

Assurance End of Year Report 2019/20 incorporating Head of Assurance Opinion

1 Head of Assurance Annual Opinion

- 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 has 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 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.
- 1.3 From the work undertaken during the 2019/20 year, **reasonable assurance** can be provided that there is generally a sound system of internal control across the Council. However, our work has highlighted certain areas where reasonable assurance could not be provided on the control environment, most significantly:
- Financial control areas such as payroll and purchase cards;
 - Controls over private sector leasing arrangements: and
 - Procurement, specifically a lack of contracts in place for a number of suppliers.

It should be noted that it has been judged that the above issues do not affect the opinion on the overall control environment, due to the actions of senior management in response to these and the improvement plans already in place during the course of 2019/20. Internal audit have scheduled significant work to follow up these areas of control weakness during 2020/21.

- 1.4 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.
- 1.5 The table below provides a summary of Audit Opinions issued in 2019/2020. 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.

Audit Category	No Opinion	Substantial	Moderate	Limited	No Assurance
LBH Systems Audits	3	2	2	4	1
Shared Services	3	0	1	1	0
LBH Schools Audits	0	5	5	0	0
Total	6	7	8	5	1

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 / No 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 Outturn of 2019/2020 Internal Audit Plan

- 2.1 The Annual Audit Plan, approved by the Audit Committee in April 2019, comprised 700 audit days. The plan was developed using a thematic approach, in line with the Corporate Plan priorities for 2019/20 with time allocated under each theme to carry out risk identification and service mapping. Members are reminded that the 2019/20 audit plan was presented as a flexible plan, subject to review through the year to ensure that emerging risks are covered. Adjustments to the plan are made to allow for changes in the risk and operational environment in which the Council operates. These changes are outlined in Section 9.
- 2.2 It should be noted that there were a number of high risk and complex areas that required significant audit resources during 2019/20. Furthermore, the COVID-19 pandemic impacted on work scheduled in March 2020. An assessment of risk for remaining areas in the audit was carried out and as a result some audits have been cancelled and some moved to 2020/21 for completion. Further detail on these amendments is detailed in Section 9.
- 2.3 The table below details the results of the final reports issued / reviews completed since the last progress report presented to Members in January 2020.

Report	Assurance	Recommendations			
		High	Med	Advisory	Total
System Audits					
Direct Payments Follow Up	Substantial	0	0	0	0
Emergency Planning & Business Continuity	N/A	0	2	1	3
Troubled Families	Substantial	0	0	0	0
Corporate Governance & Decision Making	N/A	N/A	N/A	N/A	N/A
Oracle Upgrade – Phase 2	N/A	N/A	N/A	N/A	N/A
System Audits Total		0	2	1	3
School Audits					
Learning Federation (Broadford/Mead)	Substantial	0	2	0	2
Langtons Infant	Moderate	1	1	0	2
Hilldene Primary	Substantial	0	3	0	3
Parklands Infant	Substantial	1	1	1	3
St Joseph’s CP	Moderate	0	5	7	12
The Mawney Foundation	Substantial	0	1	2	3
School Audits Total		2	13	10	25

3 Audit Recommendations Update

- 3.1 Internal Audit follows up all audit recommendations with management when the deadlines for implementation are due. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations, in systems where limited assurance was provided, is verified through a follow up audit review.
- 3.2 This work is of high importance given that the Council’s risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee’s role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any high risk recommendations.
- 3.3 Recommendations are classified into three potential categories according to the significance of the risk arising from the control weakness identified. The three categories comprise:

High:	Fundamental control requirement needing implementation as soon as possible.
Medium:	Important control that should be implemented.
Low:	Advisories - Pertaining to best practice.

- 3.4 The status of all recommendations raised during 2019/20 is outlined within the table below.

Systems Audits				
Number of Recommendations	High	Med	Advisory	Total
Recommendations raised since the last progress report	0	2	2	3
Total Recommendations Raised during 2019/20	16	40	4	60

School Audits				
Number of Recommendations	High	Med	Advisory	Total
Recommendations raised since the last progress report	2	13	21	36
Total Recommendations Raised during 2019/20	4	29	40	73

- 3.5 The details of the high risk recommendations were provided to Members in the previous Audit Committee meetings. It can be confirmed that all high risk recommendations raised during 2019/20 that were due by 31st March 2020 have been implemented.

4 Schools Programme

- 4.1 There are currently 44 borough maintained schools within Havering with. Of these, 36 schools have received a triennial audit between the financial years 2017/18 – 2019/20. Three of the remaining eight maintained schools had their audits postponed due to the outbreak of Coronavirus, and these will be undertaken in 2020/21. The other five maintained schools were assessed on the assurance given at their last triennial audit and considered to be low risk; therefore a triennial audit was not delivered as part of the three year rolling programme. These schools have received at least one health check since their last triennial visit, and are scheduled to be reviewed as part of the 2020/21 audit plan.
- 4.2 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 5.4 below.
- 4.3 Assurance opinions are given for each school report. Of the 11 schools receiving a triennial audit in 2019/20, eight received Substantial Assurance, and three received Moderate Assurance.
- 4.4 Recommendations raised during the 2019/20 audits produced some common themes found across multiple schools:
- Self-Employment: Schools should ensure they are completing the relevant IR35 HMRC checks prior to employing self-employed individuals in order to comply with HMRC regulations;
 - Residential School trips: Schools should produce an end of trip profit and loss statement which should be presented to Governors for information purposes; and
 - Safeguarding: Governors should have a DBS check every three years in line with the Councils expectations.
- 4.5 During 2019/20, the service delivered 13 Health Checks, including one to an out of borough school, generating total revenue in year of £11,625
- 4.6 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.

5 Counter Fraud

- 5.1 **Corporate Fraud** - The Council has a zero tolerance approach to fraud and the work of the Fraud Team supports this priority. The team offers both a criminal, proactive and reactive support service. The team have looked into 14 cases this financial year, including current investigations into allegations of theft, falsifying timesheets and procurement fraud.
- 6.1 **Housing Fraud** - The Council take a zero tolerance approach to tenancy fraud and have 32 open investigations. The team will investigate all allegations of tenancy fraud and take action where we have sufficient evidence that fraud has taken place. This action can include a criminal prosecution and/or a claim for possession of the property through civil courts; we will always look to make a claim for any legal costs occurred as well as any relevant compensation due.
- 6.2 The team check on average 20 RTB applications per month to ensure that the Council are not losing stock fraudulently. Referrals both internally and externally have decreased; to counter this we plan to carry out internal awareness sessions and external marketing campaigns.

6 Risk Management Arrangements

- 6.1 The strategic risks to the achievement of the Authority's objectives are captured within a corporate risk register which is overseen by the Governance and Assurance Board and progress reported to the Audit Committee. Significant work has been underway during 2019/20 to review the risks facing the Council. The Governance and Assurance Board has overseen this process to ensure that the corporate risk register reflects the risks facing the Council. During 2019/20 Internal Audit have taken a lead on engaging with Directors and offering workshops to assist in establishing Directorate and Service risks.
- 6.2 It should be noted that the number of risks the Council is facing have increased, and in some cases escalated as a result of COVID-19. The Corporate Risk Register has been reviewed and approved by SLT via the Silver/Bronze groups established to manage the COVID-19 response.
- 6.3 The risk management strategy and supporting policies are reviewed regularly to ensure they remain relevant to the Council's systems and procedures, and will be approved by the Audit Committee biannually.

7 Governance Arrangements

- 7.1 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.

8 Audit Committee

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

9 Audit work undertaken during 2019/20

Audit Title	Status as at end 2019/20	Opinion	Comments
LBH Systems Audits			
Romford Combined Charities (Additional Task)	Complete	N/A	
Payroll – Transactional Services (Key Financial Audit)	Final Report	Limited	
Financial Controls Assurance	Final Report	Limited	
Procurement (Addition to plan)	Final Report	Limited	
Purchase Card - Transactional Services (Key Financial Audit)	Final Report	Limited	
Right to Buy	Final Report	Moderate	
School Expansion Programme	Final Report	Moderate	
Private Sector Leasing	Final Report	No Assurance	
Direct Payments Follow Up	Final Report	Substantial	
Troubled Families (additional task)	Final Report	Substantial	
Emergency Planning & Business Continuity	Final Report	No assurance opinion provided due to work ceasing as a result of COVID-19 before all testing completed.	
Corporate Governance and Decision Making	Completed	Advisory work completed during 19/20.	
Corporate Health & Safety	Partially Completed	Work paused due to COVID-19. To resume in Q2 in 2020/21.	
Treasury Management	Partially Completed	Work paused due to COVID-19. Agreed with service that audit will resume in Q2 of 2020/21.	
Licensing Schemes	Moved to 2020/21 (as a result of COVID-19)		
Contract Management (Opportunities / Communities)			
Delivery of the Corporate Plan	Cancelled following risk assessment and provision of additional sources of assurance.		
Safeguarding Adults	Moved to 2020/21	Delayed due to new system implementation	
Social Care Transitions	Moved to 2020/21		
Post Implementation Review - Liquid Logic Children's & Adults	Moved to 2020/21	Implementation ongoing	
Performance monitoring – Leisure Centres	Cancelled following risk assessment		
General Project Assurance	Cancelled – ongoing monthly deep dive work taking place in service area providing alternative assurance		
Economic Development Programme Review			
Regeneration Project Management			
Fixed Term Tenancies – Housing	Cancelled – Based on risk discussion with Director of Housing		
Pension Fund Governance	Cancelled – Based on assurances from external reviews carried out during 2019/20 (The Pensions Regulator and Hymans)		

Appendix 1 - Audit Committee 28 July 2020

Shared Service Audits			
ICT needs assessment	Complete	N/A	
Oracle upgrade – Phase 1	Complete	N/A	
Oracle upgrade – Phase 2	Complete	N/A	
Cloud Computing (forms part of the ICT audit allocation)	Final Report	Limited	
Virus Protection (forms part of the ICT audit allocation)	Final Report	Moderate	
LBH Schools			
Suttons Primary	Final Report	Moderate	
Newtons Primary	Final Report	Moderate	
St Ursula's Junior	Final Report	Moderate	
Whybridge Infant	Final Report	Substantial	
Learning Federation Broadford/Mead	Final Report	Substantial	
Langtons Infant	Final Report	Moderate	
Hilldene Primary	Final Report	Substantial	
St. Joseph's CP	Final Report	Moderate	
Parklands Infant	Final Report	Substantial	
Mawney Foundation	Final Report	Substantial	
Crowlands Primary	Moved to 20/21	Originally booked in for March 2020. Cancelled due to COVID-19.	
Harold Wood Primary	Moved to 20/21		
La Salette Catholic Primary	Moved to 20/21		
Health Checks (14)	13 Completed		One deferred to 2020/21