

AUDIT COMMITTEE

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| Subject Heading: | Head of Assurance – Progress Report 1 st April – 31 st August 2019 |
| SLT Lead: | Jane West Chief Operating Officer |
| Report Author and contact details: | Jeremy Welburn Head of Assurance Tel: 01708 432610 / 07976539248 E-mail: jeremy.welburn@onesource.co.uk |
| Policy context: | To inform the Committee of progress on the assurance work during the period from 1 st April – 31 st August. |
| Financial summary: | There are no financial implications 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

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| 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 and counter fraud) during the period from 1st April to 31st August 2019. This 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 Member's information

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 during the period from 1st April to 31st August 2019, 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 during the period from 1st April to 31st August 2019

2.1 Internal Audit

- 2.1.1 There have been three final reports issued during this period. Of these reports, one was given a limited assurance and the other two were given moderate assurance. Appendix C shows the current position of the 2019/20 audit plan.
- 2.1.2 Three high risk recommendations were raised in these reports with further detail of these provided in Appendix A.

2.2 Pro-Active and Counter Fraud

- 2.2.1 The three referrals brought forward from 2018/19 have all been investigated. One referral has resulted in a criminal investigation and two referrals had no case to answer.
- 2.2.2 During 1st April to 31st August 2019 seven referrals were received. Of these four referrals are still being investigated, one referral there was no case to answer, one referral resulted in Standard Setting and one referral resulted in a contract being terminated.

Section 3. Appendices: Provide supporting detail for Member's information

Appendix A: Detail of Internal Audit work to date
Appendix B: Detail of Counter Fraud work
Appendix C: Current status of 2019/20 audit plan

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| IMPLICATIONS AND RISKS |
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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.