



## AUDIT COMMITTEE

<b>Subject Heading:</b>	Head of Assurance – Progress Report 2018/19
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<b>Policy context:</b>	To inform the Committee of progress on the assurance work during the first half of 2018/19.
<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) during the first half of 2018/19. 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: Detail Counter Fraud work

Appendix C: 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 in during the first half of 2018/19, 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.

## **1.2 Level of Assurance**

- 1.2.1 At the July 2018 Audit Committee meeting, Members received the Head of Assurance opinion based upon the work undertaken 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. One limited assurance report was issued in the first half of 2018/19. However, it is considered that this does not have a material impact on the overall opinion of reasonable assurance.

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

### **2.1 Internal Audit**

- 2.1.1 There have been eight final reports issued in the first half of 2018/19. Of these reports two were given an audit opinion of substantial assurance, five moderate assurance and one limited assurance. Appendix C shows the current position of the 2018/19 audit plan.
- 2.1.2 A total of 60 recommendations were raised from these reports, of which ten have been categorised as high risk. Further detail is provided in Appendix A.

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

- 2.2.1 Investigation into the referral brought forward from the previous year identified there was no case to answer.
- 2.2.2 Four referrals were received during the first half of the year of which one resulted in disciplinary action. Three referrals are currently being investigated.

<b>IMPLICATIONS AND RISKS</b>
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**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.