

Thurrock Council

Chief Internal Auditor's Annual Report Year ended 31st March 2019

Presented at the Standards & Audit Committee meeting of 18th
July 2019

Contents

| Section | Page |
|---|-------------|
| 1. Introduction | 1 |
| 2. Internal Audit Overall Opinion | 2 |
| 3. Acceptance of Internal Audit Recommendations | 3 |
| 4. Implementation of Internal Audit Recommendations | 4 |
| 5. Internal Audit Performance | 5 |
| 6. Internal Audit Opinion and Recommendations 2018/19 | 8 |

1. Introduction

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.

We are satisfied that sufficient internal audit work has been undertaken during 2018/19 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 2019, based on the work we have undertaken, our opinion below details the adequacy and effectiveness of the organisation's governance, risk management and internal control arrangements.

Governance

During 2018/19 we conducted a review of the Register of Gifts, Interests and Hospitality for senior officers and members and provided a substantial assurance opinion. In addition, we reviewed Members Allowances which also received a substantial 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. Any 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 2017/18 which is **Green**.



Risk Management

We undertook a review of risk management during 2017/18, which was reported to the Standards & Audit Committee on 6th March 2018. Based upon the work undertaken, our assessment of the council's current position on the risk maturity spectrum remains **Risk Managed**. This is in line with the self-assessment undertaken and reported to 14th March 2019 Standards & Audit Committee by the council's Insurance & Risk Manager using the CIPFA/SOLACE Risk Management Benchmarking Model. Whilst the corporate risk management framework and processes are robust, the council still needs to do more at the operational/service planning level to move to the final stage on the spectrum which is that of a **Risk Enabled** organisation. Therefore, our overall opinion on governance remains the same as 2017/18 which is **Green**.



Internal Control

During 2018/19, we issued 16 assurance reports of which 15 were positive assurance opinions. 1 report received an Amber/Red assurance opinion (Sickness Management). We also issued 4 advisory reports on Car Parking Income, Children's Services Data Management, Fleet Management and Stores Management. As a result of the high proportion of positive assurance reports, we have provided a **Green** opinion. This remains the same as last years' opinion. However, we have identified that with the greater focus placed on self-service for an increasing number of HR and Payroll processes, greater responsibility is being placed on managers and it has been noted that the required checks are not always robust. Further work will be undertaken in this area during 2019/20.



3. Acceptance of Internal Audit Recommendations

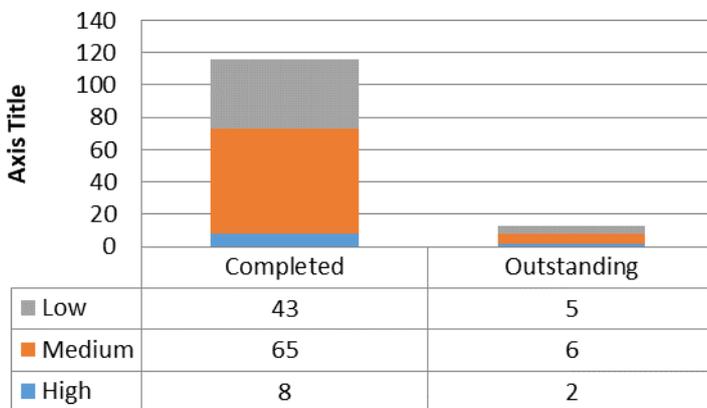
All of the recommendations made during the year and included within the agreed action plans were accepted by management. Where recommendations were not accepted due to compensating controls, cost etc., these were captured in the findings and recommendations.

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.

As can be seen from the chart, 116 recommendations had been implemented and 13 were still outstanding. However, some of these were related to reviews where the implementation date had not yet been reached. These will be followed up as part of next year’s review process.

Implementation of Recommendations 2018/19



5. Internal Audit Performance

Delivery of value-added services

During 2018/19, the Internal Audit team provided significant resources and knowledge in assisting with a number of pieces of ad hoc work requested by senior management. Some of these are listed below.

In addition, one member of the team is undertaking an apprenticeship with the Institute of Internal Auditors and significant resources have also had to be used to continue to implement electronic working papers which should result in a more effective and efficient service in the medium term.

The Chief Internal Auditor has undertaken an investigation into the performance and work pattern of member of staff within the Children's Service Directorate which resulted in changes to their working practices and greater supervision to ensure the employee worked the required number of hours per week.

The service continued to provide advice and guidance to management around their control environments, particularly with the changes in processes being planned with the Connected Workspace Project, Community Led Solutions Project and the change of provision of the Meals on Wheels service.

Internal Audit staff also provided support by undertaking a number of advisory reviews following requests from senior management. These were mainly around the Environment and Highways Directorate where management had identified weaknesses in their own procedures and practice and utilised Internal Audit to provide detailed reviews of the services and their control environments.

The Chief Internal Auditor has also been directly approached to undertake 2 investigations where there were complaints raised following incidents that impacted directly on residents. As a result of these investigations, service improvements were made which should reduce the likelihood of these incidents occurring again in the future.

There has been an increase in the number of grants being received where the grant provider required internal audit to formally sign off and

confirm the grant was spent in accordance with the grant conditions. In 2018/19, the Chief Internal Auditor had to sign off 3 grant funded returns for Trading Standards, Bus Transport and Potholes. In all cases, the full grant was received.

We also invested significant resources in reviewing samples of 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 which results in significant income to the council to help more families.

Conflicts of Interest

Internal Audit staff have not undertaken any work or activity during 2018/19 that would require them to declare any conflicts of interest.

Compliance with Internal Audit Standards

Under the Public Sector Internal Audit Standards (PSIAS), the Internal Audit Service is required to have an external assessment every five years. 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 2019/20. This will allow us to develop an improvement plan and action any issues before having a formal external assessment in 2020/21.

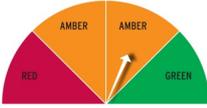
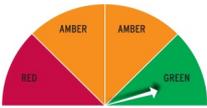
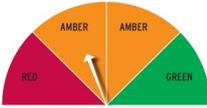
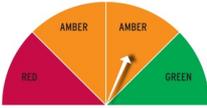
Performance Indicators

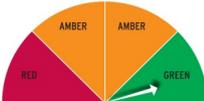
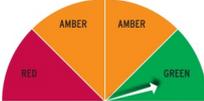
| Indicator | Target | Actual | Comments |
|--|--------|--------|--|
| Audits commenced in line with original timescales | Yes | No | Due to resourcing issues and restructuring within services, some work had to be deferred. |
| Draft reports issued within 10 days of debrief | 80% | 70% | Some slippage due to competing priorities. |
| Management responses received within 10 days of draft report | 80% | 60% | Regular chasing took place. Escalation as detailed in the Audit Protocol to be more vigorously applied in 2019/20. |

| Indicator | Target | Actual | Comments |
|--|--------|--------|---|
| Final report issued within 5 days of management response | 90% | 90% | |
| % of high and medium recommendations followed up | 95% | 90% | Some slippage due to competing priorities. |
| % of staff with professional qualification or studying towards | >25% | 40% | 1 qualified and 1 studying through the apprenticeship scheme. |
| Turnover of staff | <10% | 0% | |
| Response time for general enquiries (2 working days) | 100% | 100% | Very few received |
| Response time for emergencies or potential fraud (1 working day) | 100% | 100% | Very few received |

6. Internal Audit Opinion and Recommendations 2018/19

| Assignment Objective | Client Lead | Opinion | Recommendations | | |
|---|--|---------|-----------------|---|---|
| | | | H | M | L |
| <p>Environmental Health – Local Air Quality Management - To provide assurance that the council complies with its statutory obligation to monitor local air quality and report to the Department for Environment, Food and Rural Affairs (DEFRA) through the annual statutory report (ASR).</p> | <p>Environmental Health & Trading Standards Manager</p> | | 0 | 0 | 5 |
| <p>Community Safety - To obtain assurance that crime and disorder reduction considerations are incorporated within the council's activities in order to comply with Section 17 of the Crime and Disorder Act 1998.</p> | <p>Director of Environment & Highways</p> | | 0 | 3 | 4 |
| <p>Cyber Security - Technical security controls are in place and that steps have been taken to protect information and the information of customers.</p> | <p>Director of Finance & IT</p> | | 0 | 2 | 1 |
| <p>Disabled Facilities Grant - Review to ensure grants are being used in compliance with the grant requirements.</p> | <p>Assistant Director of Adult Social Care</p> | | 0 | 0 | 4 |
| <p>Adult Direct Payments - To obtain assurance that assessments are undertaken correctly and expenditure is properly monitored to avoid inappropriate or improper use of direct payment funds.</p> | <p>Assistant Director of Adult Social Care</p> | | 0 | 2 | 5 |
| <p>Holy Cross Catholic Primary School – To ensure the school is administered in the most economic, efficient and effective way possible in accordance with Central Government and Local Authority guidelines.</p> | <p>Corporate Director Children's Services</p> | | 0 | 0 | 3 |
| <p>Housing Rents - To undertake a review of Housing Rents to verify that an adequate level of controls exist over the setting, collection and accounting for Housing Rents.</p> | <p>Interim Assistant Director of Housing</p> | | 1 | 2 | 1 |

| Assignment Objective | Client Lead | Opinion | Recommendations | | |
|---|---|--|-----------------|---|---|
| | | | H | M | L |
| Recruitment - 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. | Director of HR, OD & Transformation |  | 0 | 3 | 2 |
| Right to Buy - To provide assurance that the systems of control in respect of the Right to Buy Scheme are adequate and are being consistently applied. | Interim Assistant Director of Housing |  | 0 | 2 | 2 |
| Sickness Management - There are controls in place to ensure sickness absence is managed effectively and as per Council's Policy. | Director of HR, OD & Transformation |  | 1 | 4 | 3 |
| Transforming Homes - To review a significant area of spend which needs to be managed and monitored to ensure contractors are providing the required service and the council is getting value for money. | Interim Assistant Director of Housing |  | 0 | 0 | 2 |
| Unaccompanied Asylum Seekers (Children) - To ensure Asylum Seekers who have had their application rejected, are no longer receiving financial assistance from the Council. | Assistant Director - Children's Care & Targeted Outcomes |  | 1 | 2 | 1 |
| Accounts Payable - All expenditure is committed, approved and accounted for in line with the organisation's financial procedure rules and creditors are paid in a timely manner in accordance with targets. | Director of Finance & IT |  | 0 | 4 | 1 |
| Car Parking Income - To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to provide recommendations for improvement. | Assistant Director Highways, Fleet & Logistics | Advisory | 1 | 7 | 1 |
| Data Quality (Children's Services) - The objective of the review was to look at data collection and the quality of that data. | Assistant Director - Children's Care & Targeted Outcomes | Advisory | 0 | 6 | 0 |

| Assignment Objective | Client Lead | Opinion | Recommendations | | |
|--|---|--|-----------------|----------|----------|
| | | | H | M | L |
| Fleet Management - To undertake an advisory review of the Fleet management system Fleetmaster and evaluate the efficiency of the management of vehicles supplied for Environment, as well as vehicles supplied to other Services. | Assistant Director Highways, Fleet & Logistics | Advisory | 0 | 6 | 1 |
| Stores Management - To evaluate the overall efficiency of Stores Management and provide a detail understanding of the control framework, governance and risk management arrangements in place by evaluating the extent to which controls have been applied. | Assistant Director Highways, Fleet & Logistics | Advisory | 3 | 6 | 3 |
| Children's Centres - To review the revised strategy with children's centres, and ensure there are processes in place to monitor service provision and ensure the council is concentrating on the most vulnerable families, in addition to obtaining Best Value. | Corporate Director of Children's Services |  | 0 | 0 | 2 |
| Members Allowances - To confirm Members' Allowance is as per Thurrock Council Members' Allowance Scheme. | Assistant Director Law and Governance |  | 0 | 0 | 1 |
| School Catering - To ensure the service provided by Thurrock School Catering is providing good Value for Money. | Corporate Director of Children's Services |  | 0 | 0 | 1 |