris – Head of Internal Audit		
Accountable Head of Service: Sean Clark – Head of Corporate Finance		
Accountable Director: Graham Farrant – Chief Executive		
This report is public		

Executive Summary

As the provider of the internal audit service to Thurrock Council, Baker Tilly are required to provide the Section 151 Officer and the Standards & Audit Committee with an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

As your internal audit provider, the audit opinions that Baker Tilly provides the organisation during the year are part of the framework of assurances that assist the Council prepare an informed annual governance statement.

1. Recommendation(s)

- 1.1 That the Standards & Audit Committee receives and notes the Internal Audit Annual Report – Year ended 31st March 2014.**

2. Introduction and Background

- 2.1** The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is therefore a key part of Thurrock Council's internal control system and integral to the framework of assurance that the Standards & Audit Committee can place reliance on to assess its internal control system.

- 2.2 Under the Accounts and Audit (England) Regulations 2011 the Council is responsible for undertaking an adequate and effective internal audit of its accounting records and of its system of internal control. This responsibility has been delegated to the Head of Corporate Finance (Section 151 Officer) under the Council's Executive Scheme of Delegation and is delivered through the Head of Audit in consultation with the Head of Corporate Finance.
- 2.3 In April 2013, a revised standard for Public Sector internal Audit Standards (PSIAS) came into effect, compliance against which is seen as fundamental to demonstrating the adequacy and effectiveness of internal audit, in order to meet statutory requirements as set out in the Accounts & Audit (England) Regulations 2011. The procedures and practices that Internal Audit operates at Thurrock are designed to reflect adherence to these standards.
- 2.4 The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the Head of Audit to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.

3. Issues, Options and Analysis of Options

- 3.1 During the year, internal audit have finalised and issued a total of 42 assurance reports. A further 2 reports (Housing Benefits and Payroll) are at draft stage as the work started late at the request of the client, to allow new processes to become more embedded. We have also issued 1 advisory report on Key performance Indicators and carried out advisory work around the National Fraud Initiative.
- 3.2 There was an increase in the percentage of reports issued with a positive (Green, Amber/Green or Amber/Red) assurance opinion. There was also a reduction in the percentage of reports issued with a negative (Red) assurance opinion. Only 1 final report was issued with a Red opinion which was the Housing Capital Programme (Kitchens & Bathrooms) review.
- 3.3 It should be noted that following the decision that risk management become a shared service with the London Borough of Barking & Dagenham, and the consequent service review and revision of the Risk & Opportunity Management policy, strategy and framework, we were unable to review the processes so have been unable to provide an overall opinion for risk management. It has been agreed with the Head of Insurance & Risk Management that a full review will be undertaken in 2014/15. We have assessed that there has been no significant change from last year for Governance which remains Green. However, the upward direction of travel in the percentage of positive reports has changed our opinion for Control from Amber to Green.

4. Reasons for Recommendation

- 4.1 The Internal Audit Annual Report – Year ended 31st March 2014 is presented for the Standards & Audit Committee to note and supports the Annual Governance Statement.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The Internal Audit Annual Report – Year ended 31st March 2014 provides an independent opinion on the Council's governance, risk management and internal control processes. There is no consultation as it is based on work completed during the year which is widely reported to officers and members.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The achievement of corporate priorities is a key consideration of the Corporate Directors, senior management and internal audit when they are planning the years' work. A positive opinion in the Internal Audit Annual Report provides an independent assurance that the Authority has adequate control and risk management processes in place.

7. Implications

7.1 Financial

Implications verified by: **Michael Jones**
01375 652772
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There are no direct financial implications arising from this report.

7.2 Legal

Implications verified by: **David Lawson**
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. In receiving and considering this report, the Council is complying with its obligations under the Regulations. There are no adverse legal implications relating to the reporting progress.

7.3 **Diversity and Equality**

Implications verified by: **Teresa Evans**
01375 652186
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There are no direct diversity implications arising from this report.

7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

In terms of risk and opportunity management, the Internal Audit Annual Report and its outcomes are a key part of the Council's risk management and assurance framework.

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Internal Audit Reports issued in 2013/14.

9. **Appendices to the report**

- Internal Audit Annual Report – Year ended 31st March 2014.

Report Author:

Gary Clifford

Internal Audit Manager

Baker Tilly – provider of Internal Audit Services to Thurrock Council