

<b>16 July 2015</b>	<b>ITEM: 5</b>
<b>Standards and Audit Committee</b>	
<b>Internal Audit Progress Report 2014/15</b>	
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Non-key
<b>Report of:</b> Chris Harris – Head of Internal Audit	
<b>Accountable Head of Service:</b> Sean Clark – Head of Corporate Finance	
<b>Accountable Director:</b> David Bull – Interim Chief Executive	
<b>This report is public</b>	

## **Executive Summary**

The Internal Audit Plan 2014/15 was discussed and noted by the Standards & Audit Committee at their meeting of 5<sup>th</sup> March 2014. This report sets out progress against the Internal Audit Plan 2014/15 and is the final progress report presented to the Standards & Audit Committee. It details reports finalised since the last progress report presented to the Committee on the 17<sup>th</sup> March 2015.

### **1. Recommendation(s)**

#### **1.1 That the Standards & Audit Committee:**

**Consider reports issued by Internal Audit in relation to the 2014/15 audit plan.**

### **2. Introduction and Background**

2.1 The Accounts and Audit (England) Regulations 2011 require that a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

2.2 The Internal Audit Service carries out the work to satisfy this legislative requirement and part of this is reporting the outcome of its work to the Standards & Audit Committee.

2.3 The Standards & Audit Committee has a responsibility for reviewing the Council's corporate governance arrangements, including internal control and formally approving the Annual Governance Statement. The audit work carried out by the Internal Audit Service is a key source of assurance to the

Standards & Audit Committee about the operation of the internal control environment.

- 2.4 The audits contained in the Internal Audit Plan 2014/15 are based on an assessment of risk for each system or operational area. The assessment of risk includes elements such as the level of corporate importance, materiality, service delivery/importance and sensitivity.

### **3. Issues, Options and Analysis of Options**

- 3.1 Following widespread consultation with clients across all service sectors, the reports issued by Internal Audit now provide 4 levels of assurance opinion. The 4 opinions use a Red/Amber/Green assurance level and reports are now categorised as: Green; Amber/Green (positive assurance opinions); Amber/Red (some assurance but a number of weaknesses) and Red (negative assurance opinion).

- 3.2 We have summarised below (3.3 to 3.5), those reports that have been issued as final since the last progress report on 17<sup>th</sup> March 2015. The key findings of these reports are shown at Appendix 1.

- 3.3 The following reports received a **Green** assurance rating for the control frameworks in their area:

- St Thomas of Canterbury RC Primary School
- Deneholm Primary School
- Accounts Payable
- Accounts Receivable

- 3.4 The following report received an **Amber/Green** assurance rating for the control framework in its area:

- Contract Review (Manor School – now Tilbury Pioneer Academy)
- Little Thurrock Primary School
- Stifford Clays Primary School

- 3.5 The following report received an **Amber/Red** assurance rating for the control framework in its area:

- Procurement Cards

A full copy of the exception report is included at the end of Appendix 1.

- 3.6 At the request of the client, we also carried out an advisory review on key performance indicators. The main findings of this review are included in the progress report at Appendix 1.

### **4. Reasons for Recommendation**

- 4.1 To assist the Standards & Audit Committee in satisfying itself that progress against the Internal Audit Plan is sufficient as one of the means of assuring itself of the effective operation of internal controls.

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

- 5.1 The audit risk assessment and the plan are periodically discussed with the Chief Executive, Directors and Heads of Service before being reported to Directors Board and the Audit Committee.
- 5.2 All terms of reference and draft reports are discussed and agreed with the relevant Corporate Directors, Heads of Service and/or management before being finalised.
- 5.3 The Internal Audit Service also consults with the Council's External Auditors to ensure that respective audit plans provide full coverage whilst avoiding duplication.

## **6. Impact on corporate policies, priorities, performance and community impact**

- 6.1 The Council's corporate priorities were used to inform the annual audit plan 2014-15. Recommendations made are designed to further the implementation of these corporate priorities.

## **7. Implications**

### **7.1 Financial**

Implications verified by: **S Clark**  
**Head of Corporate Finance**

Whilst there are no direct financial implications arising from this report, it is important that the authority maintains adequate internal controls to safeguard the authority's assets. This is not to say that audit recommendations do not have financial implications but these are for management to identify and contain within existing budgets.

### **7.2 Legal**

Implications verified by: **D Lawson**  
**Deputy Head of Legal & Deputy Monitoring Officer**

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 (England) Regulations 2011 to at least annually undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practice. 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: **R Price**  
**Community Development Officer**

There are no direct diversity implications arising from this report as it is for information purposes only.

### 7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

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 risk and opportunity register.

### 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):

- Strategy for Internal Audit 2014/15 to 16/17 and Internal Audit Plan 2014/15
- Internal Audit Reports issued in 2014/15.

### 9. **Appendices to the report**

- Appendix 1 – Internal Audit Progress Report.

### **Report Author:**

Gary Clifford

Internal Audit Manager

Baker Tilly – provider of Internal Audit Services to Thurrock Council