

Thurrock Council

Chief Internal Auditor's Annual Report Year ended 31st March 2021

Presented at the Standards & Audit Committee meeting of 8th
July 2021

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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 Corporate Director of Resources and Place Delivery (Section 151 Officer and formerly Corporate Director of Finance, Governance & Property), 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.

During 2020/21, there have been a number of challenges that have impacted on the work undertaken during the year. The council, together with the rest of the country, went into lockdown in late March 2020 which resulted in staff being told to work from home wherever possible. In addition, 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.

There were also other challenges as services reassigned and committed staff to working directly on helping to address issues arising out of the pandemic which meant finalising reports was not as easy as it would usually be.

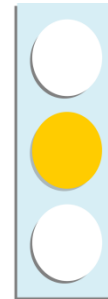
Advice and guidance was provided around changes in controls resulting directly from the pandemic including the increased use of electronic signatures, additional grant work to verify expenditure was in line with the terms and conditions of the grant and other ad hoc work as requested.

However, from our knowledge of the systems in place and the risks the council faces, we are satisfied that sufficient internal audit work has been undertaken during 2020/21 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 2021, 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 2020/21, as there were no elections we conducted a desktop review of the Register of Gifts, Interests and Hospitality for senior officers and members and all were up to date. Following on from last years' opinion, where we identified some governance issues around major projects, the council brought in a specialist consultancy firm to review one of these contracts. 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. In 2020/21, the council 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. 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. 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**.



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 continues to be in line with the self-assessment undertaken and reported to 11th March 2021 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. However, as stated by the Insurance & Risk Manager at that meeting, the capacity and resources available mean that the current rating is very good. Therefore, our overall opinion on risk management remains the same as 2019/20 which is **Green**. A review of risk management will be scheduled into the 2021/22 audit plan.



Internal Control

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, we undertook work to confirm spend around 3 COVID specific grants and 2 non COVID related grants (Trading Standards and Bus Subsidies). 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**.



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 section of the individual report.

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 continued to make **Good** progress in implementing the agreed actions.

Any high or medium recommendations not actioned were outstanding as they 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.

5. Internal Audit Performance

Delivery of value-added services

During 2020/21, 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. We are also in the process of changing to a new version of the electronic working papers and implementing data analytics software which should result in a more effective and efficient service in the medium term.

The Chief Internal Auditor has undertaken 2 internal investigations during the year. The first was as a result of senior management contacting the service to request we look at the practices and procedures at a sheltered housing complex following concerns raised

about a potential breach of the COVID regulations following an unauthorised party held by a resident. An internal report was issued and recommendations have been actioned. The second related to a complaint around the awarding of a contract. This is now being dealt with through the Procurement Team and Legal Services.

The Chief Internal Auditor has liaised with the consultant brought in to review a major project.

The service continued to provide advice and guidance to management around their control environments, particularly in respect of changes requested by the Social Services Customer Finance team to introduce electronic sign off of assessments by Social Workers and reduce the need for face to face meetings due to the COVID-19 pandemic.

Internal Audit continue to undertake a series of audits for Environmental Health to enable them to retain their British Standards Institution (BSI) ISO 9001 accreditation. The reviews involve testing the policies, procedures, processes, risk management and quality management arrangements in each of the service areas. Initially, whilst the staff were familiarising themselves with these services, the process was resource intensive but this has reduced as they gain more knowledge and skills. A report is produced for each area after it has been reviewed and recommendations made to address any issues. These reports are provided to the Inspectors as part of the inspection process to give them additional assurance.

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. This area has increased significantly during 2020/21 due to the assistance that central government has provided to local authorities to address the financial impact on the council, residents and local businesses. In 2020/21, the Chief Internal Auditor had to sign off 5 grant funded returns. 3 related to COVID specific funding which covered Compliance & Enforcement, Travel Demand Management and Culture Recovery Fund and 2 non-COVID related grants for Trading Standards and Bus Subsidies. In all cases, the full grant was received and spent in accordance with the terms and conditions. This work is expected to increase during 2020/21 as more grants need to be signed off after they have been received and spent.

We also continue to invest resources in reviewing samples of claims being submitted under the Troubled Families Programme to ensure that 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 and these have been increasing year on year.

Conflicts of Interest

Internal Audit staff have not undertaken any work or activity during 2020/21 that would require them to declare any conflicts of interest.

Compliance with Internal Audit Standards

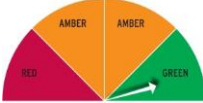




Under the Public Sector Internal Audit Standards (PSIAS), the Internal Audit Service is required to have an external assessment every five years. Whilst the current service is designed to conform to the PSIAS, it has been agreed that a restructure of the service, to meet increasing demands and priorities, needs to be undertaken in 2021/22. Following dialogue with an external assessor, we will be looking to carry out a self-assessment of our compliance after the new structure has been put in place and new staff appointed. As a result, we will be looking to undertake an internal assessment and develop a Quality Assurance Improvement Programme during late 2020/21 and early 2021/22 and have an external assessment later in 2021/22.






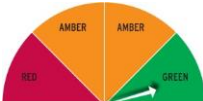
Performance Indicators

Indicator	Target	Actual	Comments
Audits commenced in line with original timescales	Yes	No	Due to the impact of the pandemic and reprioritising of work, some reviews had to be deferred.
Draft reports issued within 10 days of debrief	80%	60%	Some slippage due to competing priorities.
Management responses received within 10 days of draft report	80%	60%	Regular chasing took place. Impact of pandemic resulted in slippage during the year. Escalation as detailed in the Audit Protocol to be more vigorously applied in 2021/22.

Indicator	Target	Actual	Comments
Final report issued within 5 days of management response	90%	90%	Where responses received, final reports were issued within 5 days.
% of high and medium recommendations followed up	95%	90%	Some slippage due to competing priorities.
% of staff with professional qualification or studying towards	>25%	50%	1 qualified and 1 studying through the apprenticeship scheme.
Turnover of staff	<10%	20%	1 member of the team left during this 12 month period.
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. Fraud team have a dedicated line for potential fraud reporting.

6. Internal Audit Opinion and Recommendations 2020/21

Assignment Objective	Client Lead	Opinion	Recommendations		
			H	M	L
Arboriculture - New asset management system being implemented and management requested a review to determine that it is operating as expected and benefits are being realised.	Director of Environment, Highways & Counter Fraud		0	0	1
BSI ISO 9001 Country Parks - To undertake a series of quality audits to confirm compliance with the BSI 9001:2015 standard.	Director of Environment, Highways & Counter Fraud	Advisory	0	0	4
BSI ISO 9001 Fleet - To undertake a series of quality audits to confirm compliance with the BSI 9001:2015 standard.	Director of Environment, Highways & Counter Fraud	Advisory	0	0	1
Business User Allowance – To ensure Business User Allowance is claimed and paid in accordance with the Authority current rules and regulations.	Director of HR, OD & Transformation	Advisory	1	1	0
Complaints Management Process – To provide assurance that complaints are dealt with in accordance with prescribed timeframes and processes to ensure the number being appealed and dealt with by the Ombudsman are not escalating.	Strategic Lead – Information Management		0	1	0
Council Tax – To review that properties are recorded on the Council Tax Database completely and accurately and ensure that all income is collected and receipted for in a timely manner.	Corporate Director of Finance, Governance & Property		0	0	0
Disclosure and Barring Service (DBS) checks - To ensure DBS checks are undertaken and information is handled in line with the DBS Code of Practice.	Director of HR, OD & Transformation		0	2	5
Fostering - To review that there are appropriate controls around the assessment, appointment and payment of Foster Carers.	Assistant Director of Children's Services		0	3	2

Assignment Objective	Client Lead	Opinion	Recommendations		
			H	M	L
<p>Houses in Multiple Occupation (HMO) To review the arrangements in place within the Council that ensure processes and procedures over mandatory licencing and additional licencing of HMOs are in compliance with regulation, and income from licencing and enforcement operations is ring-fenced for the operation of the scheme.</p>	Assistant Director – Housing Management		0	2	1
<p>Leaseholder Charges – A review to determine that service charges to leaseholders are raised fairly, accurately and in line with guidance.</p>	Assistant Director – Housing Management		0	1	1
<p>No Recourse to Public Funds (NRPF) – 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.</p>	Corporate Director of Children's Services		0	3	2
<p>Project Management - To determine whether the project management control framework being developed for implementation in the Place Directorate is sufficiently robust to ensure effectiveness and consistency in the delivery of projects.</p>	Director of Place	Advisory	1	1	3
<p>Public Contracts Regulations - An audit of the council's contract awards process to provide assurance that it complies with public contracts regulation 2015.</p>	Corporate Director of Finance, Governance & Property		0	2	4
<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>	Corporate Director of Adults, Housing & Health		1	0	1
<p>Water Charges - To undertake a review of water charges to ensure the council is being consistent in how it applies the charges to residents who pay for their water together with their rent.</p>	Corporate Director of Adults, Housing & Health		0	1	0