

# RSM Tenon

THURROCK COUNCIL

Internal Audit Annual Report for the year ended 31 March 2012

Presented at the Audit Committee meeting of: 19<sup>th</sup> July 2012

Approved by: Chris Harris as Head of Internal Audit

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The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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## 1 INTRODUCTION

### 1.1 The Role of Internal Audit

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 assurance framework and, if used properly, can inform and update the organisation's risk profile. Internal Audit is just one of the sources of assurance available to the Council and Audit Committee.

The definition of internal audit, as described in CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom, is set out below:

- Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- Whilst Internal Audit "primarily" provides an independent and objective opinion to the organisation on the control environment, it may also undertake other, non-assurance work at the request of the organisation subject to the availability of skills and resources. This can include consultancy work; indeed, Internal Audit intrinsically delivers consultancy services when making recommendations for improvement arising from assurance work, and fraud-related work.

### 1.2 Governance Statement

Under Regulation 4[2] of the Accounts and Audit Regulations 2011, the relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control. From 2007/08, authorities have had to publish an annual governance statement in line with the CIPFA/SOLACE Good Governance Framework to meet that statutory requirement.

As your internal audit provider, the assignment opinions that RSM Tenon provides the organisation during the year are part of the framework of assurances that assist the Council in preparing an informed governance statement.

## 2 INTERNAL AUDIT ASSURANCE FOR 2011/2012

### 2.1 Context

As the provider of the internal audit service to Thurrock Council we provide the Council through the Audit Committee with an opinion on the adequacy and effectiveness of your 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 to the Council is a reasonable assurance that there are no major weaknesses in the risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. This report is prepared solely for the use of Thurrock Council and its senior management team. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

**2.2 Internal Audit Assurance Statement**

This annual Head of Internal Audit opinion is provided to Thurrock Council by RSM Tenon Limited.

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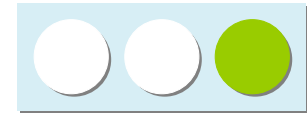
We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Thurrock Council's arrangements. However, additional work requested by the Council has had an impact on the number of assurance reports issued and needs to be monitored in the future.

For the 12 months ended 31 March 2012, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of Thurrock Council's arrangements for governance, risk management and control is as follows:

Red    Amber    Green

**Governance**

No specific review of governance was undertaken in 2011/12. No significant substantial issues arose from audits carried out in respect of governance. It was noted that governance arrangements around partnership working with contractors had improved.



**Risk Management**

This remains unchanged from last year as the review was deferred due to the implementation of a new risk and opportunity management framework by the client. There continues to be regular updating and reporting of the Corporate Risk Register to the Audit Committee.



**Control**

There was an improvement in the number of red reviews issued in 2011/12 (8%) when compared to 2010/11 (13%). If this direction of travel continues in 2012/13, the assurance level should be green in next year's Annual Report.



### 2.3 Scope of the Internal Audit Opinion

In arriving at our opinion, we have taken into account:

- The results of all internal audits undertaken during the year ended 31 March 2012 (see Appendix A for a risk map of our internal audit assurances and Appendix B for a summary of audits);
- The results of follow-up action taken in respect of audits from previous years;
- Whether high or medium recommendations have been accepted by management and, if not, the consequent risks;
- The effects of any material changes in the Council's objectives or activities;
- Matters arising from previous reports or other assurance providers to the Audit Committee;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the Council; and
- What proportion of the Council's internal audit needs have been covered to date.

### 2.4 The Basis of the Opinion

During 2011/12, we issued a total of 29 assurance reports of which 3 are still with the client awaiting responses. These will be presented as part of the progress report to the September Committee and have not been included as part of our assurance opinion. In addition, substantial advisory work was carried out due to the challenging circumstances surrounding the Council's partnership arrangements, the transfer of staff and assets from the Thames Gateway Development Corporation, the National Fraud Initiative and a number of formal complaints that required

independent review and investigation. Changes to the plan to allow internal audit to carry out this work were agreed at the Audit Committee meeting held in December 2011.

The chart at 2.7 below shows that 92% of final reports were issued with a positive level of assurance, compared to 87% in 2009/10. However, 8% of final reports issued received a red level of assurance. The final reports issued as red assurance were:

- Morrison Responsive Repairs Contract; and
- Payroll including HR

Follow up work carried out during 2011/12, identified that 87% of recommendation had been implemented, compared to 67.2% in 2010/11. Recommendations contained within internal audit reports and their implementation by officers have been given an increased level of scrutiny by the Audit Committee, Directors and Heads of Service and the Council are making good progress in implementing Internal Audit recommendations.

### Acceptance of Recommendations

All of the recommendations made during the year were accepted by management.

### 2.5 Governance Statement

The overall opinion may be used by the Council in the preparation of the annual governance statement.

### 2.6 Conflicts of Interest

We have not undertaken any work or activity during 2011/12 that would lead us to declare any conflict of interests.

## 2.7 Benchmarking data

The tables overleaf show the split of internal audit recommendations and opinions for Thurrock Council in 2011/12 and those made in 2010/11. This shows there has been an increase in the percentage of high level recommendations, from 2% to 14%. However, the increase is almost entirely due to the number of high recommendations made in the two red assurance reports. The percentage of medium recommendations has remained fairly constant.

In respect of the Assurance levels, the number of red reports issued has reduced from 14% to 8% since 2010/11, with a 6% increase in green (substantial) assurance reports. This shows that the Council is continuing to improve.

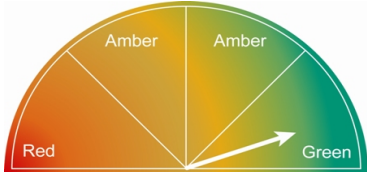
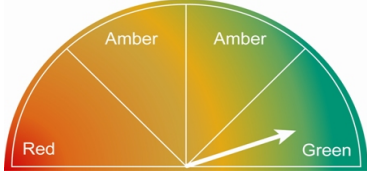
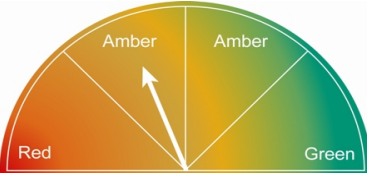
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**Comparison of the categories of internal audit recommendations made 2011/12 and 2010/11**

**Comparison of assurance levels provided by internal audit in 2011/12 and 2010/11**

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**APPENDIX A: INTERNAL AUDIT ASSURANCE MAP 2011/2012**

Risk Based Coverage			
Risk(s)	Source	Headline Findings	Assurance
There is not a clear process in place to ensure staff and Members of the Authority have received an appropriate level of clearance which puts vulnerable clients at risk.	Strategic Risk Register	Our audit of <b>CRB Checks</b> identified one medium recommendation which related to the need to remind Managers and HR staff of the importance of using risk assessments after a positive trace has been returned.  This was a significant improvement from the previous year when this report received a red assurance opinion.	
The Building Control Service is not meeting the needs of its customers and is not providing an effective, efficient and economical service.	Management request	Our audit of <b>Building Control</b> identified one medium recommendation which related to the need to liaise with Debtors prior to carrying out an inspection to ensure fee payments had been received.	
The criteria relating to Business User Allowance may not be applied appropriately.  Business User Allowance may not be monitored and reviewed on a regular basis.	On-going cyclical review process.	Our audit of <b>Business User Allowances</b> identified one high and one medium recommendation. Both these recommendations related to the lack of guidance on the criteria applied to the allowance which was not clear and was open to interpretation and abuse by managers and staff.	



Risk Based Coverage			
Risk(s)	Source	Headline Findings	Assurance
Direct Payments are not controlled resulting in the needs of the client not being met.	Management request	<p>Our audit of <b>Direct Payments</b> identified four medium recommendations. These related to:</p> <ul style="list-style-type: none"> <li>• Direct Payments were not always reviewed annually;</li> <li>• There was not always a Direct Payment Agreement signed off by the Service Manager, client and a witness;</li> <li>• Clients who did not return their six monthly returns were not always contacted in a timely manner; and</li> <li>• Highlighted significant underspends were not followed up to identify that the care was appropriate, or, whether the service user was having difficulty in procuring their care.</li> </ul>	
Failure to comply with contract procedure rules results in Responsive Repairs costs escalating.	Management request	<p>Our audit of <b>Morrison's Responsive Repairs Contract</b> identified six high recommendations. These related to:</p> <ul style="list-style-type: none"> <li>• Changes to working practices post contract award, if they had happened, could have resulted in the Council facing an increased risk of legal challenge.</li> <li>• Contract monitoring arrangements were insufficient to manage the contract.</li> <li>• The lack of IT infrastructure and interface between the Authority's systems and those of Morrison Facilities Services (MFS) Limited led to widespread inefficiencies.</li> <li>• The breakdown of the invoicing system and supporting documentation had resulted in consolidated payments which could not be accurately verified.</li> <li>• Lack of accurate record keeping of work undertaken and variations to works led to uneconomic repairs being carried out and misleading information being supplied by MFS, Vertex and the Authority, culminating in complaints from tenants.</li> </ul>	

Risk Based Coverage			
Risk(s)	Source	Headline Findings	Assurance
Independent contractors providing residential care may not provide an effective, efficient or economic service that meets the needs of their service users and value for money is not obtained.	Management request	<p>Our audit of <b>Residential Care Contracts</b> did not identify any high or medium recommendations. It was noted that:</p> <ul style="list-style-type: none"> <li>• Commissioning for residential care for Older People and Adults was benchmarked to other Authorities across the region and care costs were kept to a minimum.</li> <li>• Payments were approved correctly and management checks applied.</li> <li>• Effective contract monitoring was taking place to review the quality of service.</li> <li>• Compliments and complaints were monitored and satisfaction surveys analysed.</li> <li>• Panel decisions and assessments were not always easily accessible.</li> <li>• There were invoice scanning delays in Creditors.</li> </ul>	
Authorisation and monitoring of Section 17 payments is not in line with the Financial Procedure Rules and legislation leading to non-compliance.	Management request	<p>Our audit of <b>Section 17 Payments</b> identified three medium recommendations. These related to:</p> <ul style="list-style-type: none"> <li>• The lack of a system to monitor costs incurred on a family by family basis making budgetary control difficult.</li> <li>• Invoices lacked detail and purchase orders were not always properly authorised.</li> <li>• Petty cash payments sometimes exceeded the agreed limit and receipts were not always evident.</li> </ul>	
The use of Purchase Cards results in staff ordering and paying for goods that are not appropriate resulting in a financial loss to the Council.	Internal Audit	<p>Our audit of <b>Purchase Cards</b> identified five medium recommendations. These related to:</p> <ul style="list-style-type: none"> <li>• The Bank allowed individual limits to be exceeded.</li> <li>• The Financial Services Department did not keep a log of card holders.</li> </ul>	

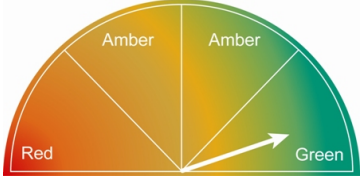
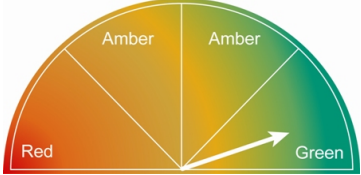
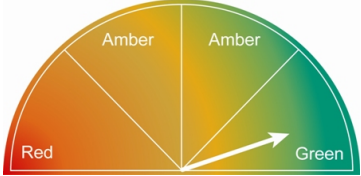
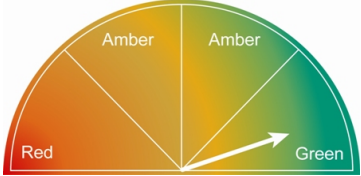
Risk Based Coverage			
Risk(s)	Source	Headline Findings	Assurance
		<ul style="list-style-type: none"> <li>VAT receipts were not always obtained so VAT was not reclaimed.</li> <li>Credit Card Procedures were not always complied with.</li> <li>Statements were not reconciled in a timely manner by someone other than the cardholder.</li> <li>Credit Cards were not always cancelled immediately an employee left the organisation.</li> <li>Arval invoices were not reconciled to sales vouchers prior to payment.</li> <li>Regular checks had not been introduced to ensure diesel purchased was reasonable for the mileage incurred.</li> </ul>	
There are no arrangements in place to safeguard vulnerable adults.	Management request	<p>Our audit of <b>Safeguarding Vulnerable Adults</b> did not identify any significant issues. It was noted that:</p> <ul style="list-style-type: none"> <li>There is a multi-agency approach with the Council taking a lead in training for their own staff and other agencies;</li> <li>Awareness raising sessions were being held within the Community.</li> <li>Safeguarding concerns were being received from a number of sources which indicates the success of the multi-agency approach.</li> </ul>	
Children are not appropriately placed with adoptive parents who have been through a robust adoption process.	Management request	<p>Our audit of <b>Adoption</b> identified one high and two medium recommendations. These related to:</p> <ul style="list-style-type: none"> <li>The Financial Assessment process was not robust with incorrect payments being made and insufficient information being requested from Adopters. Management review was not evident and procedures had not been reviewed and updated.</li> <li>Payments were being made without sufficient information on file</li> </ul>	

Risk Based Coverage			
Risk(s)	Source	Headline Findings	Assurance
		<ul style="list-style-type: none"> <li>Special Guardianship Allowances were not reviewed on an annual basis and payments were not made in line with the Fostering Boarding Allowance.</li> </ul>	
The operational and financial management arrangements in Secondary and Primary Schools are inadequate, increasing the risk of impropriety.	On-going cyclical review process.	<p>Our audit of <b>Chafford Hundred Business &amp; Enterprise College</b> identified two medium recommendations. These related to:</p> <ul style="list-style-type: none"> <li>The school fund was not audited on an annual basis as per the school's own Financial Regulations.</li> <li>The petty cash was not being reconciled on a monthly basis. There was a slight discrepancy which was more difficult to identify due to termly reconciliations.</li> </ul>	
The operational and financial management arrangements in Secondary and Primary Schools are inadequate, increasing the risk of impropriety.	On-going cyclical review process.	<p>Our audit of <b>Horndon-on-the-Hill Primary School</b> did not identify any high or medium recommendations but the number of low recommendations (7) resulted in an amber/green assurance opinion. It was noted that:</p> <ul style="list-style-type: none"> <li>The School's Financial Regulations had not been formally signed off by the Chair of Governors.</li> <li>The inventory was not up to date.</li> <li>Outstanding dinner money was not always chased up in a timely manner.</li> <li>The School has recently completed major building works, which resulted in the movement of the offices and documents were available to show value for money had been considered.</li> </ul>	
The operational and financial management arrangements in Secondary and Primary Schools are inadequate, increasing the risk of impropriety.	On-going cyclical review process.	<p>Our audit of <b>Orsett CofE Primary School</b> identified 2 medium recommendations. These related to:</p> <ul style="list-style-type: none"> <li>School fund reconciliations were not independently checked and counter-signed by the Head Teacher and there was an inadequate separation of duties.</li> <li>Cancelled cheques had not been retained and stapled into the cheque book and claims were not being submitted frequently.</li> </ul>	

Risk Based Coverage			
Risk(s)	Source	Headline Findings	Assurance
		It was noted that with the assistance of the Education Finance team, the school have worked very hard to eradicate a budget deficit.	
The operational and financial management arrangements in Secondary and Primary Schools are inadequate, increasing the risk of impropriety.	On-going cyclical review process.	<p>Our audit of <b>Quarry Hill Primary School</b> identified 3 medium recommendations. These related to:</p> <ul style="list-style-type: none"> <li>The audited account 2009/2010 for the School Fund had not been presented to the Governors.</li> <li>The school fund was not reconciled against the bank account every month.</li> <li>Staff were not paid the correct overtime, or had not completed the claim form correctly.</li> </ul> <p>It was noted that strong controls are in place at the school regarding the collection of income from dinner money and lettings.</p>	
The operational and financial management arrangements in Secondary and Primary Schools are inadequate, increasing the risk of impropriety.	On-going cyclical review process.	<p>Our audit of <b>Stifford Clays Junior School</b> did not identify any high or medium recommendations. It was noted that:</p> <ul style="list-style-type: none"> <li>Petty Cash reimbursement claims were not always made when the amount reaches 50% of the imprest level.</li> <li>One of the Governors had not signed an up to date Business Interest Form.</li> <li>There were strong controls in place at the school. In all critical financial areas there was a clear separation of duties</li> </ul>	
The operational and financial management arrangements in Secondary and Primary Schools are inadequate increasing the risk of impropriety.	On-going cyclical review process.	<p>Our audit of <b>Treetops School</b> identified 2 medium recommendations. These related to:</p> <ul style="list-style-type: none"> <li>The level of £30,000 before 3 quotes were obtained was too high.</li> <li>Dinner Money was not banked on a weekly basis.</li> </ul> <p>It was noted that there was a clear separation of duties around financial transactions and system security and back-up was very</p>	

Risk Based Coverage			
Risk(s)	Source	Headline Findings	Assurance
		strong and minimised the risk of loss of data.	
The operational and financial management arrangements in Secondary and Primary Schools are inadequate increasing the risk of impropriety.	On-going cyclical review process.	<p>Our audit of <b>William Edwards School and Sports College</b> identified 1 high and 1 medium recommendation. These related to:</p> <ul style="list-style-type: none"> <li>Income from lettings should not be paid into the School Fund.</li> <li>Purchase Orders are not raised before the invoice date, and not raised at all for those which are paid by Direct Debit.</li> </ul> <p>It was disappointing to note that the school had not implemented the recommendations made during the previous review in 2010.</p>	

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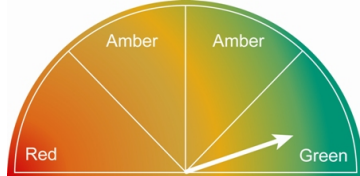
Other Coverage			
Area	Rationale for coverage	Headline Findings	Assurance
Cash Receipting	External Audit Reliance	Our audit of <b>Cash Receipting</b> identified one medium recommendation around the need to ensure suspense items were cleared promptly within the Finance Section.	
Creditors	External Audit Reliance	Our audit of <b>Creditors</b> identified one medium recommendation relating to the need to remind departments to always raise a purchase requisition before contacting the supplier to order the goods/services.	
Debtors	External Audit Reliance	Our audit of <b>Debtors</b> did not identify any high or medium recommendations. It was noted that: <ul style="list-style-type: none"> <li>• There was documentary evidence to support transactions.</li> <li>• Reconciliations were carried out on a regular basis.</li> <li>• Prompt recovery action was undertaken.</li> <li>• The Debt Collection Procedure will need to be reviewed and updated following the installation of the upgraded Oracle system.</li> </ul>	
Council Tax	External Audit Reliance	Our audit of <b>Council Tax</b> did not identify any recommendations. It was noted that: <ul style="list-style-type: none"> <li>• Council Tax records were dealt with in a timely and accurate manner.</li> <li>• Valuations were reconciled weekly.</li> <li>• There is a rolling programme in place to verify continuing entitlement to the Single Person Discount.</li> </ul>	



Other Coverage			
Area	Rationale for coverage	Headline Findings	Assurance
		<ul style="list-style-type: none"> <li>Where discounts and exemptions are granted, there are records that confirm the entitlement to them.</li> <li>Regular review of discounts and exemptions by the Revenues Manager.</li> <li>Reminder and debt collection procedures are robust and action is taken in line with best practice.</li> <li>Debt collection performance is regularly monitored.</li> </ul>	
NNDR	External Audit Reliance	<p>Our audit of <b>NNDR</b> did not identify any recommendations. It was noted that:</p> <ul style="list-style-type: none"> <li>The NNDR valuation of residential properties is monitored on at least a weekly basis to the valuations provided by the Valuation Office Agency.</li> <li>Where discounts and exemptions are granted, there are records which confirm the entitlement to them.</li> <li>A timetable is in place to ensure that each property in the borough receiving an exemption is inspected twice a year – once by each of the two voids inspectors.</li> <li>Debt collection performance is regularly monitored and targets have been set.</li> </ul>	
Housing Benefits	External Audit Reliance	<p>Our audit of <b>Housing Benefits</b> did not identify any high or medium recommendations. It was noted that:</p> <ul style="list-style-type: none"> <li>The overall performance for new claims and change in circumstance is within expected target levels.</li> <li>The Verification Framework is complied with.</li> <li>Policies and procedures are evident.</li> <li>Reconciliations are undertaken on a regular basis.</li> </ul> <p>The scope of this review was extended to include controls around the</p>	



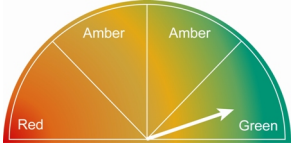
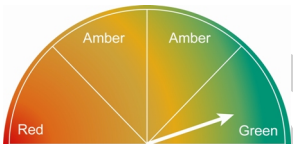
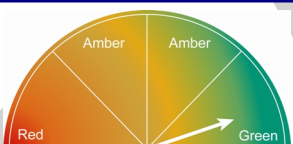
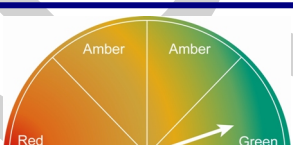
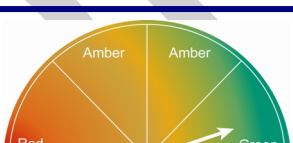
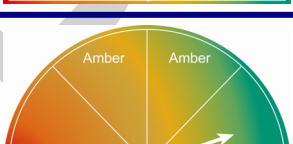
Other Coverage			
Area	Rationale for coverage	Headline Findings	Assurance
		processes for assessing the accuracy of the data that was submitted to support the subsidy claim.	
Treasury Management	External Audit Reliance	<p>Our audit of <b>Treasury Management</b> noted that:</p> <ul style="list-style-type: none"> <li>The treasury management policy statement/strategy complies with statute and regulations (CIPFA).</li> <li>Senior Management authorise transactions on the system.</li> <li>Reconciliations are carried out and the general ledger is updated promptly with all transactions. However, the January 2011 reconciliation was not carried out until early March 2011.</li> <li>The Treasury Management Policy lists risks related to treasury management adequately</li> <li>There are procedures in place for the management of cash-flow.</li> <li>Performance is monitored and any significant variances from expected returns are promptly identified and reported.</li> </ul>	
Payroll including HR	External Audit Reliance	<p>Our audit of <b>Payroll including HR</b> identified five high and two medium recommendations. These related to:</p> <ul style="list-style-type: none"> <li>A member of teaching staff who went through a formal capability process, was not reported to the General Teaching Council but was instead offered a compromise agreement.</li> <li>Evidence of qualifications was not always obtained, even though the job required that the post holder was qualified.</li> <li>Some leaver forms were submitted late by the relevant department.</li> <li>Incremental rises were paid to staff on probation.</li> <li>Claims for additional hours were submitted that were arithmetically incorrect, lunch breaks had not been deducted</li> </ul>	

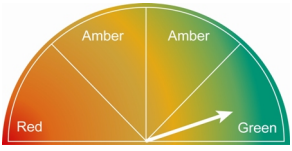
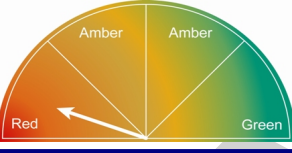
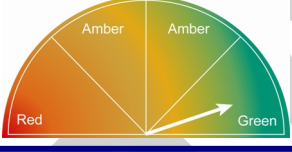
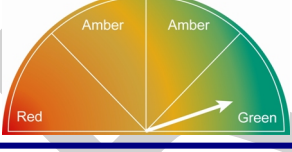
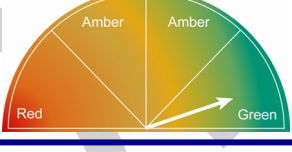
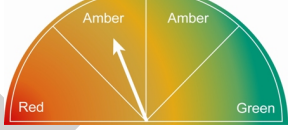
Other Coverage			
Area	Rationale for coverage	Headline Findings	Assurance
		<p>and incorrect overtime rates were applied.</p> <ul style="list-style-type: none"> <li>Issues with Pay in Lieu (PILON) of Notice, Redundancy Payments and Compromise Agreements resulted in additional costs having to be met by the Council.</li> </ul>	
Bank Reconciliation	External Audit Reliance	<p>Our audit of <b>Bank Reconciliation</b> noted that:</p> <ul style="list-style-type: none"> <li>At the time of this audit, reconciliations for April, May and June had not been counter-signed by the Finance Manager.</li> <li>Items were not cleared down from the Suspense Account, within a reasonable timescale.</li> </ul>	
Duplicate Payments	Management request	<p>The review of duplicate payments identified approximately £4,500 which had been paid twice. The main issues were around a supplier who had multiple invoices paid twice as they had several supplier accounts set up on the accounts payable system. A further two invoices that were paid to the wrong supplier were then subsequently paid to the correct supplier. Recommendations were made to enhance the control environment.</p>	N/A
National Fraud Initiative	Statutory	<p>The NFI is part of the statutory audit process for health, local government and the other public sector providers that the Audit Commission is responsible for. Its aim is to help prevent and detect fraud by comparing different sets of data, like payroll or benefit records, against other records held by the same, or another organisation, bringing to light potentially fraudulent claims and payments. Where a match is found, this means there may be an inconsistency that needs investigation. The organisations taking part get a report on these matches, which they can then follow up to detect fraud, under or overpayments and other errors by taking action or updating their records as required. Resourcing of the NFI has always been an issue as the systems used to identify matches has increased and new datasets have been brought in. This has resulted in Internal Audit carrying out significant extra work in this area.</p>	N/A

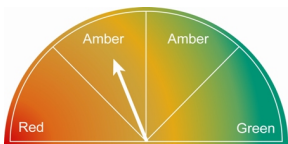
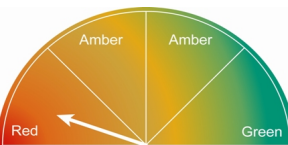
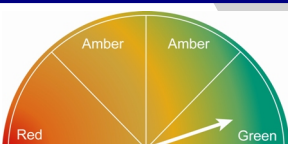
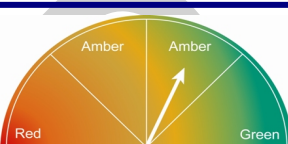
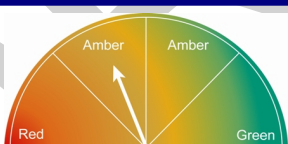
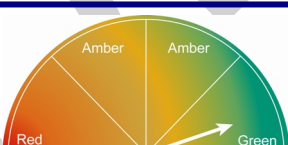
<b>Other Coverage</b>			
<b>Area</b>	<b>Rationale for coverage</b>	<b>Headline Findings</b>	<b>Assurance</b>
Member driven complaints in respect of responsive repairs contract	Management request	Following two complaints relating to works carried out by Morrison, the Chief Executive requested internal audit increase the scope of the responsive repairs review to include the investigation of the complaints. Findings and recommendations were incorporated into the responsive repairs review and presented to the Audit Committee.	N/A
Formal complaints involving members of staff.	Management request	At the request of the Information Manager, the RSM Tenon Client Manager has conducted three separate independent investigations into allegations of impropriety by four members of staff. This type of work is very resource intensive as it involves carrying out a series of tests to review evidence and interviews have to be held with relevant staff, contractors, the complainant etc. These would not form part of the internal audit plan but do have a significant impact upon the plan when this additional work is requested.	N/A
The Thames Gateway Development Corporation transfer of staff and powers	Management request	This review was extended to provide audit advice to the Integration Project Group. The scope of the review included mapping the due diligence process, liaison with the Development Corporation to identify assets, log project activity and create a high level record of project tasks for the Authority. This work contributes to the task of collating due diligence activities and identifies key documents obtained in this process.	N/A
Director driven request in respect of Morrison Schedule of Rates work	Management request	A responsive repairs contract review was undertaken and reported separately to the Audit Committee in November. In addition to this, Internal Audit was also requested to carry out a limited review of the schedule of rates for the Morrison contract. This work was carried out in conjunction with Housing for the Director of Transformation.	N/A
Academies	Management request	A total of six secondary schools became academies in 2011/12 Internal audit carried out reviews at these schools to ensure that they were not making inappropriate purchases prior to the transfer and all contracts paid on the school's behalf by the Council had been cancelled and reinstated under the name of the relevant academy.	N/A

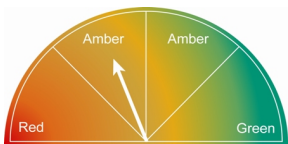
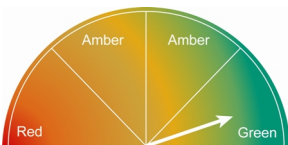
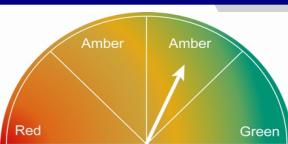
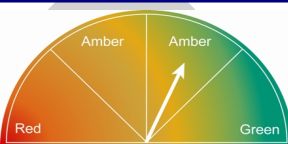
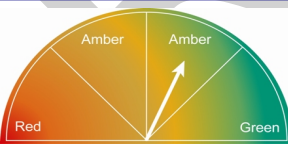
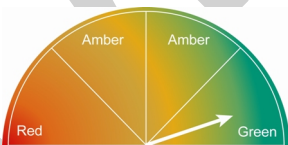
<b>Other Coverage</b>			
<b>Area</b>	<b>Rationale for coverage</b>	<b>Headline Findings</b>	<b>Assurance</b>
Anti-fraud & Corruption Strategy	Management request	A review of the effectiveness of the anti-fraud and corruption strategy was carried out. The findings were passed to the Head of Corporate Finance and presented to the Standards Committee. As a result of this work and other issues identified within the Council, a Corporate Fraud Team is being set up.	N/A
Follow up	Ongoing assurance over the implementation of internal audit recommendations.	Our follow-up reviews carried out in 2011/12 identified that 87% of recommendation had been implemented. This is an improvement on the previous year where 67.2% of recommendations checked had been implemented. The introduction of a more rigorous approach by the Audit Committee, Directors and Heads of Service during 2011/12 has helped drive these improvements. This represents good progress.	N/A
Risk Maturity	Ongoing assurance over the Council's risk management processes.	We consider the organisation to be Risk Defined. There was evidence of regular review and updates to the Corporate Risk Register were regularly reported to the Audit Committee. The risk management review was deferred until 2012/13 due to the implementation of a new risk management framework in early 2012.	N/A

**APPENDIX B: INTERNAL AUDIT OPINIONS AND RECOMMENDATIONS 2011/2012**

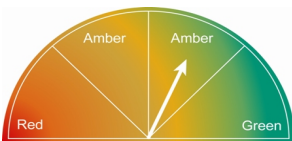
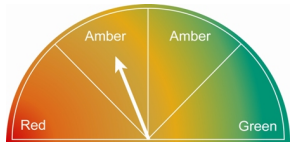
Auditable Area	Assurance Level Given	Number of Recommendations made				
		High	Medium	Low	In Total	Agreed
Cash Receipting		0	1	0	1	1
Creditors		0	1	3	4	4
Debtors		0	0	1	1	1
Council Tax		0	0	0	0	0
NNDR		0	0	0	0	0
Housing Benefits		0	0	6	6	6

Auditable Area	Assurance Level Given	Number of Recommendations made				
		High	Medium	Low	In Total	Agreed
Treasury Management		0	0	1	1	1
Payroll		5	2	0	7	7
Bank Reconciliation		0	0	3	3	3
CRB Checks		0	1	1	2	2
Building Control		0	1	2	3	3
Business User Allowance		1	1	1	3	3

Auditable Area	Assurance Level Given	Number of Recommendations made				
		High	Medium	Low	In Total	Agreed
Direct Payments		0	4	3	7	7
Morrison's Responsive Repairs Contract		6	0	0	6	6
Residential Care Contracts		0	0	2	2	2
Section 17 Payments		0	3	0	3	3
Purchase Cards		0	5	3	8	8
Safeguarding Vulnerable Adults		0	0	2	2	2

Auditable Area	Assurance Level Given	Number of Recommendations made				
		High	Medium	Low	In Total	Agreed
Adoption		1	2	0	3	3
Chafford Hundred Business & Enterprise College		0	2	2	4	4
Horndon-on-the-Hill Primary School		0	0	7	7	7
Orsett CofE Primary School		0	2	5	7	7
Quarry Hill Primary School		0	3	2	5	5
Stifford Clays Junior School		0	0	2	2	2



Auditable Area	Assurance Level Given	Number of Recommendations made				
		High	Medium	Low	In Total	Agreed
Treetops School		0	2	3	5	5
William Edwards School and Sports College		1	1	4	6	6
Duplicate Payments	Advisory	N/A	N/A	N/A	N/A	N/A
National Fraud Initiative	Advisory	N/A	N/A	N/A	N/A	N/A
Member driven complaints in respect of responsive repairs contract	Advisory	N/A	N/A	N/A	N/A	N/A
Formal complaints involving members of staff.	Advisory	N/A	N/A	N/A	N/A	N/A
The Thames Gateway Development Corporation transfer of staff and powers	Advisory	N/A	N/A	N/A	N/A	N/A
Director driven request in respect of Morrison Schedule of Rates work	Advisory	N/A	N/A	N/A	N/A	N/A
Academies	Advisory	N/A	N/A	N/A	N/A	N/A
Anti-fraud & Corruption Strategy	Advisory	N/A	N/A	N/A	N/A	N/A
Follow-up	Good progress	N/A	N/A	N/A	N/A	N/A
Risk Management	Risk Defined	N/A	N/A	N/A	N/A	N/A
<b>TOTAL</b>		<b>14</b>	<b>31</b>	<b>53</b>	<b>98</b>	<b>98</b>