18 July 2019	ITEM: 6
Standards & Audit Committee	
Chief Internal Auditor's Annual Report – Year ended 31 March 2019	
Wards and communities affected: All	**Key Decision:** Non-Key
Report of: Gary Clifford – Chief Internal Auditor	
Accountable Assistant Director: 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 31 March 2019.

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 in 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 25 assurance reports. We have also issued 1 advisory report on Business User Allowance Follow-up and a report on Risk Management where we do not provide an assurance opinion. We were requested to carry out and assist with various ad hoc work and investigations, working alongside colleagues in the service areas and the Counter Fraud & Investigation team. We also provided advice and guidance around internal controls arising from system security relating to the Oracle Cloud project.

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 respect of the council's Governance arrangements, we have concluded that there has been no significant change from last year so we have given a **Green** opinion rating. During the year, we had positive assurance reports issued around the Register of Gifts, Interests and Hospitality and the review of Members Allowances.

3.4 In 2017/18 we undertook a review of the council's risk management maturity. As a result of this work, we concluded the council was a **Risk Managed** organisation. This is a positive result and in line with the Insurance & Risk Manager's self-assessment review which is reported to the Standards & Audit Committee. For 2018/19, our opinion was that the risk management continued to be robust, particularly at the strategic level but some work was still needed at the operational level. In respect of the council's Risk Management arrangements, we have concluded that there has been no significant change from last year with regular reports being provided to the Standards & Audit Committee so we have given a **Green** opinion rating.

3.5 In total, we issued 15 reports with a positive (Green or Amber/Green) assurance opinion and 1 report with a negative (Amber/Red) assurance opinion. This is in line with the previous year. On this basis, we have concluded that as there has been no significant change from last year, we have given a **Green** opinion rating.

4. Reasons for Recommendation

4.1 The Chief Internal Auditor's Annual Report – Year ended 31 March 2019 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 31 March 2019 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: **Jonathan Wilson**
Assistant Director - Finance

There are no direct financial implications arising from this report.

7.2 **Legal**

Implications verified by: **David Lawson**

Assistant Director – Law and 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: **Rebecca Price**

Community Development Officer

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 2018/19.

9. Appendices to the report

Appendix 1 - Chief Internal Auditor's Annual Report – Year ended 31 March 2019.

Report Author:

Gary Clifford

Chief Internal Auditor

Thurrock Council Internal Audit Service, Corporate Finance & IT