

# **AUDIT COMMITTEE SUPPLEMENTARY AGENDA**

**30 July 2018**

The following report is attached for consideration and is submitted with the agreement of the Chairman as an urgent matter pursuant to Section 100B (4) of the Local Government Act 1972

**9 HEAD OF ASSURANCE - QUARTER FOUR PROGRESS REPORT 2017/18** (Pages 1 - 2)

**Andrew Beesley**  
**Head of Democratic Services**

This page is intentionally left blank

## SUPPLEMENTARY APPENDIX

### ASSURANCE PROGRESS REPORT SUMMARY

#### 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 Officers within the Assurance Service have continued to be involved in work with the Section 151 Officer, Monitoring Officer and Director of Finance for oneSource to review the Governance and Assurance Board arrangements and the approach to collating evidence for the Annual Governance Statement. They have also worked with senior management to update risk registers, and to integrate Audit and Counter Fraud Plans with those. Previously, horizon scanning work had taken place with other Heads of Audit and through the Croydon Framework to identify common risk and audit themes. Updated Risk Registers and Audit Plans for 2017/18 were approved by the Audit Committee, which reflected this approach.

- 1.1.6 This report brings together all aspects of internal audit and counter fraud work undertaken in quarter four, 2017/18, in support of the Audit Committee's role.
- 1.1.7 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.

## **1.2 Level of Assurance**

- 1.2.1 At the February 2018 Audit Committee meeting, Members received the Head of Assurance opinion based upon the work undertaken in quarters one to three, 2017/18, which concluded that reasonable assurance could be given that the internal control environment is operating adequately.
- 1.2.2 There can be some qualifications to this conclusion where audit work has resulted in limited assurance opinions. Two limited assurance reports were issued in quarter four (see Appendix B for details). However, it is considered that these do not have a material impact on the overall opinion of reasonable assurance.

## **Section 2. Executive Summary of work undertaken in quarter four, 2017/18**

### **2.1 Internal Audit**

- 2.1.1 There have been 24 reports issued in quarter four. Of these reports 16 were given an audit opinion of substantial assurance, seven moderate assurance and two limited assurance. Appendix D shows the end of year status of the 2017/18 audit plan.
- 2.1.2 A total of 101 recommendations were raised from these reports, of which 14 have been categorised as high risk. Further detail is provided in Sections 3.2 and 3.3 below.

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

- 2.2.1 During quarter four one referral was received which is currently being investigated.
- 2.2.2 During the quarter the Housing Investigations Team:
- Recovered ten properties with a nominal value of £180,000;
  - Had five Right to Buy applications withdrawn with a notional value of £434,949; and
  - Two 'Homelessness Duty Refusal' totalling £36,000.
- 2.2.3 The total net savings (minus project costs) for the project from October 2015 to March 2018 is £6.62m. The breakdown for each year is below.
- April 2017 to March 2018 - £2.61m
  - April 2016 to March 2017 - £2.54m
  - October 2015 to March 2016 - £1.47m