

14 June 2016		ITEM: 9
Standards and Audit Committee		
Head of Internal Audit Annual Report – Year ended 31 March 2016		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Gary Clifford – Internal Audit Manager (acting in the role of Head of Internal Audit)		
Accountable Head of Service: N/A		
Accountable Director: Sean Clark – Director of Finance & IT		
This report is public		

Executive Summary

Under the Public Sector Internal Audit Standards, the Head of Internal is 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 this 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 the risk management, governance and control processes.

The audit opinions that are provided on a review by review basis during the year and are presented to the Standards & Audit Committee as part of the regular internal audit progress reports, form 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 considers and comments on the Head of Internal Audit Annual Report – Year ended 31st March 2016.

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 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. This responsibility has been delegated to the Director of Finance & IT (Section 151 Officer) under the Council's Executive Scheme of Delegation and is delivered through the Head of Audit in consultation with the Director of Finance & IT.
- 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. However, following the internal audit service being brought back in house from April 2015, an external assessment of compliance with the standards needs to be carried out by March 2020.
- 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 28 assurance reports as final. We have also issued 1 advisory report on Special Guardianship. We were requested to carry out and assist with a number of investigations involving staff employed by, or working for, the Council. We also provided advice and guidance around procurement cards and special guardianship in an advisory capacity.
- 3.2 In total, we issued 24 reports with a positive assurance opinion and 4 reports with an Amber/Red assurance opinion. Following discussions with members and the Director of Finance & IT, Amber/Red assurance opinions are no longer given a positive assurance opinion to reflect that there are either high risk recommendations or a number of medium recommendations which indicate weaknesses across the service area.
- 3.3 It should be noted that we have not provided an opinion on the risk management framework. The Insurance and Risk Management Team was working under a shared service arrangement with the London Borough of Barking & Dagenham (LBBDD) which was terminated part way through the year. Resourcing issues within the team and the additional tasks taken on by the Risk Management Officer meant that this has been deferred until 2016/17.

However, 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. Despite the changes in the Amber/Red assurance opinions no longer being seen as positive, we have concluded that the control environment remains Green as no Red reports were issued during 2015/16.

4. Reasons for Recommendation

- 4.1 The Head of Internal Audit's Annual Report – Year ended 31st March 2016 is presented for the Standards & Audit Committee to consider and comment on and supports the Annual Governance Statement.

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

- 5.1 The Head of Internal Audit's Annual Report – Year ended 31st March 2016 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 Head of 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: **J Wilson**
Chief Accountant

There are no direct financial implications arising from this report.

7.2 Legal

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

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 Regulations 2015 to at least annually 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. 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: **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 Head of Internal Audit's 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 2015/16.

9. Appendices to the report

- Appendix 1 - Head of Internal Audit's Annual Report – Year ended 31st March 2016.

Report Author:

Gary Clifford

Internal Audit Manager (acting in the role of Head of Internal Audit)

Thurrock Council Internal Audit Service, Corporate Finance