

17 March 2015	ITEM: 7
Standards & Audit Committee	
Internal Audit Progress Report 2014/2015	
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

The Internal Audit Plan 2014/15 was discussed and noted by the Standards & Audit Committee at their meeting of 5th March 2014. This report sets out progress against the Internal Audit Plan 2014/15 and is the third progress report presented to the Standards & Audit Committee. It details reports finalised since the last progress report presented to the Committee on the 9th December 2014.

1. Recommendation(s)

That the Standards & Audit Committee:

- 1.1 Consider reports issued by Internal Audit in relation to the 2014/15 audit plan.**
- 1.2 Note progress against the Internal Audit Plan for 2014/15.**

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.

- 2.4 The audits contained in the Internal Audit Plan 2014/15 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.

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 In the year to date, we have issued 24 reports as final, have 8 reports at draft or debrief stage and have 5 reviews that are work in progress. We have summarised below (3.3 to 3.5), those reports that have been issued as final since the last meeting of the Committee. The key findings of these reports are shown at Appendix 1.

- 3.3 The following reports received a **Green** assurance rating for the control frameworks in their area:

- Leaseholder Charges
- Thurrock Registrar's Office
- Environmental Health (Pollution Control)
- Charges for Non-Residential Services
- Community Hubs
- Housing Rents
- NNDR (National Non Domestic Rates)

- 3.5 The following report received an **Amber/Red** assurance rating for the control framework in its area:

- Change Controls (Serco)

A full copy of the exception report is included at the end of Appendix 1.

- 3.6 We have also carried out a follow up meeting in respect of the review around the Troubled Families Programme and can inform the Committee that a consultant who has been working with a number of other authorities has been brought in to tighten up controls and ensure sufficient evidence is available to confirm claims. We will be working with the consultant to review a sample of the next batch of claims to ensure they comply with DCLG requirements.

- 3.7 Two of the three internal investigations we were supporting have now been completed. These are the joint working with Havering on the school's catering

contract and the whistleblowing disclosure where a member of staff was accused of working whilst off sick and of having a secondary employment that they had not registered. A summary of the outcome of this work is included in the Progress Report at Appendix 1. The third case is still on-going and is being led by the Corporate Fraud team.

4. Reasons for Recommendation

- 4.1 To assist the Standards & Audit Committee in satisfying 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.

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

- 5.1 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.
- 5.2 All terms of reference and draft reports are discussed and agreed with the relevant Corporate Directors, Heads of Service and/or management before being finalised.
- 5.3 The Internal Audit Service also consults with the Council's External Auditors to ensure that respective audit plans provide full coverage whilst avoiding duplication.

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

- 6.1 The Council's corporate priorities were used to inform the annual audit plan 2014-15. Recommendations made are designed to further the implementation of these corporate priorities.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Acting Chief Accountant

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.

7.2 Legal

Implications verified by: **David Lawson**
Deputy Head of Legal Services

The contents of this report and appendixes form part of the Council's responsibility to comply with the Audit Commission Act 1998 and the Accounts and Audit (England) Regulations 2011 to at least annually undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practice. 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.

7.3 Diversity and Equality

Implications verified by: **Natalie Warren**
**Community Development and Equalities
Manager**

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

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

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.

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):

- Strategy for Internal Audit 2014/15 to 16/17 and Internal Audit Plan 2014/15
- Internal Audit Reports issued in 2014/15.

9. Appendices to the report

- Appendix 1 – Internal Audit Progress Report.

Report Author:

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Internal Audit Manager

Baker Tilly – provider of Internal Audit Services to Thurrock Council