

15 November 2016		ITEM: 7
Standards & Audit Committee		
Internal Audit Progress Report 2016/17		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Gary Clifford – Chief Internal Auditor		
Accountable Head of Service: N/A		
Accountable Director: Sean Clark – Director of Finance & IT		
This report is public		

Executive Summary

The Internal Audit Plan 2016/17 was discussed by the Standards & Audit Committee at their meeting of 15th March 2016. This report is the second progress report for 2016/17. It details audit reviews issued as final, are in draft or work in progress that has started since the Committee meeting held on the 14th June 2016.

1. Recommendation(s)

1.1 That the Standards & Audit Committee:

Consider reports issued by Internal Audit in relation to the 2016/17 audit plan.

2. Introduction and Background

- 2.1 The Accounts and Audit Regulations 2015 require that 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 2016/17 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 a number of weaknesses were identified); and
- Red (negative assurance opinion).

- 3.2 We have summarised below (3.3 to 3.7), those reports that have been issued as final since the 14th June 2016. The key findings of these reports are shown at Appendix 1.

- 3.3 The following reports received a **Green** assurance rating for the control frameworks in their area:

- Gas Inspections
- Gifts, Interests and Hospitality

- 3.4 The following report received an **Amber/Green** assurance rating for the control framework in its area during this period:

- Car Parking Follow up
- Housing Allocations

- 3.5 No report received an **Amber/Red** assurance rating for the control framework in its area.

- 3.6 Two reports were issued with a **Red** assurance rating for the control frameworks in their area. These were Acquisitions and Disposals (excluding council housing) and Recruitment and Selection. Both of these reports were presented to the Standards & Audit Committee meeting held on 29th September 2016. They were presented by the relevant senior management and members were provided with an opportunity to challenge them on their progress in implementing the recommendations.

- 3.7 In the period, there have been 2 **Advisory** reports issued. These were a review of Third Party Spend (under £75k) and a review of Procurement in Schools.

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 risk assessment and the plan are periodically discussed with the Chief Executive, Corporate Directors, Directors and Heads of Service before being reported to Directors Board and the Standards & Audit Committee.
- 5.2 All terms of reference and draft reports are discussed and agreed with the relevant Corporate Directors, Directors, Heads of Service 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 2016-17. Recommendations made are designed to further the implementation of these corporate priorities.

7. Implications

7.1 Financial

Implications verified by: **L Last**
Senior Finance Officer - Management Accounts

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. If there is a cost to any audit recommendation, this is to be met from existing budgets.

7.2 Legal

Implications verified by: **P Field**
Senior Corporate Governance Lawyer

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 Regulations 2015 to at least annually 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. The Council has delegated responsibility for

ensuring this is taking place to the Standards & Audit Committee. There are no adverse legal implications relating to this progress report.

7.3 **Diversity and Equality**

Implications verified by: **R Price**
Community Development Officer

This report includes information on an audit of the council's Safeguarding of Assets (Appointeeship and Deputyship) service that provides support to vulnerable residents to manage their financial affairs. An Amber/Red assurance rating has now prompted the development of an action plan with a series of recommendations and management actions to mitigate the potential risks highlighted through the service audit. Updates on the implementation of the action plan will be reported to Standards & Audit Committee at the request of members.

7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

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.

8. **Background papers used in preparing the report:**

- Strategy for Internal Audit 2016/17 to 2018/19 and Internal Audit Plan 2016/17
- Internal Audit Reports issued in 2016/17.

9. **Appendices to the report**

- Appendix 1 – Internal Audit Progress Report.

Report Author:

Gary Clifford

Chief Internal Auditor

Thurrock Council Internal Audit Service, Corporate Finance