

6 July 2017		ITEM: 8
Standards and Audit Committee		
Chief Internal Auditor's Annual Report – Year ended 31st March 2017		
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

Under the Public Sector Internal Audit Standards, the Chief Internal Auditor is 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 this 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 the risk management, governance and control processes.

The audit opinions that are provided on a review by review basis during the year and are presented to the Standards & Audit Committee as part of the regular internal audit progress reports, form part of the framework of assurances that assist the council in preparing an informed annual governance statement.

1. Recommendation(s)

1.1 That the Standards & Audit Committee considers and comments on the Chief Internal Auditor's Annual Report – Year ended 31st March 2017.

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 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. This responsibility has been delegated to the Director of Finance & IT (Section 151 Officer) under the Council's Executive Scheme of Delegation and is delivered through the Chief Internal Auditor in consultation with the Director of Finance & IT.
- 2.3 In April 2013, a revised standard for Public Sector Internal Audit Standards (PSIAS) came into effect, compliance against which is seen as fundamental to demonstrating the adequacy and effectiveness of internal audit, in order to meet statutory requirements as set out in the Accounts & Audit (England) Regulations 2011. The procedures and practices that Internal Audit operates at Thurrock are designed to reflect adherence to these standards. However, following the internal audit service being brought back in house from April 2015, an external assessment of compliance with the standards needs to be carried out by March 2020.
- 2.4 The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the Chief Internal Auditor to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.

3. Issues, Options and Analysis of Options

- 3.1 During the year, internal audit have issued a total of 15 assurance reports. We have also issued 4 advisory reports on Business User Allowance and Travel Claims, Cheque Procedures, Procurement in Schools and Third Party Spend. We were requested to carry out and assist with a number of investigations, working alongside colleagues in the Counter Fraud & Investigation team. We also provided advice and guidance around self-service and iprocurement in an advisory capacity.
- 3.2 Following discussions with members and the Director of Finance & IT, Amber/Red assurance opinions are no longer given a positive assurance opinion to reflect that there are either high risk recommendations or a number of medium recommendations which indicate weaknesses across the service area.
- 3.3 In total, we issued 12 reports with a positive (Green or Amber/Green) assurance opinion and 3 reports with a negative (Red or Amber/Red) assurance opinion. These included 2 Red reports on Acquisitions and Disposals of Land and Buildings (excluding council housing) and HR Recruitment and Selection. A follow up review of Recruitment and Selection 2 months after the original review highlighted significant improvements with all recommendations having been actioned. A follow up review of Acquisitions

and disposals has been scheduled into 2017/18 due to changes within the senior management structure within the team.

- 3.4 It should be noted that whilst we have provided an **Amber** opinion on the risk management framework, we have not undertaken a formal review. Our opinion is based upon our knowledge of the work undertaken by the Interim Insurance and Risk Manager and regular reports provided to the Standards & Audit Committee and Directors Board. Nothing has been brought to our attention to suggest the council needs to be concerned around the risk management environment. A review of risk management has been included in the annual audit plan for 2017/18 and will be reported as part of the progress reporting arrangements.
- 3.5 We have assessed that there has been no significant change from last year for governance which remains **Green**. Due to the changes in the Amber/Red assurance opinions no longer being seen as positive and the issue of 2 Red reports, we have concluded that the control environment is **Amber** for 2016/17.

4. Reasons for Recommendation

- 4.1 The Chief Internal Auditor's Annual Report – Year ended 31st March 2017 is presented for the Standards & Audit Committee to consider and comment on and supports the council's Annual Governance Statement.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The Chief Internal Auditor's Annual Report – Year ended 31st March 2017 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 Chief Internal Auditor's Annual Report provides an independent assurance that the council has adequate control and risk management processes in place.

7. Implications

7.1 Financial

Implications verified by: **Sean Clark**
Director of Finance & IT

There are no direct financial implications arising from this report.

7.2 **Legal**

Implications verified by: **David Lawson**
Deputy Head of Law & Governance

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 the reporting progress.

7.3 **Diversity and Equality**

Implications verified by: **Natalie Warren**
Community Development & Equalities Manager

There are no direct diversity implications arising from this report.

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

In terms of risk and opportunity management, the Chief Internal Auditor's Annual Report and its outcomes are a key part of the council's risk management and assurance framework.

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 Reports issued in 2016/17.

9. **Appendices to the report**

- Appendix 1 - Chief Internal Auditor's Annual Report – Year ended 31st March 2017.

Report Author:

Gary Clifford

Chief Internal Auditor

Thurrock Council Internal Audit Service, Corporate Finance