

28 November 2013		ITEM: 9
Standards & Audit Committee		
Internal Audit Progress Report 2013/14		
Report of: Chris Harris – Head of Internal Audit		
Wards and communities affected: All	Key Decision: N/A	
Accountable Head of Service: Sean Clark – Head of Corporate Finance		
Accountable Director: Graham Farrant – Chief Executive		
This report is Public		
Date of notice given of exempt or confidential report: Not applicable		
Purpose of Report: For the Standards & Audit Committee to satisfy 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.		

EXECUTIVE SUMMARY

The Internal Audit Plan 2013/14 was discussed and noted by the Standards & Audit Committee at their meeting of 26th June 2013. This report sets out progress against the Internal Audit Plan 2013/14.

1. RECOMMENDATIONS:

That the Standards & Audit Committee:

- 1.1 Consider reports issued by Internal Audit in relation to the 2013/14 audit plan.**
- 1.2 Note progress against the Internal Audit Plan for 2013/14.**
- 1.3 Note those areas of Internal Audit activity which are not formally reported to the Standards & Audit Committee.**

2. INTRODUCTION AND BACKGROUND:

- 2.1 The Accounts and Audit (England) Regulations 2011 require that a relevant body must 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.**

- 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. The procedures and practices that Internal Audit operates at Thurrock are designed to reflect adherence to these standards.
- 2.4 The audits contained in the Internal Audit Plan 2013/14 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.
- 2.5 This report comments on Internal Audit performance relating to the period from 1st April 2013 to the end of October 2013.

3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:

- 3.1 Following widespread consultation with clients across all service sectors, the reports issued by Internal Audit now provide 4 levels of assurance opinion. The 4 opinions use a Red/Amber/Green assurance level and reports are now categorised as: Green; Amber/Green (positive assurance opinions); Amber/Red (some assurance but a number of weaknesses) and Red (negative assurance opinion).
- 3.2 We have summarised below all those reports that have been issued as final. The key findings of these reports are shown at Appendix 1. There was one Red assurance opinion issued.
- 3.3 The following 13 reports received a **Green** assurance rating for the control frameworks in their area:
- Benyon Primary School
 - Bonnygate Primary School
 - Deneholm Primary School
 - Tudor Court Primary School
 - Health & Safety Follow-up
 - Payroll (Oracle) Post Implementation Review
 - Trading Standards
 - Little Pirates Nursery
 - General Ledger (Oracle) Upgrade
 - Thurrock Adult Community College Crèche
 - Business Continuity (excluding IT)
 - Treasury Management
 - Bank Reconciliation

- 3.4 The following 7 reports received an **Amber/Green** assurance rating for the control frameworks in their area:
- Corringham Primary School
 - Stanford-le-Hope Primary School
 - Orsett C of E Primary School
 - Horndon-on-the-Hill C of E Primary
 - Neptune Nursery School
 - Passenger Transport Framework (Education) –Taxis
 - Arthur Bugler Junior School

- 3.5 The following 2 reports received an **Amber/Red** assurance rating for the control framework in their area:
- Quarry Hill Primary School
 - Use of Agency Staff for in-house provider services

Management summaries and action plans with responses for the report on “Use of Agency Staff for in-house provider services” are attached at Appendix 2. Quarry Hill Primary School is now an Academy so management responses and action plans have not been detailed but all recommendations will be monitored and followed up by staff within Children’s Services.

- 3.6 There is one **Red** assurance opinion on Housing Capital Programme (Kitchens & Bathrooms) which is being reported as a separate item on the agenda of this meeting.
- 3.7 We have also issued 1 **advisory** report on Key Performance Indicators where we have not provided an assurance opinion but have detailed the findings and recommendations in the Progress Report.
- 3.8 During the period being reported, there were 6 reviews which were at draft stage and with the client and 8 reviews which were work in progress. These will be reported to the Standards & Audit Committee as part of the next progress report.
- 3.9 We are currently involved in work providing advice and guidance to the Procurement Systems Design Group and are taking a key role in managing the work of a consultant who is carrying out a service review across Highways and Environment.

4. CONSULTATION (including Overview and Scrutiny, if applicable)

- 4.1 The audit risk assessment and the plan are periodically discussed with the Chief Executive, Directors and Heads of Service before being reported to Directors Board and the Audit Committee.
- 4.2 All terms of reference and draft reports are discussed and agreed with the relevant Corporate Directors, Heads of Service and/or management before being finalised.
- 4.3 The Internal Audit Service also consults with the Council’s External Auditors to ensure that respective audit plans provide full coverage whilst avoiding duplication.

5. **IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT**

- 5.1 The Council's corporate priorities were used to inform the annual audit plan 2013-14. Recommendations made are designed to further the implementation of these corporate priorities.

6. **IMPLICATIONS**

6.1 **Financial**

Implications verified by: **Sean Clark**
Telephone and email: **01375 652010**
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Whilst there are no direct financial implications arising from this report, it is important that the authority maintains adequate internal controls to safeguard the authority's assets. This is not to say that audit recommendations do not have financial implications but these are for management to identify and contain within existing budgets.

6.2 **Legal**

Implications verified by: **Paul Field – Senior Corporate Governance Solicitor**
Telephone and email: **01375 652087**
Paul.field@bdtlegal.org.uk

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 (England) Regulations 2011 to at least annually undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practice. 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.

6.3 **Diversity and Equality**

Implications verified by: **Samson DeAlyn**
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sdealyn@thurrock.gov.uk

There are no direct diversity implications arising from this report as it is for information purposes only.

6.4 **Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental**

In terms of risk and opportunity management, the Internal Audit Plan and its outcomes are a key part of the Council's risk management and assurance framework. The Internal Audit Plan is based on risk assessments that include a review of the Council's risk and opportunity register.

BACKGROUND PAPERS USED IN PREPARING THIS REPORT:

- Strategy for Internal Audit 2013/14 to 15/16 and Internal Audit Plan 2013/14
- Internal Audit Reports issued in 2013/14.

APPENDICES TO THIS REPORT:

- Appendix 1 – Internal Audit Progress Report.
- Appendix 2 - Progress Report - Management summaries and action plans for reports issued with an Amber/Red assurance opinion.

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