

<b>9 December 2014</b>		<b>ITEM: 8</b>
<b>Standards &amp; Audit Committee</b>		
<b>Internal Audit Progress Report 2014-2015</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Non-key	
<b>Report of:</b> Chris Harris – Head of Internal Audit		
<b>Accountable Head of Service:</b> Sean Clark – Head of Corporate Finance		
<b>Accountable Director:</b> Graham Farrant – Chief Executive		
<b>This report is public</b>		

## **Executive Summary**

The Internal Audit Plan 2014/15 was discussed and noted by the Standards & Audit Committee at their meeting of 5<sup>th</sup> March 2014. This report sets out progress against the Internal Audit Plan 2014/15 and is the second progress report presented to the Standards & Audit Committee. It details reports finalised since the last Committee on the 16<sup>th</sup> September 2014.

### **1. Recommendation(s)**

**That the Standards & Audit Committee:**

- 1.1 Consider reports issued by Internal Audit in relation to the 2014/15 audit plan.**
- 1.2 Note progress against the Internal Audit Plan for 2014/15.**

### **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.

- 2.4 The audits contained in the Internal Audit Plan 2014/15 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 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 In the year to date, we have issued 17 reports as final, have 9 reports at draft or debrief stage and have 8 reviews that are work in progress. We have summarised below (3.3 to 3.6), those reports that have been issued as final since the last meeting of the Committee. The key findings of these reports are shown at Appendix 1.
- 3.3 One report has been issued with a **Red** assurance opinion that has been discussed at Directors Board and is being presented to the next meeting of the Standards & Audit Committee.
- 3.4 The following reports received a **Green** assurance rating for the control frameworks in their area:
- Treasury Management
  - Members Allowances
- 3.5 The following report received an **Amber/Green** assurance rating for the control frameworks in their area:
- Electrical Testing
- 3.6 At the request of the client, we also carried out an advisory review of the Troubled Families Programme. Whilst we do not provide an assurance opinion on advisory reports, as there were 7 high and 2 medium recommendations which were reported to, and agreed by management, we have included a more detailed report at the end of the progress report (Appendix 1). A follow-up of this review is currently being undertaken and the results will be reported to the next meeting.
- 3.7 During the period being reported, there were 9 reviews where the fieldwork was completed and were at draft stage or debrief meetings were being held with management. There were 8 reviews which were work in progress. These will be reported to the Standards & Audit Committee when they are finalised.

3.8 We have also continued to support the three internal investigations involving staff directly employed or contracted to the Council and provided assistance to the Council by co-ordinating the setting up of contacts as part of the work for the National Fraud Initiative.

#### **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, Directors and Heads of Service before being reported to Directors Board and the Audit Committee.

5.2 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.

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 2014-15. Recommendations made are designed to further the implementation of these corporate priorities.

#### **7. Implications**

##### **7.1 Financial**

Implications verified by: **Jonathan Wilson**  
**Finance Consultant**

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.

## 7.2 Legal

Implications verified by: **David Lawson**  
**Deputy Head of Legal and Deputy**  
**Monitoring Officer**

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.

## 7.3 Diversity and Equality

Implications verified by: **Teresa Evans Equalities and Cohesion Officer**  
**Equalities and Cohesion Officer**

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

## 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 (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Strategy for Internal Audit 2014/15 to 16/17 and Internal Audit Plan 2014/15
- Internal Audit Reports issued in 2014/15.

## 9. Appendices to the report

- Appendix 1 – Internal Audit Progress Report.

### Report Author:

Gary Clifford

Internal Audit Manager

Baker Tilly – provider of Internal Audit Services to Thurrock Council