



## AUDIT COMMITTEE

30 January 2019

<b>Subject Heading:</b>	Head of Assurance – Progress Report Quarter Three 2018/19
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<b>Policy context:</b>	To inform the Committee of progress on the assurance work from October to December 2018.
<b>Financial summary:</b>	There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

### The subject matter of this report deals with the following Council Objectives

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

### SUMMARY

This report advises the Committee on the work undertaken by the Assurance Service (internal audit & counter fraud) between October and December 2018. The report is presented in three sections:

Section 1: Introduction, Issues and Assurance Opinion

Section 2: Executive Summary - A summary of the key messages.

Section 3: Appendices: Provide supporting detail for Members' information  
Appendix A: Detail of Internal Audit work to date  
Appendix B: Current Status - High Risk Recommendations  
Appendix C: Detail of Counter Fraud work  
Appendix D: Current status of 2018/19 audit plan

## RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required.

## REPORT DETAIL

### Section 1: Introduction, Issues and Assurance Opinion

#### 1.1 Introduction

1.1.1 The Accounts and Audit Regulations require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS) and other guidance.

1.1.2 Internal audit is a key component of corporate governance within the Council. The three lines of defence model, as detailed below, provides a framework for understanding the role of internal audit in the overall risk management and internal control processes of an organisation:

- First line – operational management controls
- Second line – monitoring controls, e.g. the policy or system owner/sponsor
- Third line – independent assurance.

The Council's third line of defence includes internal audit, which should provide independent assurance to senior management and the Audit Committee on how effectively the first and second lines of defence have been operating.

1.1.3 An independent internal audit function will, through its risk-based approach to work, provide assurance to the Council's Audit Committee and senior management on the higher risk and more complex areas of the Council's business, allowing management to focus on providing coverage of routine operations.

1.1.4 The work of internal audit is critical to the evaluation of the Council's overall assessment of its governance, risk management and internal control systems, and forms the basis of the annual opinion provided by the Head of Assurance which contributes to the Annual Governance Statement. It can also perform a consultancy role to assist in identifying improvements to the organisation's practices.

- 1.1.5 This report brings together all aspects of internal audit and counter fraud work undertaken to the end of December 2018, in support of the Audit Committee's role.
- 1.1.6 The report supports the Head of Assurance's ongoing assurance opinion on the internal control environment and highlights key outcomes from internal audit and counter fraud work and provides information on wider issues of interest to the Council's Audit Committee. The Appendices provide specific detail of outputs for the Committee's information.

## **Section 2. Executive Summary of work undertaken to date in 2018/19**

### **2.1 Internal Audit**

- 2.1.1 There have been six final reports issued in Quarter 3, two of which were follow-up audits. Of these reports, two were given an audit opinion of substantial assurance, two moderate assurance and one, a follow-up review, remained as limited assurance. The other was not assigned an assurance rating as this was a grant sign off. Appendix D shows the current position of the 2018/19 audit plan.
- 2.1.2 5 high risk recommendations were raised in these reports, all of which were in respect of the follow-up audits. Further detail is provided in Appendices A and B.

### **2.2 Pro-Active and Counter Fraud**

- 2.2.1 The three referrals brought forward from the previous quarter have all been investigated. Two referrals resulted in disciplinary action and one referral is awaiting management decision.
- 2.2.2 Six referrals were received during Quarter 3: one referral has been referred to Trading Standards; there was no case to answer in respect of one referral; and four referrals are currently being investigated.

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

By maintaining an adequate internal audit service, management are supported in the effective identification and efficient management of risks and ultimately good governance. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obliged to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work. Such failures may result in financial losses for the Council.

### **Legal implications and risks:**

None arising directly from this report.

### **Human Resources implications and risks:**

None arising directly from this report.

### **Equalities implications and risks:**

None arising directly from this report.