

Thurrock Council

Chief Internal Auditor's Annual Report Year ended 31st March 2020

Presented at the Standards & Audit Committee meeting of 9th
July 2020

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1. Introduction

In accordance with Public Sector Internal Audit Standards, the Chief Internal Auditor is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.

This is achieved through a risk-based plan of work, agreed with management and approved by the Standards & Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. As such, the assurance framework is one component that the council takes into account in making its annual governance statement (AGS).

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.

The AGS is an annual statement by the Director of Finance, Governance & Property (Section 151 Officer), on behalf of the council, setting out:

- How the individual responsibilities of the Section 151 Officer are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;
- The purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the assurance framework process; and
- The conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures together with assurances that actions are, or will be taken where appropriate, to address issues arising.

2. Internal Audit Overall Opinion

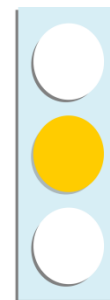
The purpose of the annual Chief Internal Auditor's Opinion is to contribute to the assurances available to the Section 151 Officer and the council through the Standards & Audit Committee. This opinion will in turn assist the council in the preparation of its annual governance statement.

During 2019/20, there have been a number of challenges that have impacted on the work undertaken during the year. These have included ad hoc requests for additional work and late in the year, the Coronavirus COVID-19 pandemic. As a result, this has impacted on the assurance work we have been able to complete during the latter part of the year. With a large number of staff working on issues around the pandemic, getting reports finalised is proving difficult as priorities and staff have been redirected in helping the most vulnerable within the Borough. As a result, some of the reports have not been finalised but they have been used to inform the opinion. However, from our knowledge of the systems in place and the risks the council faces, we are satisfied that sufficient internal audit work has been undertaken during 2019/20 to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Thurrock Council's arrangements.

For the 12 months ended 31 March 2020, based on the work we have undertaken, our opinion below details the adequacy and effectiveness of the organisation's governance, risk management and internal control arrangements.

Governance

During 2019/20 we conducted a review of the Register of Gifts, Interests and Hospitality for senior officers and members and provided a substantial assurance opinion. In addition, we reviewed Members Allowances which also received a substantial opinion. However, we did highlight a couple of issues which were reported back to management and action has been taken to address them. We have also looked at the governance arrangements in specific areas of the council's operations and where we have identified issues, the council has reacted swiftly to address them. However, governance issues have been identified around the council's management of some major contracts and as a result, additional work has been added into the annual plan for



2020/21 to undertake more reviews in these areas. Therefore, our overall opinion on governance has been revised from **Green** in 2018/19 to **Amber** in 2019/20.

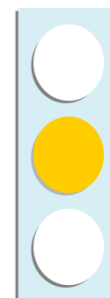
Risk Management

We undertook a review of risk management during 2017/18, which was reported to the Standards & Audit Committee on 6th March 2018. Based upon the work undertaken, our assessment of the council's current position on the risk maturity spectrum remains **Risk Managed**. This continues to be in line with the self-assessment undertaken and reported to 12th March 2020 Standards & Audit Committee by the council's Insurance & Risk Manager using the CIPFA/SOLACE Risk Management Benchmarking Model. Whilst the corporate risk management framework and processes are robust, the council still needs to do more at the operational/service planning level to move to the final stage on the spectrum which is that of a **Risk Enabled** organisation. Therefore, our overall opinion on risk management remains the same as 2018/19 which is **Green**. In view of the changing risk environment due to the Coronavirus COVID-19 pandemic, we will review the plan to determine if we need to revisit risk management in 2020/21, rather than 2021/22 when the next review was scheduled.



Internal Control

During 2019/20, we issued 12 assurance reports, all of which received positive assurance opinions. We also issued 7 advisory reports on Extra Care and the work around the BSI ISO 9001 Standards within Environment. In addition, we undertook 4 investigations following whistleblowing complaints and a review around the processes and procedures of a major procurement exercise. Towards the end of the year, we were also asked to carry out some preliminary work around some major highways projects where significant issues around contract management arrangements and controls were identified. This work is continuing and there is an increased coverage around these projects for 2020/21 but as a result, this has impacted on our overall opinion on internal control which has been revised from **Green** in 2018/19 to **Amber** in 2019/20.



3. Acceptance of Internal Audit Recommendations

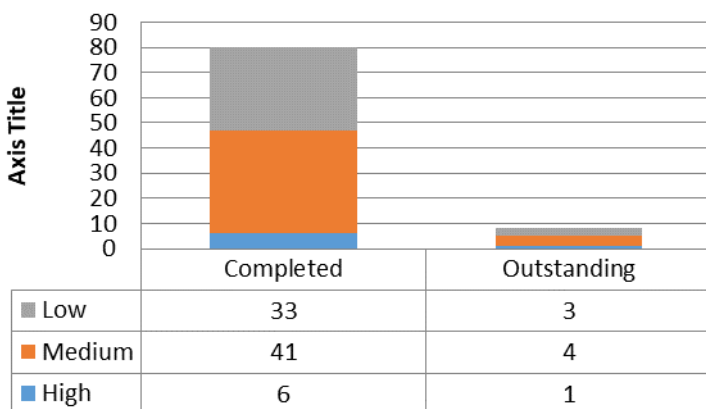
All of the recommendations made during the year and included within the agreed action plans were accepted by management. Where recommendations were not accepted due to compensating controls, cost etc., these were captured in the findings and recommendations.

4. Implementation of Internal Audit Recommendations

Our follow up of the recommendations from previous years and current audit assignments where the implementation date has been reached indicate that the Council has made **Good** progress in implementing the agreed actions.

As can be seen from the chart, 80 recommendations had been implemented and 8 were still outstanding. However, the high and medium recommendations all related to reviews where the implementation date had not yet been reached. These will be followed up as part of next year's review process.

Implementation of Recommendations 2019/20



5. Internal Audit Performance

Delivery of value-added services

During 2019/20, the Internal Audit team provided significant resources and knowledge in assisting with a number of pieces of ad hoc work requested by senior management. Some of these are listed below. In addition, one member of the team is undertaking an apprenticeship with the Institute of Internal Auditors. We have also continued to implement electronic working papers which should result in a more effective and efficient service in the medium term.

The Chief Internal Auditor has undertaken 4 whistleblowing complaints against members of staff resulting in changes to working practices and greater oversight of the services by senior management.

The Chief Internal Auditor has also reviewed the procurement processes around the Schools Transport contract and whilst the process was generally robust, recommendations were made to improve the process for future procurements.

One of the Senior Internal Auditors has started to review the contracts around a major contract for works being carried out on the A13. This work will be on-going over the coming year.

The service continued to provide advice and guidance to management around their control environments, particularly in respect of changes requested by the Social Services Customer Finance team so Social Workers could respect social distancing but still speed up the application process for vulnerable adults due to the COVID-19 pandemic.

Internal Audit were approached to undertake a series of audits for Environmental Health to enable them to retain their British Standards Institution (BSI) ISO 9001 accreditation. In the past, the service had paid an external consultant (£500 per day for at least 6 days per year) to undertake this work. Unfortunately, the contractor could no longer continue providing the service. The reviews involve testing the policies, procedures, processes, risk management and quality management arrangements in each of the service areas. Initially, whilst the staff are familiarising themselves with these services, the

process was resource intensive but this has reduced as they gain more knowledge and skills.

There has been an increase in the number of grants being received where the grant provider required internal audit to formally sign off and confirm the grant was spent in accordance with the grant conditions. In 2019/20, the Chief Internal Auditor had to sign off 3 grant funded returns for Trading Standards, Bus Transport and Potholes. In all cases, the full grant was received.

We also invested significant resources in reviewing samples of claims being submitted under the Troubled Families Programme to ensure outcomes were being achieved as stated, there was evidence to support the outcomes and the claims were accurate. This helps to ensure the council receives its Payment By Results (PBR) grant which results in significant income to the council to help more families and these have been increasing year on year.

Conflicts of Interest

Internal Audit staff have not undertaken any work or activity during 2019/20 that would require them to declare any conflicts of interest.

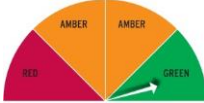
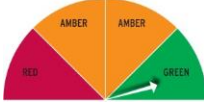




Compliance with Internal Audit Standards

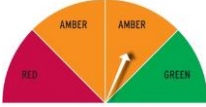

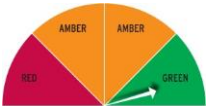

Under the Public Sector Internal Audit Standards (PSIAS), the Internal Audit Service is required to have an external assessment every five years. Whilst the current service is designed to conform to the PSIAS, it has been agreed that a restructure of the service, to meet increasing demands and priorities, needs to be undertaken in 2020/21. Following dialogue with an external assessor, we will be looking to carry out a self-assessment of our compliance after the new structure has been put in place and new staff appointed. In addition, one of the Senior Internal Auditors is retiring in June 20 and this post will also need to be filled. As a result, we will be looking to have an external assessment during 2021/22.

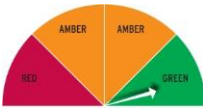
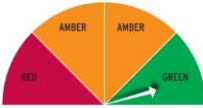
Performance Indicators

Indicator	Target	Actual	Comments
Audits commenced in line with original timescales	Yes	No	Due to reprioritising of work, some reviews had to be deferred.
Draft reports issued within 10 days of debrief	80%	70%	Some slippage due to competing priorities.
Management responses received within 10 days of draft report	80%	60%	Regular chasing took place. Impact of pandemic resulted in slippage towards the end of the year. Escalation as detailed in the Audit Protocol to be more vigorously applied in 2020/21.
Indicator	Target	Actual	Comments
Final report issued within 5 days of management response	90%	90%	Where responses received, final reports were issued within 5 days.
% of high and medium recommendations followed up	95%	90%	Some slippage due to competing priorities.
% of staff with professional qualification or studying towards	>25%	40%	1 qualified and 1 studying through the apprenticeship scheme.
Turnover of staff	<10%	0%	No staff left in this 12 month period.
Response time for general enquiries (2 working days)	100%	100%	Very few received.
Response time for emergencies or potential fraud (1 working day)	100%	100%	Very few received.

6. Internal Audit Opinion and Recommendations 2019/20

Assignment Objective	Client Lead	Opinion	Recommendations		
			H	M	L
Gas Safety Inspections - To ensure regular safety inspections are undertaken in compliance with regulatory and council requirements.	Assistant Director - Housing		0	0	1
Trading Standards - To evaluate the inspection and monitoring processes within Trading Standards that ensure a fair and equitable trading environment, in which businesses can succeed and consumers are protected from unfair trading practices, are effective.	Director of Place		0	1	4
Footway Crossings - To review the application, commissioning and inspection processes in place to manage footway crossings to ensure residents and the council get value for money.	Director of Environment, Highways & Counter Fraud		0	2	4
Extra Care - To undertake an advisory review of the financial arrangements at the Extra Care facilities are robust and protect the vulnerable adults who reside there and the staff who work there.	Director of Adult Social Care	Advisory	4	2	0
Grays Convent High School – To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.	Corporate Director Children's Services		0	3	1
Housing Rents (Draft) - To undertake a review of Housing Rents to verify that an adequate level of controls exist over the setting, collection and accounting for Housing Rents.	Interim Assistant Director of Housing		0	4	1
Business Continuity Management - To ensure adequate plans are in place to enable the council continue its functions in case of disruption through partial or total loss of a critical service.	Director of Strategy, Communications and Customer Services		0	5	1

Assignment Objective	Client Lead	Opinion	Recommendations		
			H	M	L
Housing Allocations (Draft) - To determine that local people have access to accommodation that is responsive to their needs and it is allocated in a fair, consistent and transparent way.	Interim Assistant Director of Housing		0	3	3
Electrical Safety Inspections - To ensure regular inspections are being undertaken across the council's HRA housing stock in line with established testing and inspection programme and statutory requirements.	Assistant Director - Housing		1	2	0
Accounts Receivable - Controls over the debtors function are robust, all monies owed to the organisation are recovered in a timely manner and checks are in place to monitor and reduce levels of outstanding debt.	Director of Finance, Governance & Property		0	3	1
Accounts Payable - All expenditure is committed, approved and accounted for in line with the organisation's financial procedure rules and creditors are paid in a timely manner in accordance with targets.	Director of Finance, Governance & Property		0	2	2
BSI ISO 9001 Cemeteries - To undertake a series of quality audits to confirm compliance with the BSI 9001:2015 standard.	Director of Environment, Highways & Counter Fraud	Advisory	0	0	3
BSI ISO 9001 Highways - To undertake a series of quality audits to confirm compliance with the BSI 9001:2015 standard.	Director of Environment, Highways & Counter Fraud	Advisory	0	0	2
BSI ISO 9001 Street Cleaning - To undertake a series of quality audits to confirm compliance with the BSI 9001:2015 standard.	Director of Environment, Highways & Counter Fraud	Advisory	0	0	3
BSI ISO 9001 Waste - To undertake a series of quality audits to confirm compliance with the BSI 9001:2015 standard.	Director of Environment, Highways & Counter Fraud	Advisory	0	0	2
BSI ISO 9001 Parks, Sports and Maintenance (Draft) - To undertake a series	Director of Environment,	Advisory	0	0	2

Assignment Objective	Client Lead	Opinion	Recommendations		
			H	M	L
of quality audits to confirm compliance with the BSI 9001:2015 standard.	Highways & Counter Fraud				
BSI ISO 9001 Arboriculture (Draft) - To undertake a series of quality audits to confirm compliance with the BSI 9001:2015 standard.	Director of Environment, Highways & Counter Fraud	Advisory	0	1	4
Members Allowances - To confirm Members' Allowance is as per Thurrock Council Members' Allowance Scheme.	Assistant Director Law and Governance		0	3	0
Financial Top Up (Draft) - A review to ensure that third party tops ups are paid appropriately and a debt is not incurred to the Authority.	Director of Adult Social Care		0	0	2