

<b>16 July 2015</b>		<b>ITEM: 6</b>
<b>Standards and Audit Committee</b>		
<b>Internal Audit Annual Report – Year ended 31 March 2015</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Non-key	
<b>Report of:</b> Chris Harris – Head of Internal Audit		
<b>Accountable Head of Service:</b> Sean Clark – Head of Corporate Finance		
<b>Accountable Director:</b> David Bull – Interim Chief Executive		
<b>This report is public</b>		

## **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 in preparing 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 31<sup>st</sup> March 2015.**

### **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 Internal 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 33 assurance reports as final. We have also issued 3 advisory reports on Extra Care, the Troubled Families Programme and Key Performance Indicators. We were requested to carry out and assist with 3 investigations involving staff employed by, or working for, the Council. We also provided advice, guidance and the administrative work around the Council's involvement in the National Fraud Initiative.
- 3.2 In total, we issued 31 reports with a positive assurance opinion and 2 reports with a red assurance opinion. The reports receiving a red opinion were the Bridge Maintenance Inspection review and the Adoption (Assessments & Payments including Special Guardianship and Residence Order Payments) review.
- 3.3 It should be noted that we have not provided an opinion on the risk management framework. The Insurance and Risk Management Team works under a shared service arrangement with the London Borough of Barking & Dagenham (LBBB). As part of the planning process for 14/15, we contacted the LBBB Internal Audit team and it was identified that a full review of the Risk Management Strategy and Policy, covering both LBBB and Thurrock, was carried out in March 2014. As they had undertaken an assessment of the risk management process, we did not want to duplicate their work. However, the report from LBBB resulted in minor changes to the Strategy and Policy. Nothing has been brought to our attention to suggest the Council needs to be concerned around the risk management environment.

- 3.4 We have assessed that there has been no significant change from last year for governance which remains Green and whilst we have issued 1 more red report in 2014/15 compared to 2013/14, in our opinion, the control environment remains Green.

#### **4. Reasons for Recommendation**

- 4.1 The Internal Audit Annual Report – Year ended 31<sup>st</sup> March 2015 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 31<sup>st</sup> March 2015 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: **S Clark**  
**Head of Corporate Finance**

There are no direct financial implications arising from this report.

##### **7.2 Legal**

Implications verified by: **D Lawson**  
**Deputy Head of Legal & Deputy Monitoring Officer**

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: **R Price**  
**Community Development Officer**

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 2014/15.

**9. Appendices to the report**

- Annual Internal Audit Report – Year ended 31<sup>st</sup> March 2015.

**Report Author:**

Chris Harris

Head of Internal Audit

Baker Tilly – provider of Internal Audit Services to Thurrock Council