

8 July 2021		ITEM: 8
Standards and Audit Committee		
Chief Internal Auditor's Annual Report – Year ended 31 March 2021		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Gary Clifford – Chief Internal Auditor		
Accountable Assistant Director: Ian Hunt – Assistant Director Law & Governance		
Accountable Director: Sean Clark – Corporate Director of Resources & Place Delivery		
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.

This year has been particularly different and challenging to all services provided by the Council due to the Coronavirus COVID-19 pandemic and has had an impact on getting responses back from clients on operational issues and to draft reports. This impacted on the total number of assurance reports issued as final. However, the Chief internal Auditor has taken this into account when reaching his judgement on the overall opinions he has given around the Governance, Risk Management and Internal Control frameworks.

During 2020/21, one of the team worked full time with Thurrock Coronavirus Community Action from April to July 2020 to help provide assistance to vulnerable and shielding adults. We also had a Senior Internal Auditor take retirement in June 2020. This clearly impacted on the services' resources. This is an issue that will be addressed during 2021/22.

1. Recommendation(s)

1.1 That the Standards and Audit Committee considers and comments on the Chief Internal Auditor's Annual Report – Year ended 31 March 2021.

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 Corporate Director of Resources & Place Delivery (Section 151 Officer previously Corporate Director of Finance, Governance & Property) 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 2015. The procedures and practices that Internal Audit operates at Thurrock are designed to reflect adherence to these standards.
- 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 2020/21, we issued 11 assurance reports, all of which received positive assurance opinions. We also issued 4 advisory reports on Project Management, Business User Allowance and the work around the BSI ISO 9001 Standards within Environment on Fleet and Country Parks. In addition, ad hoc work was also carried out to investigate complaints relating to concerns raised by management at a sheltered housing complex, a complaint around the awarding of a contract following a procurement exercise and

checks of claims made as part of the Troubled Families Programme. There has also been a noticeable increase in the number of grant returns, particularly those relating to COVID funding for the Council, its businesses and residents, which require formal review and sign off by the Chief Internal Auditor. This is expected to increase during the next year.

- 3.2 During 2020/21, internal audit conducted a desktop review of the Register of Gifts, Interests and Hospitality for senior officers and members and all were up to date. Due to concerns around major projects and their governance arrangements, the council brought in a specialist consultancy firm to review one of the major projects. This work was carried out during March/April 2020 and recommendations made to improve oversight and governance of the contract. In addition, and at their request, the Standards & Audit Committee have been regularly updated on the performance and financial issues around the major projects. 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. The Council also reviewed its project management methodology and piloted a new project management process. This work is on-going but was reviewed by Internal Audit as part of its planned work during 2020 and recommendations made which were accepted by management. As the project management and major contract work is on-going, our overall opinion on governance for 2020/21 remains the same as the previous year which is **Amber**.
- 3.3 In 2017/18, internal audit 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 continues to be in line with the Corporate Insurance & Risk Manager's self-assessment review which was reported to the Standards & Audit Committee in March 2021. For 2020/21, our opinion was that the risk management continued to be robust, particularly at the strategic level and work to improve it at the operational level continues. 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.
- 3.4 In total, all 11 assurance reports we issued received a positive (Green or Amber/Green) assurance opinion. As stated at 3.1 above, we also issued 4 Advisory reports. Whilst advisory reports do not provide a specific assurance opinion, they do contain recommendations and provide assurance around operations. Ad hoc work was also carried out to investigate complaints relating to concerns raised by management at a sheltered housing complex, a complaint around the awarding of a contract following a procurement exercise and checks of claims made as part of the Troubled Families Programme. The work is continuing around the major contracts and projects so our overall opinion for 2020/21 remains the same as 2019/20 which is **Amber**.

4. Reasons for Recommendation

- 4.1 The Chief Internal Auditor's Annual Report – Year ended 31 March 2021 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 2021 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 Corporate Finance

There are no direct financial implications arising from this report.

7.2 Legal

Implications verified by: **Tim Hallam**
Strategic Lead - Legal

There do not appear to be any direct legal implications arising from this report and appendices. The contents of this report and appendixes form part of the Council's responsibility to comply with the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015. These duties include 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.

7.3 **Diversity and Equality**

Implications verified by: **Roxanne Scanlon**
**Community Engagement and Project
Monitoring 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 2020/21.

9. **Appendices to the report**

Appendix 1 - Chief Internal Auditor's Annual Report - Year ended 31 March 2021.

Report Author

Gary Clifford
Chief Internal Auditor