

# Thurrock Council

## Chief Internal Auditor's Annual Report Year ended 31<sup>st</sup> March 2018

Presented at the Standards & Audit Committee meeting of 19<sup>th</sup>  
July 2018

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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 & IT (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.

We are satisfied that sufficient internal audit work has been undertaken during 2017/18 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 2018, 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 2017/18 we conducted a review of the Register of Gifts, Interests and Hospitality for senior officers and members and provided a substantial assurance (Green) opinion. 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. It also looked at options to improve services and reduce costs including partnership working with other local authorities. Any decisions were made with the full involvement of both officers and members and showed that governance was robust. Therefore, our overall opinion on governance remains the same as 2016/17 which is **Green**.



## Risk Management

We undertook a review of risk management during 2017/18, which was reported to the Standards & Audit Committee on 6<sup>th</sup> March 2018. Based upon the work undertaken, our assessment of the council's current position on the risk maturity spectrum is **Risk Managed**. This is in line with the self-assessment undertaken by the Interim Insurance & Risk Manager using the CIPFA/SOLACE Risk Management Benchmarking Model. Whilst the corporate risk management framework and processes are robust, the council 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. However, there was evidence to suggest that this is being addressed so we have provided a **Green** Opinion. This is an improvement on the **Amber** rating of the previous year and means we can place reliance on the corporate risk register when developing our annual plan.



## Internal Control

During 2017/18, we issued 25 assurance reports of which 24 were positive assurance opinions. 1 report received an Amber/Red assurance opinion (Warren Primary School). We also issued 1 advisory report on Business User Allowance Follow-up and the Risk Management report highlighted above. As a result of the high proportion of positive assurance reports, we have provided a **Green** opinion. This is an improvement on the **Amber** rating of the previous year.



## 3. Acceptance of Internal Audit Recommendations

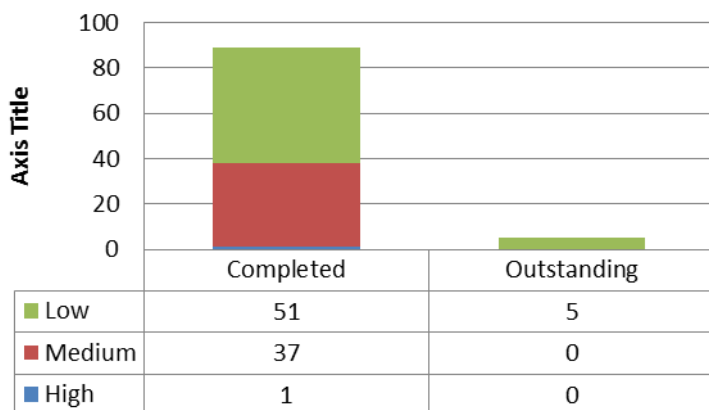
All of the recommendations made during the year and included within the agreed action plans were accepted by management. Where recommendations were not accepted due to compensating controls, cost etc., these were captured in the findings and recommendations.

## 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. This is in line with 2016/17.

As can be seen from the chart, 89 recommendations had been implemented and 5 were still outstanding so were repeated in the follow up audit. These 5 all related to low level recommendations made in school audits. Of the high and medium recommendations followed up, all had been implemented.

### Implementation of Recommendations 2017/18



## 5. Internal Audit Performance

### Delivery of value-added services

During 2017/18, the Internal Audit team provided significant resources and knowledge in assisting with a number of pieces of ad hoc work requested by senior management and liaised with the Counter Fraud & Investigation team with whom we have a close working relationship.

The Chief Internal Auditor has undertaken 2 investigations into the performance of senior staff within service areas which resulted in disciplinary action being undertaken.

The service continued to provide advice and guidance to management around their control environments, particularly with the changes in processes being planned with the move to Oracle Cloud and has provided resource and reports to support the Transport and Children's cross cutting service reviews.

Support was also provided to the Environment and Highways Directorate to review internal controls around the issues arising from the car parking service. In addition, internal controls were reviewed within Adults, Housing and Health following 2 formal complaints.

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 2017/18, the Chief Internal Auditor had to sign off 3 grant funded returns for Trading Standards, Bus Transport and an EU funded project called Animate. In all cases, the full grant was received.

We also reviewed a sample 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.

### Conflicts of Interest

Internal Audit staff have not undertaken any work or activity during 2017/18 that would require them to declare any conflicts of interest.

## Compliance with Internal Audit Standards

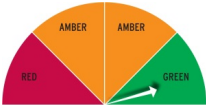
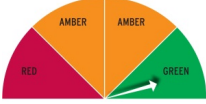
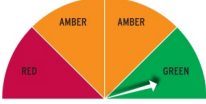
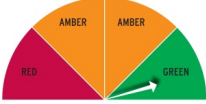
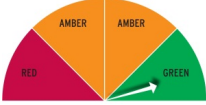
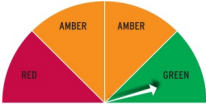
The service came back in-house from April 2015. Under the Public Sector Internal Audit Standards (PSIAS), the Internal Audit Service is required to have an external assessment every five years (by March 2020). Whilst the current service is designed to conform to the PSIAS, we will be looking to carry out a self-assessment of our compliance during 2018/19. This will allow us to develop an improvement plan and action any issues before having a formal external assessment in 2019/20.

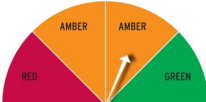
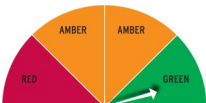
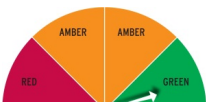
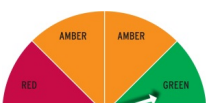
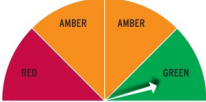
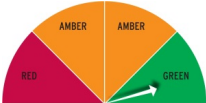
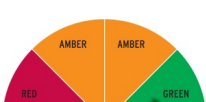
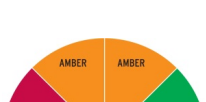
## Performance Indicators

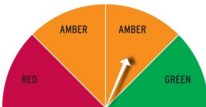
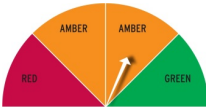
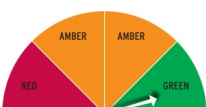
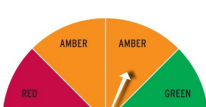
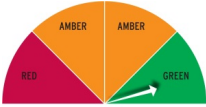
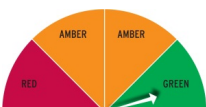
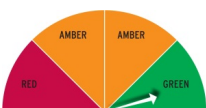
Indicator	Target	Actual	Comments
Audits commenced in line with original timescales	Yes	No	Due to resourcing issues and restructuring within services, some work had to be deferred.
Draft reports issued within 10 days of debrief	80%	70%	Some slippage due to competing priorities e.g. investigations, disciplinary work etc.
Management responses received within 10 days of draft report	80%	60%	Regular chasing took place. Escalation as detailed in the Audit Protocol to be more vigorously applied in 2018/19.
Final report issued within 5 days of management response	90%	90%	
% of high and medium recommendations followed up	95%	100%	
% of staff with professional qualification or studying towards	>25%	40%	
Turnover of staff	<10%	0%	2 new staff recruited
Response time for general enquiries (2 working days)	100%	100%	
Response time for emergencies or potential fraud (1 working day)	100%	100%	

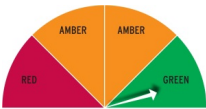
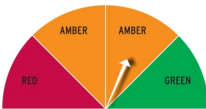
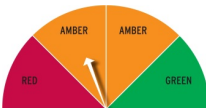
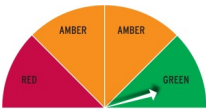


## 6. Internal Audit Opinion and Recommendations 2017/18

Assignment Objective	Client Lead	Opinion	Recommendations		
			H	M	L
<b>Accounts Payable</b> - All expenditure is committed, approved and accounted for in line with the organisation's financial regulations, and Accounts Payable are paid in a timely manner in accordance with targets.	<b>Director of Finance &amp; IT</b>		0	3	2
<b>Adult Social Care Income Collection</b> - To obtain assurance that controls over the income collection process for homecare, residential care and continuing healthcare charges are effective and the process is robust and efficient.	<b>Corporate Director of Adults, Housing &amp; Health</b>		0	2	1
<b>Aveley Primary School</b> - To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.	<b>Corporate Director Children's Services</b>		0	1	3
<b>Better Care Fund</b> - Review to confirm there are robust arrangements around the governance and reporting procedures.	<b>Corporate Director of Adults, Housing &amp; Health</b>		0	0	3
<b>Bonnygate Primary School</b> - To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.	<b>Corporate Director Children's Services</b>		0	2	3
<b>Business User Allowance Follow-up</b> - Follow up review to ensure Business User Allowance is claimed and paid in accordance with the Authority's current rules and regulations.	<b>Director of HR, OD &amp; Transformation</b>	<b>Advisory</b>	N/A	N/A	N/A
<b>Cash and Banking</b> - To ensure the Council accurately records and accounts for all cash income and the banking arrangements are secure.	<b>Director of Finance &amp; IT</b>		0	0	6

Assignment Objective	Client Lead	Opinion	Recommendations		
			H	M	L
<b>Children's Care Packages</b> - To confirm there are procedures for assessing eligibility, approving care packages and monitoring packages for Children with Educational Needs and Disabilities.	<b>Corporate Director Children's Services</b>		0	3	3
<b>Council Tax</b> - All properties are recorded on the Council Tax Database completely and accurately, ensuring that all income is collected and receipted for in a timely manner.	<b>Director of Finance &amp; IT</b>		0	0	2
<b>Emergency Planning</b> - To provide reasonable assurance that the emergency planning process is documented, roles and responsibilities amongst the partners are clear and the plans are tested periodically.	<b>Corporate Director of Place</b>		0	0	3
<b>General Data Protection Regulations</b> - To assess the council's preparedness to meet the General Data Protection Regulation (GDPR) before they become law in May 2018.	<b>Director of HR, OD &amp; Transformation</b>		0	2	1
<b>Gifts, Interests &amp; Hospitality</b> - To ensure that Officers and members formally register interests, gifts and hospitality as required by Council procedures and codes of conduct.	<b>Assistant Director Governance and Law</b>		0	0	2
<b>Geographic Information Service</b> - To ensure the council is meeting its statutory responsibilities by keeping the Local Land and Property Gazetteer and Local Street Gazetteer up to date as required.	<b>Director of HR, OD &amp; Transformation</b>		0	0	4
<b>Horndon-on-the-Hill C of E Primary School</b> - To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.	<b>Corporate Director Children's Services</b>		0	0	2
<b>Insurance</b> - To obtain assurance about the effectiveness of controls in place to ensure that appropriate insurance arrangements are in place to protect the council's assets and potential liabilities.	<b>Director of Finance &amp; IT</b>		0	0	3

Assignment Objective	Client Lead	Opinion	Recommendations		
			H	M	L
<b>IR35</b> - To ensure that the Council is compliant with IR35 and that there are controls in place to maintain compliance.	<b>Director of HR, OD &amp; Transformation</b>		1	1	0
<b>Little Thurrock Primary School</b> - To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.	<b>Corporate Director Children's Services</b>		0	1	7
<b>National Non-Domestic Rates</b> - To ensure the council provides an effective and efficient valuation, billing, collection and recovery operation for Business Rates.	<b>Director of Finance &amp; IT</b>		0	0	1
<b>Responsive Repairs and Maintenance (Housing)</b> - To confirm whether contracts around repairs and maintenance and planned maintenance are well managed and the Council is getting value for money.	<b>Corporate Director of Adults, Housing &amp; Health</b>		0	3	4
<b>Risk Management</b> - To assess the controls in place to ensure the council has effective risk management arrangements and determine the council's risk management maturity.	<b>Director of Finance &amp; IT</b>	<b>Risk Managed</b>	0	3	3
<b>Section 17 Payments</b> - To confirm expenditure is being incurred in line with the provision of Section 17 of the Children Act 1989.	<b>Corporate Director Children's Services</b>		0	1	2
<b>St Joseph's RC Primary School</b> - To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.	<b>Corporate Director Children's Services</b>		0	1	4
<b>St Mary's RC Primary School</b> - To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.	<b>Corporate Director Children's Services</b>		0	2	4

Assignment Objective	Client Lead	Opinion	Recommendations		
			H	M	L
<b>St Thomas of Canterbury RC Primary School</b> - To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.	<b>Corporate Director Children's Services</b>		0	0	2
<b>Temporary Accommodation</b> - To review the arrangements to procure and provide temporary accommodation, to establish whether robust systems are in place and value for money is being achieved.	<b>Corporate Director of Adults, Housing &amp; Health</b>		1	2	1
<b>Warren Primary School</b> - To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.	<b>Corporate Director Children's Services</b>		0	6	2
<b>Waste Disposal Contracts</b> - Higher value, longer term contracts provide an opportunity to reduce service costs. This audit will establish whether waste contracts were properly procured, managed and monitored, as costs can escalate significantly and any added value will be lost.	<b>Director of Environment and Highways</b>		0	2	2