

10 March 2022		ITEM: 6
Standards and Audit Committee		
Internal Audit Progress Report 2021/22		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Gary Clifford – Chief Internal Auditor		
Accountable Assistant Director: n/a		
Accountable Director: Sean Clark – Corporate Director Resources and Place Delivery		
This report is public		

Executive Summary

The Internal Audit Plan 2021/22 was discussed by the Standards & Audit Committee at their meeting of 11 March 2021. This progress report covers final reports issued since the last progress report to the Standards & Audit Committee, draft reports issued and work in progress.

1. Recommendation(s)

1.1 That the Standards and Audit Committee:

Consider reports issued and the work being carried out by Internal Audit in relation to the 2021/22 audit plan.

2. Introduction and Background

- 2.1 The Accounts and Audit Regulations 2015 require that a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.
- 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 2021/22 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 The reports issued by Internal Audit provide 4 levels of assurance opinion. The 4 opinions use a Red/Amber/Green (RAG) assurance level and reports are now categorised as:

- Green; Amber/Green (positive assurance opinions);
- Amber/Red (negative assurance opinion that provides some assurance but a number of weaknesses were identified); and
- Red (negative assurance opinion).

- 3.2 The purpose of this progress report is not only to highlight reports issued as final but to provide members with an update on work which has reached the draft report stage and work currently in progress. The status of work currently being undertaken is shown at Appendix 1.

- 3.3 During the period being reported on, we have finalised 3 assurance reports on Housing Rents, Children's Social Care Commissioning and Premises Licencing. All received a Green (positive) assurance opinion.

- 3.4 As well as our core work, during the period being considered we have also implemented new working papers software to help improve the efficiency of the service by computerising more of the work we carry out. As part of this project, we liaised with IT and also undertook user acceptance testing and training which all of the team were involved in.

- 3.5 The work on the Troubled Families Programme has been picked up by one of the Senior Internal Auditors as it impacts on the funding the council gets to support these families and it has to be audited. Work was also carried out to confirm that expenditure on LOCAL AUTHORITY BUS SUBSIDY (REVENUE) GRANT: DETERMINATION 2020/21: No 31/5013 was in line with the terms and conditions of the grant. There were no issues to report and the signed declaration was returned to the relevant central government department.

- 3.6 As previously reported, one of the Internal Auditors left the service in September 2021. This clearly impacted upon delivery of the plan and as a result, a business case was been developed to fill the 2 vacant Internal Auditor posts. This was submitted to HR and we can confirm that the 2 posts have gone out to advert, both internally and externally, with a closing date of 6th March. Members will be updated on progress with this at the next meeting.

3.7 As part of the preparation we carry out prior to undertaking an audit review, we will carry out some background work to help us scope the audit. We then develop an assignment brief which provides details of the work we will undertake, the access we need to documentation and records and the timeframe for the fieldwork, draft and final reports. Unfortunately, on occasions, at this stage, due to changes or challenges within the service, the client may then ask for the work to be deferred. These changes are reported to the Standards & Audit Committee. During the current period, we have been asked to defer the following:

- Housing Voids as new processes and procedures are being developed (deferred to 2022/23).
- Passenger Transport as a new system is being introduced and there is a new Strategic Lead in post so the service are supporting the data transfer to the new system and providing training (deferred to May 2022/23).
- Financial Sustainability due to Corporate Finance work on closing the accounts (deferred to 2022/23).
- Housing Benefits due to year-end audit being carried out by the external auditors (deferred to April/May 2022/23).

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, Corporate Directors, Directors and Assistant Directors before being reported to Directors Board and the Standards & Audit Committee.

5.2 All terms of reference and draft reports are discussed and agreed with the relevant Corporate Directors, Directors, Assistant Directors 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 2021/22. Recommendations made are designed to further the implementation of these corporate priorities.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Assistant Director - Finance

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. The costs associated with the implementation of audit recommendations will be considered and, where possible, met from existing budgets.

7.2 Legal

Implications verified by: **Gina Clarke**
Corporate Governance Lawyer

The contents of this report and appendixes form part of the council's responsibility to comply with the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015, to ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and achievement of its aims and objectives, including to at least annually undertake an effective internal audit to, amongst other things, evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance. The council has delegated responsibility for ensuring this is taking place to the Standards & Audit Committee. There are no legal implications directly arising from this report.

7.3 Diversity and Equality

Implications verified by: **Roxanne Scanlon**
Community Engagement and Project Monitoring Officer

There are no direct diversity or equality implications arising from this report.

7.4 Other implications (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder and Impact on Looked After Children

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 frameworks. 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:

- Strategy for Internal Audit 2020/21 to 2022/23 and Internal Audit Plan 2020/21
- Internal Audit Reports issued in 2021/22.

9. Appendices to the report

Appendix 1 – Internal Audit Progress Report.

Report Author:

Gary Clifford

Chief Internal Auditor

Thurrock Council Internal Audit Service, Resources & Place Delivery