

29 February 2024		ITEM: 6
Standards & Audit Committee		
Internal Audit Progress Report 2023/24		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Colin Ratcliffe – Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance		
Accountable Assistant Director: N/A		
Accountable Director: Steven Mair – Interim Chief Financial Officer and S151 Officer		
This report is Public		
Version: Committee		

Executive Summary

The 6-month Internal Audit Plan 2023/24 was discussed and agreed by the Standards & Audit Committee at their meeting of 19th July 2023. This is the second progress report since that meeting and covers final reports issued, draft reports issued and work in progress.

Commissioner Comment:

Internal Audit received confirmation that the Commissioners were content with this paper.

- 1. Recommendation(s)**
 - 1.1 Note the progress to 11 January 2024 against the Audit Plan 2023/24 as documented in Appendix 1.**
 - 1.2 Consider the Key Findings from the assignment, Embedded Risk Management Culture (INT2324-02) as documented in Appendix 1.**
 - 1.3 Consider the Key Findings from the assignment, Stock and Security Assurance (INT2324-03) as documented in Appendix 1.**
 - 1.4 Note Internal Audit's quality checking of its earlier verification work associated with the Supporting Families Programme. (See paragraph 3.2.4)**
 - 1.5 Note and agree the revised scope for audit *INT2324-17 – Governance Recovery Board*, which is now retitled *INT2324-17 – Change Board*. (See paragraph 3.4.1)**

Version Control

Version Committee – Final ready for submission to public committee

- 1.6 **Note and agree the deferral of the audits *INT2324-22 – Talent Management and Retention*, and *INT2324-30 – Waste – Compliance with ISO requirements*. (See paragraphs 3.4.2 and 3.4.3)**
- 1.7 **Note the inclusion of additional engagements (See section 3.5)**
- 1.8 **Note the verification of management actions associated with recommendations from 2018/19 and 2019/20 audit reports. (See paragraph 3.6.2 and Appendix 1)**
- 1.9 **Consider and accept, or otherwise, Internal Audit’s proposal not to verify implementation of management actions from audit reports from 2020/21 engagements. (See paragraph 3.6.3)**
- 1.10 **Note Internal Audit’s depleted level of resources and its reliance on support from Mazars. (See section 3.7)**
- 1.11 **Note that Internal Audit expects to have completed or substantially completed 21 of its 33 engagements by the end of March 2024. There are requests to defer two audits (see recommendation 1.6). The remaining ten audits will still be in their respective planning stages at the end of the financial year. (See section 3.8)**

2. Introduction and Background

- 2.1 The Accounts and Audit Regulations 2015 require that the Council, as 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 2023/24 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 several weaknesses were identified); and
- Red (negative assurance opinion).

3.2 Progress against the 2023/24 Internal Audit Plan

3.2.1 The Progress Report, at Appendix 1, covers progress against the 2023/24 Internal Audit Plan up to 11 January 2024. Table 1 highlights reports issued as final, and Table 2 provides Members with an update on the status of the remaining audits on the Plan.

3.2.2 Between September 2023 and 11 January 2024, Internal Audit finalised 2 reports:

- Embedded Risk Management Culture which received an Amber/Red (negative) assurance opinion.
- Registrars Stock and Security Review, which received a Green (positive) assurance opinion.

Key findings, including recommendations and relevant management responses, can be found in the Progress Report, at Appendix 1.

3.2.4 A requirement of the Supporting Families Programme is that Internal Audit verifies the Council's claims for payment from the Department of Levelling Up, Housing, and Communities. In agreement with Children's Services, Internal Audit's verification is based on sampling 20% of the cases in each monthly claim. Internal Audit is quality checking its verification work to ensure that it meets the requirements set out in Government guidance.

3.3 Grant funding – Assurance

3.3.1 In February 2024, Internal Audit reviewed the Council's use of funds provided via the Department for Transport's Local Authority Transport Bus Recovery Grant and Local Transport Fund Grant. Internal Audit provided the Department for Transport with a declaration showing how the Council had used the funds.

3.4 Changes to Planned Audits

3.4.1 *INT2324-17 – Governance Recovery Board*: Under the original audit proposal, Internal Audit would have reviewed the integrity of governance arrangements associated with the Improvement and Recovery Board and the oversight provided by the Governance Recovery Board. The Chief of Staff to the Thurrock Commissioners, supported by the Council's Chief Intervention Officer, informed Internal Audit that its remit did not extend to matters relating to boards that exist to inform Commissioner decisions. Internal Audit challenged this position but was advised that accountability for Commissioner decisions rests with the Secretary of State for the Department of Levelling Up, Housing, and Communities. After further consultation, Internal Audit agreed to refocus the audit on to the governance of the recently established Change Board. To reflect this, Internal Audit changed the title to *INT2324-17 – Change Board*.

3.4.2 *INT2324-22 – Talent Management and Retention*: Although Internal Audit proposed a forward-looking audit to benchmark and provide assurance around the evolving talent management plans, the Acting Assistant Director of HR & OD considered that this area was already being

reviewed in line with strategic directions. She considered that the proposed audit was not actionable in 2023/24 and requested that the audit proceed once work on the new approach was further advanced.

3.4.3 *INT2324-30 – Waste – Compliance with ISO requirements*: The Interim Director of Transformation (Public Realm) informed Internal Audit that Waste Services have a large programme of work to deliver the 2024/25 savings and she considered that the Service would not be able to support the proposed audit. Internal Audit understands that the Interim Director's request has the support of both the Chief Financial Officer and the Chief Executive.

3.5 Additional Audits and Advisory Engagements

3.5.1 Since September 2023, Internal Audit agreed to conduct several additional audits and advisory engagements.

- Divestments – Review of the briefing paper covering the proposed sale of Wind Farm assets.
- Divestments – Review of briefing paper covering the proposed sale of the Council's interests in Toucan Energy Holdings 1 Ltd.
- *INT2324-32 – Expenditure Control Panel*: At the request of the Finance Recovery Board, Internal Audit agreed to review the adequacy and effectiveness of the procedures for preventing and detecting avoidance of the January 2023 expenditure control procedures. Fieldwork will start when resources become available.
- *INT2324-33 – Thames Freeport – Financial Management System*: At the request of the Interim Chief Financial Officer, Internal Audit conducted an advisory review to assist in the specification of the minimum requirements for the financial management system for Thames Freeport.
- *INT2324-34 – Aftercare – Managing cash*: Internal Audit initiated this review after being alerted to control failures for holding and managing cash held on behalf of care leavers.

3.6 Agreed Recommendations – Follow-up work

3.6.1 As part of its Charter, Internal Audit is required to carry out follow up reviews to ensure management has implemented agreed internal control improvements. For several years, Internal Audit did not follow through on this obligation. In September 2023, Internal Audit implemented a review into the status of management actions going back to 2018/19.

3.6.2 Internal Audit identified 13 management actions that it had not followed up associated with recommendations with risk/priority ratings of "Medium" or "High" from 2018/19 and 2019/20 Internal Audit reports. Following engagement with the relevant services, Internal Audit received evidence verifying completion of 12 of the management actions. Evidence verifying implementation of the remaining management action was not provided. See Appendix 1.

3.6.3 Internal Audit discovered that the migration to an upgraded version of its audit software did not pick up recommendations from audit reports published in 2020/21 and 2021/22. The resources required to remedy this situation are not readily available. Consequently, Internal Audit proposes that, given the historic nature of many of the recommendations, the Committee

agrees that Internal Audit does not conduct further follow-up work for recommendations from 2020/21 or earlier.

3.7 Resources

- 3.7.1 Since the October meeting of the Committee, staff levels within the Internal Audit service have fallen from 4 Full Time Equivalent members of staff (FTEs) to just 1.5 FTEs.
- 3.7.2 The former Chief Internal Auditor left in November 2023. He was replaced by a contracted, part-time (1-day a week) Audit Manager from Mazars, who is supported also on a part time basis by the Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance.
- 3.7.3 The Senior Audit Manager post effectively became vacant in November when the individual acted up to fill an Audit Manager role and later became the Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance.
- 3.7.4 One of the two Internal Auditors resigned and left the Council on 16 February 2024.
- 3.7.5 The recruitment round in December 2023 resulted in the appointment of an Internal Auditor, who is due to start with the Council on 11 March 2024. The permanent Head of Financial Assurance, Risk, Internal Audit, and Insurance is due to start in April/May 2024.
- 3.7.6 As reported in October 2023, the Internal Audit Service commissioned support from Mazars for the delivery of four audits on the 2023/24 Audit Plan. The Service commissioned support for the delivery of a further four audits.

3.8 Delivery of the Audit Plan 2023/24

- 3.8.1 From a programme that currently includes 33 audits or other planned engagements, Internal Audit has either completed or expects to complete 21 audits by the 31 March 2024.
- 3.8.2 There are proposals to defer two audits (INT2324-22 and INT2324-30). See section 3.4 above.
- 3.8.3 Given Internal Audit's current resource constraints, the Service does not expect to have advanced the remaining ten audits from the 2023/24 Audit Plan beyond their respective planning stages by the end of the financial year.

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 Plan is periodically discussed with the Chief Executive, Directors, and Assistant Directors before being reported to Senior Leadership Team 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 2023/24. Recommendations made are designed to further the implementation of these corporate priorities.

7. Implications

7.1 Financial

Implications verified by: **Rob Chimani**
Management Accountant

20 February

This is a progress update report and the Audit Service has no planned use of Mazars for Audit support beyond March 2024, there are no in-year financial implications.

7.2 Legal

Implications verified by: **Jayne Middleton-Albooye**
Interim Head of Legal Services and Deputy Monitoring Officer

19th February 2024

The contents of this report and appendix form part of the Council's responsibility to comply with the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015. The Council must 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; ensures that the financial and operational management of the Council is effective; and includes effective arrangements for the management of risk. At least annually the Council must 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.

7.3 Diversity and Equality

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

20 February 2023

All information regarding Community Equality Impact Assessments can be found here:
<https://intranet.thurrock.gov.uk/services/diversity-and-equality/ceia/>

There are no diversity implications within this report.

7.4 Risks

If Internal Audit does not complete an adequate number of appropriate audits from across the Council, the Interim Chief Internal Auditor may not possess sufficient evidence upon which to formulate an annual internal audit opinion for 2023/24 on the adequacy and effectiveness of the Council's governance, risk management and control arrangements.

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

The Internal Audit Plan and its outcomes are a key part of the council's risk management and assurance frameworks.

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 Strategy and 6-month Plan 2023/24, dated 19 July 2023 ([Standards & Audit Committee \(thurrock.gov.uk\)](#))
- Internal Audit Progress Report 2023/24, dated 30 October 2023 ([Appendix 1 Progress Report.pdf \(thurrock.gov.uk\)](#))
- Draft Internal Audit Strategy and 6-month Plan H2 2023/24 v0.03, dated November 2023 (attached to email from the former Chief Internal Auditor to Members of the Committee, dated 13 November 2023)

9. Appendices to the report

- Internal Audit Progress Report 2023/24, dated 29 February

Report Author:

Colin Ratcliffe

Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance

Finance