

# Thurrock Council

## Chief Internal Auditor's Annual Report Year ended 31<sup>st</sup> March 2017

Presented at the Standards & Audit Committee meeting of 6<sup>th</sup>  
July 2017

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## 1. Introduction

In April 2015, a decision was made to end the contract with the previous contractor and bring the Internal Audit service back in house. As a result of coming back in house and the retirement of a member of the team in March 2016, it was agreed with the Director of Finance & IT to undertake a review of the staffing levels during 2016/17 which resulted in a recruitment process commencing in October 2016. 2 further staff were recruited into the team at an Assistant Internal Auditor level and started in mid-January 2017.

In accordance with Public Sector Internal Audit Standards, the Chief Internal Auditor is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.

This is achieved through a risk-based plan of work, agreed with management and approved by the Standards & Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. As such, the assurance framework is one component that the council takes into account in making its annual governance statement (AGS).

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.

The AGS is an annual statement by the Director of Finance & IT (Section 151 Officer), on behalf of the council, setting out:

- How the individual responsibilities of the Section 151 Officer are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;

- The purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the assurance framework process; and
- The conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures together with assurances that actions are, or will be taken where appropriate, to address issues arising.

## 2. Internal Audit Overall Opinion

The purpose of the annual Chief Internal Auditor's Opinion is to contribute to the assurances available to the Section 151 Officer and the council through the Standards & Audit Committee. This opinion will in turn assist the council in the preparation of its annual governance statement.

Despite the lack of resources during 2016/17, 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.

For the 12 months ended 31 March 2017, based on the work we have undertaken, our opinion below details the adequacy and effectiveness of your organisation's risk management, internal control and governance arrangements.

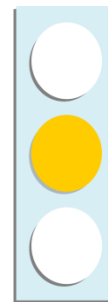
### Governance

During 2016/17 we conducted a review of the Register of Gifts, Interests and Hospitality for senior officers and members and provided a substantial assurance (Green) opinion. We have also looked at the governance arrangements in specific areas of the council's operations and where we have identified issues, the council has reacted swiftly to address them. It also looked at options to improve services and reduce costs including partnership working with other local authorities. These decisions were made with the full involvement of both officers and members and showed that governance was robust. Therefore, our overall opinion on governance remains the same as 2015/16 which is **Green**.



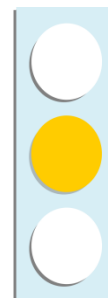
## Risk Management

Whilst we did not undertake a review of risk management during 2016/17, it was noted that the results of the annual self-assessment against the CIPFA/SOLACE Risk Management Benchmarking Model showed that the processes are robust and remained unchanged from the previous year. This was reported to the Standards & Audit Committee on the 28<sup>th</sup> February 2017. Update risk and opportunity reports are also regularly presented to the Standards & Audit Committee. A review of risk management has been included within the 2017/18 annual plan. From our close working relationship with the Interim Insurance & Risk Manager as part of our annual planning process, attendance at the Standards & Audit Committee, the fact that nothing has been brought to our attention around the risk management process and the result of the CIPFA/SOLACE self-assessment, we would be confident that at a corporate level, we could provide a **Green** assurance opinion. However, as we have not reviewed the operational risk management arrangement and cannot be sure if this would have a positive or negative impact on our opinion, overall, we have provided an **Amber** Opinion around the risk management framework.



## Internal Control

It was agreed with members and the Director of Finance and IT that changes were needed to the assurance opinions provided in 2015/16. Under the previous contractor, Green, Amber/Green and Amber/Red were considered positive opinions, with Red being a negative opinion. However, it was agreed that an Amber/Red opinion should not be positive. Using this as the basis to provide our opinion for 2016/17, we issued 15 assurance reports of which 12 were positive assurance opinions. 2 reports were issued with a Red no assurance opinion (Acquisitions and Disposals of Land and Buildings (excluding council housing) and HR Recruitment & Selection) and 1 received an Amber/Red assurance opinion (Shop Premises). We also issued 4 advisory reports and undertook a follow up review of HR Recruitment and Selection which showed significant progress had been made. As a result of these which reflect Amber/Red as a negative opinion, and the 2 Red assurance opinions, overall we have provided an **Amber** Opinion around the internal control framework.



### 3. Acceptance of Internal Audit Recommendations

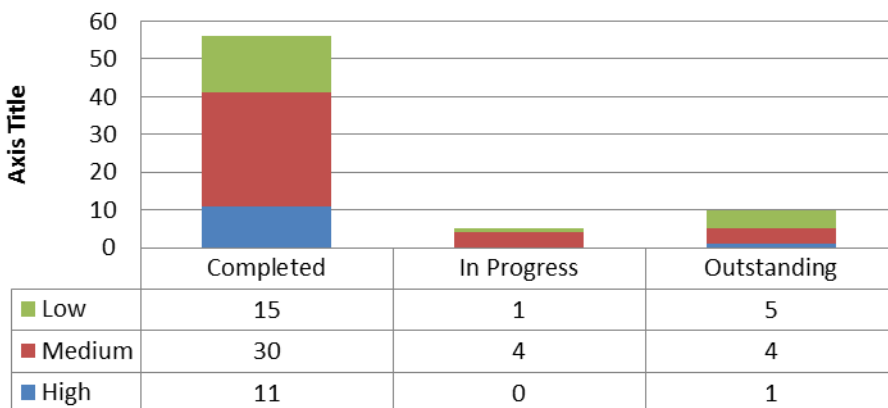
All of the recommendations made during the year and included within the agreed action plans were accepted by management. Where recommendations were not accepted due to compensating controls, cost etc., these were captured in the findings and recommendations.

### 4. Implementation of Internal Audit Recommendations

Our follow up of the recommendations from previous years and current audit assignments where the implementation date has been reached indicate that the Council has made good progress in implementing the agreed actions. This is in line with 2015/16.

As can be seen from the chart, 56 recommendations had been implemented, 5 had not reached the due date so were in progress and 10 were still outstanding. Of the high and medium recommendations, 90% had been implemented or not reached their due date. Of the 10 outstanding recommendations, 1 high, 3 medium and 3 low related to the shop premises review where several changes to the senior management have resulted in a request to undertake a full review in 2017/18.

#### Implementation of Recommendations 2016/17



## 5. Internal Audit Performance

### Delivery of value-added services

During 2016/17, the Internal Audit team provided significant resources and knowledge in assisting with a number of key investigations and ad hoc work requested by senior management and the Counter Fraud & Investigation team with whom we have a close working relationship. This included the review of a number of contracts as part of an investigation in the Housing Department.

The Chief Internal Auditor acted as the investigating officer for a disciplinary case involving a member of staff who was providing a traded service to a partner organisation. As a result of this work, the member of staff resigned prior to a formal hearing and the contract with the partner organisation has continued due to the council's prompt and thorough response to the alleged misconduct.

The service have continued to provide advice and guidance to management around their control environments, particularly with the changes in processes brought about by a move to self-service for staff completing overtime claims, standby allowances etc. and iprocurement which means suppliers can submit invoices electronically thereby reducing the amount of paperwork circulating around the Civic Offices.

Support was also provided to Adult Social Care around issues they needed to consider as part of the specifications and internal controls framework when they were setting up a project called Individual Service Fund Pilot for day opportunities for people with disabilities and autism. This was a partnership arrangement with Thurrock Lifestyle Solutions and they requested assistance to determine the governance, monitoring and reporting arrangements were sufficient to provide evidence to show outcomes were being achieved and value for money was being obtained.

We also continue to review claims being submitted under the Troubled Families Programme to ensure outcomes were being achieved as stated, there was evidence to support the outcomes and the claims were accurate. This helps to ensure the council receives its Payment By Results (PBR) grant.

### **Conflicts of Interest**

Internal Audit staff have not undertaken any work or activity during 2016/17 that would require them to declare any declaration of interest.

### **Compliance with Internal Audit Standards**

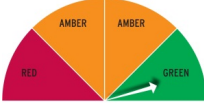
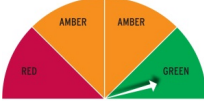
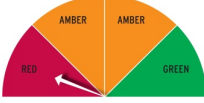
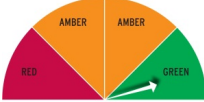
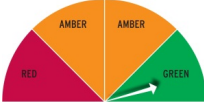
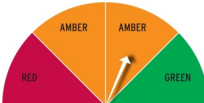
The service came back in-house from April 2015. Under the Public Sector Internal Audit Standards (PSIAS), the Internal Audit service is required to have an external assessment every five years (by March 2020). Whilst the current service is designed to conform to the PSIAS, we will be looking to carry out a self-assessment of our compliance during 2018/19. This will allow us to develop an improvement plan and action any issues before having a formal external assessment in 2019/20.

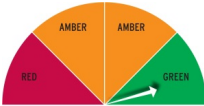
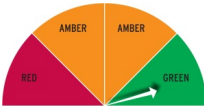
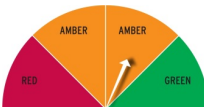
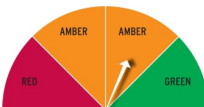
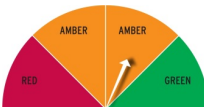
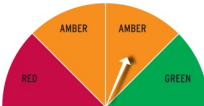


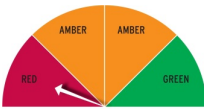
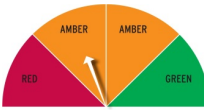
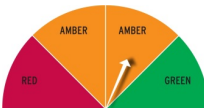
## Performance Indicators

Indicator	Target	Actual	Comments
Audits commenced in line with original timescales	Yes	No	Due to resourcing issues and retirement of a member of staff, some work had to be deferred.
Draft reports issued within 10 days of debrief	80%	70%	Some slippage due to competing priorities e.g. investigations, disciplinary work etc.
Management responses received within 10 days of draft report	80%	60%	A number of issues impacted on this indicator including changes to management, annual leave etc. Regular chasing took place. Escalation as detailed in the Audit Protocol to be more vigorously applied in 2017/18.
Final report issued within 5 days of management response	90%	90%	
% of high and medium recommendations followed up	95%	92%	1 high and 3 medium recommendations not followed up for Shop Premises review as management requested a full re-audit in 2017/18.
5 of staff with professional qualification or studying towards	>25%	33%	Chief Internal Auditor (CMIIA, CIA, QIAL and AAT)
Turnover of staff	<10%	0%	
Response time for general enquiries (2 working days)	100%	100%	
Response time for emergencies or potential fraud (1 working day)	100%	100%	

## 6. Internal Audit Opinion and Recommendations 2016/17

Assignment Objective	Client Lead	Opinion	Recommendations		
			H	M	L
<p><b>Accounts Payable</b> - All expenditure is committed, approved and accounted for in line with the organisation's financial regulations, and Accounts Payable are paid in a timely manner in accordance with targets.</p>	<b>Director of Finance &amp; IT</b>		0	4	2
<p><b>Accounts Receivable</b> - To ensure controls over the accounts receivable function are robust, all monies owed to the organisation are recovered in a timely manner and controls are in place to monitor and reduce levels of outstanding debt.</p>	<b>Director of Finance &amp; IT</b>		0	1	2
<p><b>Acquisitions and Disposals of Land and Buildings (excluding council housing)</b> - To review the systems and procedures in place to ensure the acquisition and disposal of land and buildings is properly managed and authorised.</p>	<b>Head of Regeneration &amp; Assets</b>		2	2	0
<p><b>Adult Social Care Expenditure</b> - Review to ensure there are robust arrangements around the financial management, authorisation, reconciliation and reporting arrangements for Adult Social Care expenditure.</p>	<b>Corporate Director of Adults, Housing &amp; Health</b>		0	1	0
<p><b>Business User Allowance &amp; Travel Claims</b> - Business User Allowance, subsistence and business travel is claimed and paid in accordance with the Authority current rules and regulations.</p>	<b>Corporate Director of Adults, Housing &amp; Health</b>	<b>Advisory</b>	1	3	0
<p><b>Cash &amp; Banking</b> - To ensure the Council accurately records and accounts for all cash income and the banking arrangements are secure.</p>	<b>Director of Finance &amp; IT</b>		0	0	6
<p><b>Car Parking</b> - This follow up review utilised the action plan produced at the conclusion of an in-service review and addressed the recommendations within the plan as a basis for the test programme. The in-service review action plan identified 4 High, 4 Medium and 1 Low recommendation.</p>	<b>Head of Highways &amp; Transportation</b>		0	0	8

Assignment Objective	Client Lead	Opinion	Recommendations		
			H	M	L
<b>Cheque Procedures</b> - To review the systems and procedures around the collection and recording of cheques following concerns cheques were not being banked promptly.	<b>Director of Finance &amp; IT</b>	<b>Advisory</b>	0	2	0
<b>Gas Inspections</b> - To confirm regular inspections are being made in line with legislative and Council requirements.	<b>Head of Housing &amp; Environment</b>		0	1	1
<b>Gifts, Interests &amp; Hospitality</b> - To ensure that Officers and members formally register interests, gifts and hospitality as required by Council procedures and codes of conduct.	<b>Deputy Head of Legal</b>		0	0	1
<b>Housing Allocations</b> - To review the systems and procedures in place to control and manage the allocation of social housing, to both new and existing tenants and ensure it complies with Statutory Regulations and the Council's own Allocation Scheme.	<b>Head of Housing &amp; Environment</b>		0	4	1
<b>Housing Rents</b> - To review the systems and procedures in place relating to the administration and management of housing rents.	<b>Interim Head of Housing</b>		1	1	0
<b>HR Leavers Process</b> – Appropriate actions are taken to ensure leavers are not overpaid and access to the Council's systems is removed.	<b>Director of HR, OD &amp; Transformation</b>		0	4	2
<b>No Recourse to Public Funds</b> - A review of the process for assessing entitlement and allocating funds to persons who appear to be in need but have no access to the benefits system.	<b>Head of Children's Social Care</b>		0	3	2
<b>Procurement in Schools</b> - To undertake a thematic review across a sample of schools, to determine procurement arrangements and compliance with Council and School's regulations.	<b>Corporate Director – Children's Services</b>	<b>Advisory</b>	0	3	1

Assignment Objective	Client Lead	Opinion	Recommendations		
			H	M	L
<p><b>Recruitment &amp; Selection</b> - The Recruitment and Selection process is effective and ensures that the organisation has the necessary knowledge, skills and experience to fulfil its responsibilities and achieve its objectives.</p>	<p><b>Director of HR, OD &amp; Transformation</b></p>		1	8	2
<p><b>Recruitment &amp; Selection (Follow up)</b> - To follow up on the implementation of recommendations made in the previous review of Recruitment &amp; Selection and provide management with an opinion on how well the service have reacted in addressing the issues raised.</p>	<p><b>Director of HR, OD &amp; Transformation</b></p>	<p><b>Follow up</b></p>	0	1	0
<p><b>Shop Premises</b> - Letting of Shop Premises is managed effectively, as per legislation and council procedures.</p>	<p><b>Head of Regeneration &amp; Assets</b></p>		1	3	3
<p><b>Third Party Spend (under £75K)</b> - To review the systems and procedures in place relating to the administration and management of third party spend and ensure value for money is being obtained.</p>	<p><b>Director of Finance &amp; IT</b></p>	<p><b>Advisory</b></p>	2	3	1
<p><b>Treasury Management</b> - To carry out a review to assess whether new policies and procedures have been implemented properly and are being followed.</p>	<p><b>Director of Finance &amp; IT</b></p>		0	4	2