



**Havering**  
LONDON BOROUGH

## **AUDIT COMMITTEE**

### **22 07 2021**

**Subject Heading:**

Assurance Progress Report

**SLT Lead:**

Jane West  
Chief Operating Officer

**Report Author and contact details:**

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**Policy context:**

To inform the Committee of progress on the assurance work during quarter one of 2021/22.

**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**

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

<b>SUMMARY</b>
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This report advises the Committee on the work undertaken by the Assurance Service (internal audit and counter fraud) during the period from 1<sup>st</sup> April to 30<sup>th</sup> June 2021. 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 1<sup>st</sup> April to 30<sup>th</sup> June 2021, 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.

## **Section 2. Executive Summary of work undertaken during quarter one of 2021/22**

### **2.1 Internal Audit**

- 2.1.1 There have been six audits completed during this period, four of which were schools; all given a reasonable assurance. Of the two systems reviews completed; one was the phase one review of Supporting Families where an assurance opinion is not usually provided and the remaining audit was given a reasonable assurance opinion. Appendix D shows the current position of the 2020/21 audit plan.
- 2.1.2 There were no high risk recommendations raised in these reports.

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

- 2.2.1 During the 1<sup>st</sup> April to 30<sup>th</sup> June 2021 the Counter Fraud Service undertook a recruitment drive and now have three permanent positions filled; previously there were two posts covered by agency members of staff.
- 2.2.2 The structure for the Counter Fraud Service is now:
- 1 x Audit Partner (Pro-Active Audit & Counter Fraud)
  - 2 x Fraud Investigators (1 permanent & 1 one year fixed term contract)
  - 1 x Data Analyst / Intelligence Officer
- 2.2.3 Due to lockdown the service was limited to desk based intelligence checks and investigations. Post-lockdown the counter fraud service will be focussing on following up these desk based intelligence checks and investigations with door visits (following all Covid-19 social distancing measures).

2.2.4 Of the three referrals brought forward from the previous report, two referrals have been referred to the Service Directors and one to the Chief Executive.

2.2.5 During the 1<sup>st</sup> April to 30<sup>th</sup> June 2021 seven referrals were received; all seven were Whistleblowing referrals. One case has been investigated by the service and concerns addressed and one case has been investigated and findings / recommendations issued to the Service Director to address. Five referrals are currently being investigated.

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

Appendix A: Detail of Internal Audit work to date

Appendix B: Status of High Risk Recommendations

Appendix C: Detail of Counter Fraud work

Appendix D: Current status of 2021/22 audit plan

## **IMPLICATIONS AND RISKS**

### **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.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.