

19 September 2013		ITEM: 6
Standards & Audit Committee		
Head of Internal Audit's Annual Report 2012/13		
Report of: Cllr Philip Smith – Portfolio Holder Central Services		
Wards and communities affected: All	Key Decision: Non-key	
Accountable Head of Service: Sean Clark – Head of Corporate Finance		
Accountable Director: Graham Farrant – Chief Executive		
This report is Public		
Purpose of Report: For members of the Committee to note the audit work undertaken and the Head of Audit's opinion on the internal control environment for 2012/13		

EXECUTIVE SUMMARY

As the provider of the internal audit service to Thurrock Council RSM Tenon 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 RSM Tenon provides the organisation during the year are part of the framework of assurances that assist the Council prepare an informed annual governance statement.

1. RECOMMENDATIONS:

- 1.1 That the Standards & Audit Committee receives and notes the Head of Internal Audit's Annual Report for 2012/13.

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 The CIPFA Code of Practice for internal audit in Local Government in the United Kingdom specifies organisational standards that underpin the delivery of an effective internal audit department, including the independence and status of the Head of Internal Audit.
- 2.4 The procedures and practices that Internal Audit operates at Thurrock are designed to reflect adherence to these standards.
- 2.5 The CIPFA Code of Practice further states that The Head of Internal Audit must provide a report to those charged with governance to support the Annual Governance Statement and that this should include an opinion on the overall adequacy and effectiveness of the organisations control environment. The report is attached as Appendix A.

3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:

- 3.1 During the year, internal audit issued a total of 42 assurance reports. In addition, we have also carried out advisory work around the National Fraud Initiative and have been involved in providing independent review and investigation in respect of 2 formal complaints submitted through the complaints process and a Councillor enquiry.
- 3.2 There was an increase in the percentage of reports issued with a green or amber/green assurance opinion. However, there was also a slight increase in the percentage of reports issued with a red assurance opinion. The final reports issued with a red assurance opinion were:
 - Re-charging Tenants
 - Manor School
 - Corporate Health & Safety
 - ICT Vulnerability
- 3.3 We have assessed that there has been no significant change from last year and the overall opinion reflects this. We have provided a green opinion for governance, an amber opinion for risk management and an amber opinion for control.

4. REASONS FOR RECOMMENDATION:

- 4.1 The Head of Internal Audit's Annual Report is presented for the Standards & Audit Committee to note and supports the Annual Governance Statement.

5. CONSULTATION

5.1 The Head of Internal Audit's Annual Report 2012/13 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's 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**
 Telephone and email: **01375 652010**
sclark@thurrock.gov.uk

There are no direct financial implications arising from this report.

7.2 Legal

Implications verified by: **D Lawson**
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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: **S DeAlyn**
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There are no direct diversity implications arising from this report.

7.4 Other implications

In terms of risk and opportunity management, the Head of Audit's Annual Report and its outcomes are a key part of the Council's risk management and assurance framework.

BACKGROUND PAPERS USED IN PREPARING THIS REPORT:

- Internal Audit Reports issued in 2012/13.

APPENDICES TO THIS REPORT:

- Head of Internal Audit's Annual Report 2012/13.

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