



HEAD OF ASSURANCE ANNUAL REPORT

2017/18



Havering
L O N D O N B O R O U G H

1. Introduction

- 1.1 In accordance with the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit (Head of Assurance) is required to provide an annual opinion to the Audit Committee, based upon and limited to the work performed on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is achieved through an audit plan that has been focused on key strategic and operational risk areas, agreed with senior management and approved by the Audit Committee. The Head of Assurance opinion does not imply that internal audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based audit work formulated around a selection of key systems and risks.
- 1.2 This report provides Members of the Audit Committee with:
- The Head of Assurance Opinion for 2017/18 on the overall internal control environment;
 - An overview of the Council's risk management processes;
 - A summary of the work undertaken by Internal Audit in 2017/18 that supports the opinion; and
 - Review of the outcomes of key internal audit reports.
- 1.3 In line with best practice, Internal Audit prepares, in consultation with senior management, an annual risk based strategic plan. The audit plan is, if necessary, amended during the year to reflect changes within the Council's risk profile.
- 1.4 From the work undertaken during the year, **reasonable assurance** can be provided that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally applied consistently. The level of assurance, therefore, remains at a level consistent with the assurance provided in 2016/17. In giving an opinion the system of internal control can provide only reasonable, and not absolute, assurance.
- 1.5 The basis for this opinion is derived from an assessment of the range of individual opinions arising from assignments, contained within the Internal Audit risk based plan, that have been undertaken throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses. A summary of Audit Opinions is shown in the following table:

Table 1 – Summary of Audit Opinions 2017/18

Category	Substantial	Moderate	Limited
oneSource	7	1	0
LBH Systems Audits	12	2	2
LBH Schools Audits	5	9	0
Total	24	12	2

- 1.6 The table below provides the definitions of the assurance levels provided by internal audit:

Key to Assurance Levels	
Substantial Assurance	There is a robust framework of controls and appropriate actions are being taken to manage risks within the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives.
Moderate Assurance	Whilst there is basically a sound system of control within the areas reviewed, weaknesses were identified and therefore there is a need to enhance controls and/or their application and to improve the arrangements for managing risks.
Limited Assurance	There are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level.

- 1.7 Appendix A details all internal audit work undertaken during 2017/18. It should be noted that some of the work undertaken by internal audit does not result in an opinion being provided, such as advisory reviews and grant claims.
- 1.8 Two LBH audits were given an audit opinion of Limited Assurance during 2017/18. Detailed summaries of these reports: Project and Programme Governance review; and, No Recourse to Public Funds (NRPF), have been provided to the Audit Committee in the quarter four Assurance progress report.
- 1.9 Follow up Work

The Internal Audit Team tracks the completion of all audit recommendations. Information regarding outstanding recommendations is reported as part of the quarterly update provided to the Audit Committee. Annually the Audit Committee receive a full list of all outstanding high risk recommendations. The status of the high risk recommendations raised during 2017/18 is outlined within the table below.

System Audits

Number of high risk recommendations raised during 2017/18	14
Number of high risk recommendations due to be implemented by 31/05/2018	2
Number of high risk recommendations fully implemented	2
Number of high risk recommendations partially implemented	0
Number of high risk recommendations not implemented	0
Number of high risk recommendations raised in quarter four and not yet due for implementation	12

School Audits

Number of high risk recommendations raised during 2017/18	2
Number of high risk recommendations due to be implemented by 31/05/2018	2
Number of high risk recommendations fully implemented	2
Number of high risk recommendations partially implemented	0
Number of high risk recommendations not implemented	0

2. Schools Programme

- 2.1 There are currently 49 borough maintained schools within Havering with 47 schools having received a triennial audit between the financial years. 2015/16 – 2017/18. The remaining two schools have received at least one health check since their last triennial visit, and are scheduled to be reviewed as part of the 2018/19 audit plan. In addition to assessing the implementation of recommendations raised following the previous audit, the Health Check also reviews the perceived high risk areas, including those common themes noted in paragraph 2.3 below.
- 2.2 Assurance opinions are given for each school report. Of the 14 schools receiving a triennial audit in 2017/18, five received Substantial Assurance, nine received Moderate Assurance and no Limited Assurance reports were issued.
- 2.3 Recommendations raised during the 17/18 audits produced some common themes found across multiple schools:
- Procurement: Schools are not consistently raising orders before receipt of an invoice. This creates issues with budget monitoring processes for the schools as they are potentially unaware of spend before the invoice arrives;
 - Self-Employment: Schools need to ensure they are completing the relevant self-employment and IR35 HMRC checks prior to employing self-employed individuals, to ensure compliance with HMRC regulations;
 - Payroll: Payroll details of the person checking the monthly payroll report should be subject to independent verification, to mitigate the risk of fraud;
 - Charging Policy: the threshold above which refunds will be given needs to be decided and added to the Policy.
- 2.4 During 2017/18 the service delivered 21 Health Checks, one being to an out of borough school, generating total revenue in year of £17,250.
- 2.5 The Schools Financial Value Standard (SFVS) is designed to assist schools in managing their finances and to give assurance that they have secure financial management in place. As Governing bodies have formal responsibility for the financial management of their schools, the standard is aimed primarily at governors. The SFVS returns are used to inform the risk based internal audit programme. All schools within Havering completed and submitted their copies of the SFVS to the LA within the agreed timescales.

3. Counter Fraud

Corporate Fraud

- 3.1 The Council has a zero tolerance approach to fraud and the work of the Fraud Team supports this priority.
- 3.2 The team offers both a criminal, proactive and reactive support service.

Housing Fraud

- 3.3 The Proactive Tenancy project saw the recovery of 31 properties and cancelled 23 Right to Buy applications, ensuring Havering's houses were allocated to those with genuine entitlement.
- 3.4 During the year the team have:
 - Undertaken 5,897 tenancy visits and completed 1,782 audit checks.
 - Undertaken 2,973 Private Sector Landlord (PSL) tenancy visits and completed 535 audit checks.

Asylum and Immigration Fraud

- 3.5 The Council is at risk of incurring a fine of up to £20,000 for every person who is employed with no right to work, in addition to them taking a job that should have gone to someone else. Whilst there were no cases identified in 2017/18, we are continuing to strengthen the vetting process, in partnership with HR, via progressing the implementation of chip scanning of all identify documents in 2017/18.

4. Risk Management Arrangements

- 4.1 Risk management arrangements, specifically the support provided by the oneSource Assurance function, are currently being reviewed to ensure that the delivery model provides the most effective service to the Council. The Audit Committee will be informed in future meetings of developments in this area.

5. Governance Arrangements

- 5.1 There is an established officer Governance and Assurance Board at LB Havering, which the Head of Assurance attends. The work of Internal Audit informs this group and issues brought to the group and identified in the Annual Governance Statement (AGS), inform the annual audit plan. Governance arrangements are routinely considered as part of all internal audit reviews.

Audit Committee

- 5.2 The Audit Committee has had a pivotal role in ensuring the risk management, governance and internal control environment is adequately robust.

Appendix A – Audit work undertaken during 2017/18

	AUDIT TITLE	OPINION
PRIOR YEAR AUDITS	One Oracle	MODERATE
	Contract Monitoring – Environment	SUBSTANTIAL
	Declarations of Interest	MODERATE
	Disaster Recovery Follow Up	SUBSTANTIAL
	Grants to Voluntary Organisations	SUBSTANTIAL
	Change Management	SUBSTANTIAL
	BACS Transmission	SUBSTANTIAL
	Children's Commissioning	SUBSTANTIAL
	One Oracle Interfaces	SUBSTANTIAL
LBH SYSTEM AUDITS	Fairkytes	SUBSTANTIAL
	Troubled Families Programme (Sept' Oct' & March Claim)	SUBSTANTIAL
	Client Finance deputyship and appointeeship	SUBSTANTIAL
	Homelessness - Housing Tenancy Arrangements	SUBSTANTIAL
	Land of the Fanns – Initial Grant Arrangements Review	N/A - GRANT
	Mayor's Appeal Fund – Annual Grant Review	N/A - GRANT
	Housing Benefit - new claims or change in circumstances	SUBSTANTIAL
	NNDR – Billing and Collection	SUBSTANTIAL
	Accounts payable service payments teams in directorates	SUBSTANTIAL
	Gifts and Hospitality (Corporate Culture)	SUBSTANTIAL
	Offsite Storage Follow up	SUBSTANTIAL
	No Recourse to Public Funds (NRPF)	LIMITED
	Private Sector Leasing - Liberty Housing	MODERATE
	Care Act 2014 – Safeguarding	SUBSTANTIAL
	Project and Programme Governance Review	LIMITED
	Procurement inc. compliance with public contract regulations 2015	N/A – ADVISORY
	Information Governance/ Data Protection - GDPR	N/A – ADVISORY
	Off-Payroll Engagement (IR35)	N/A - ADVISORY
ONESOURCE	Enforcement Agents	SUBSTANTIAL
	Debt recovery	SUBSTANTIAL
	Cyber Security	TBC
	Security over data warehouse	SUBSTANTIAL
	Budget Monitoring / Savings Programme	SUBSTANTIAL
SCHOOLS	St Alban's RC Primary	SUBSTANTIAL
	St Mary's RC Primary	MODERATE
	Crownfield Infants	MODERATE
	Squirrels Heath Infants	MODERATE
	Parklands Junior (Additional Task)	MODERATE
	St Edwards Primary (Additional Task)	SUBSTANTIAL
	Gidea Park	SUBSTANTIAL
	Towers Junior	MODERATE
	Squirrels Heath Junior	MODERATE

Audit Committee, 30 July 2018

	Harold Court Primary	MODERATE
	Branfil Primary	SUBSTANTIAL
	Crownfield Juniors	MODERATE
	Engayne Primary	SUBSTANTIAL
	Elm Park Primary (Additional Task)	MODERATE
	Health Checks (21)	x21 COMPLETE