

Date of Meeting 19 July 2023		ITEM:
Standards & Audit Committee		
Report Title: Internal Audit Strategy and 6-month Plan 2023/24		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Gary Clifford – Chief Internal Auditor		
Accountable Director: Asmat Hussain – Interim Director of Legal & Governance and Monitoring Officer		
This report is Public		

Executive Summary

On 2nd September 2022, the Secretary of State for Levelling-up, Housing and Communities appointed Essex County Council as Commissioners due to significant concerns around the high financial risks and debt relating to Thurrock Council's investments. In parallel to this, Essex County Council were appointed as Best Value Inspectors to review the governance, audit, risk management and the overview and scrutiny functions of Thurrock Council (the Council). On 19th December 2022, the Council's Section 151 Officer issued a Section 114 Notice which puts strict restrictions on what the Council can spend as they cannot balance the budget for 2022/23 and 2023/24.

The scope of the Best Value Inspection was expanded to include other areas including major projects so the report to central government was delayed from the 3rd January 2023 to the 17th February 2023. The Best Value (BV) report was published on 15th June and included a significant number of recommendations, some of which have been recognised in the plan. However, further changes will need to be made to the 6-month plan to reflect the findings of the report. Any changes to the plan will be discussed with the Chair and reported back to Standards & Audit Committee at its next meeting.

Between November and December 2022, a comprehensive Audit Needs Assessment (ANA) process was undertaken which involved attending meetings with each of the members of Directors Board (DB) to discuss the risks and priorities within their services. As a result, the Internal Audit Strategy and 6-month plan for 2023/24 was developed. Having the 6-month plan allows the service to react more quickly to changing priorities and risks associated with the Intervention processes and BV report.

1. Recommendations:

1.1 That the Standards & Audit Committee

Receive and agree the Internal Audit Services' 6-month Internal Audit Plan 2023/24 and acknowledge that it is likely to change significantly as a result of the work being undertaken as part of the BVI and Intervention processes.

Commissioner Commentary

2. Introduction and Background:

2.1 Following a comprehensive Audit Needs Assessment (ANA) process between November and December 2022, a new Internal Audit Strategy and 6-month plan was developed. In preparing the strategy and plan, Internal Audit met with, or held Teams meetings with the following:

- Interim Chief Executive (Ian Wake);
- Director of Strategy, Engagement and Growth (Karen Wheeler);
- Director of Public Realm (Julie Rogers);
- Director of Housing (Ewelina Sorbjan);
- Corporate Director of Children's Services (Sheila Murphy);
- Interim Director of Legal and Governance & Monitoring Officer (John Jones);
- Interim Director of Adult Social Care (Les Billingham);
- Director of Public Health (Jo Broadbent);
- Assistant Director of Public Health (Andrea Clement);
- Director of HR, OD and Transformation (Jackie Hinchliffe);
- Interim Director of Place (Mark Bradbury); and
- Interim Director of Finance and Section 151 Officer (Jonathan Wilson).

The draft plan has been shared with all members of the Senior Leadership Team and the Portfolio Holder for Transformational Change, Communications and Governance.

2.2 As part of the planning process, Internal Audit also consider a number of other sources including risks arising from the Corporate Risk & Opportunity Register, any OFSTED and Care Quality Commission reports issued etc. New issues and potential emerging risks are also identified and discussed with senior management during the year. We also consider the results of our work in the previous year and any concerns raised by the Standards & Audit Committee.

- 2.3 It is important to note that the strategy and plan are designed, in part, to test the control environment surrounding potential risks and key controls.
- 2.4 Whilst the strategy remains largely unchanged in respect of the process followed, we have adopted a 6-month plan for 2023/24 to enable us to react positively to the changing environment, priorities and risks resulting from the BVI and Intervention processes. We will continually revisit the plan and any changes will be agreed by the Chief Internal Auditor and Chair of the Standards & Audit Committee following discussions with relevant officers. All changes will be reported to members of the Standards & Audit Committee at its next meeting.

3. Issues, Options and Analysis of Options:

- 3.1 The current 6-month plan has been developed based upon the current resources available to the service including the APEX framework with Croydon Council for the supply of resources for internal audit and fraud work. The service currently has 1 vacant post. We will keep the Standards & Audit Committee updated on the resourcing issues as part of our progress report.
- 3.2 Changes have already been made to the plan following the issuing of the final BVI report. The report has been considered by Internal Audit and changes have been discussed with members of the Senior Leadership Team. As stated above, once the plan is agreed, any further changes will be discussed and agreed with the Chair of the Standards & Audit Committee and reported to members of the Standards & Audit Committee at the next meeting.

4. Reasons for Recommendation:

- 4.1 For the Standards & Audit Committee to satisfy itself that:
- the detailed Internal Audit Plan for quarters 1 and 2 of the financial year reflects the areas that the Standards & Audit Committee believe should be covered as a priority.
 - It recognises the additional flexibility of the plan during the next year to meet the outcomes of the Intervention, outputs from the BV report, the issuing of the Section 114 Notice, and other issues which are likely to result in changing resources, working practices and on-going budgetary pressures.
 - sufficient assurances will be provided through the plan, to monitor the organisation's risk profile effectively, including any emerging issues and key risks not included in the strategy or annual plan.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 As part of the planning process, the plan has been discussed with relevant members of Senior Leadership Team and the Portfolio Holder for Transformational Change, Communications and Governance prior to being brought, as a draft, before the Standards & Audit Committee for comment and approval.

6. Impact on Corporate Policies, Priorities, Performance and Community Impact

6.1 The achievement of corporate priorities is a key consideration of senior management and Internal Audit when they are discussing the areas that need to be included within the annual audit plan.

7. Implications

7.1 Financial

Implications verified by: **Rosie Hurst**

Interim Senior Management Accountant

The Internal Audit Plan is planned to be delivered within the annually agreed budget for 2023/24.

7.2 Legal

Implications verified by: **Gina Clarke**

Governance Lawyer & Deputy Monitoring Officer

Part I of the Local Government Act 1999 places the best value duty on local authorities to comply with in exercising its functions. Under this Act the Government also has powers to inspect and intervene in a local authority and put in place commissioners and appoint inspectors undertake a best value a best value inspection.

The Government will consider the best value inspection report and its decision on the outcome of the inspection will be formally communicated to the Council. The Government may require the Council to take action to ensure that it has effective arrangements in place for securing Best Value in its governance, audit (internal and external), risk management, overview and scrutiny functions, and their impact on service delivery.

7.3 Diversity and Equality

Implications verified by: **Rebecca Lee**

Team Manager – Community Development and Equalities

There are no direct diversity or equality implications arising from this report.

7.4 Other implications

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 Strategic/Corporate Risk & Opportunity Register.

Background papers used in preparing this report:

- The Accounts and Audit Regulations 2015.
- Public Sector Internal Audit Standards (PSIAS).
- CIPFA – PSIAS Local Government Application Note.
- Strategic/Corporate Risk & Opportunity Register.

Appendices to this report:

- Internal Audit Strategy and 6-month Internal Audit Plan 2023/24

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