



## AUDIT COMMITTEE

### 28 10 2021

<b>Subject Heading:</b>	Assurance Progress Report
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<b>Policy context:</b>	To inform the Committee of progress on the assurance work during quarter two of 2021/22.
<b>Financial summary:</b>	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]

### SUMMARY

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> July to 30<sup>th</sup> September 2021. This report is presented in five sections:

Section 1: Introduction

Section 2: Executive Summary – A summary of the key messages

Section 3: 2020/21 Significant Governance Issues Update

Section 4: Risk Management Update

Section 5:

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.

## **Audit Committee, 28 October 2021**

- 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> July to 30<sup>th</sup> September 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 two of 2021/22**

### **2.1 Internal Audit**

- 2.1.1 There have been 10 audit reviews completed during this period; two of which were schools, both given a reasonable assurance. Of the eight systems reviews completed; two had Limited Assurance, one was given Reasonable Assurance and the remaining five were assurance and consultancy reviews, or grant reviews, where an assurance opinion is not usually provided. Appendix C shows the current position of the 2021/22 audit plan.
- 2.1.2 There were four high risk recommendations raised in these reports and detail of these, including management responses and deadlines for expected completion is included within the report summaries in section 4 of Appendix A.

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

- 2.2.1 During Lockdown the service was limited to desk based intelligence checks and investigations. Post-lockdown the counter fraud service are following up these desk based intelligence checks and investigations with door step visits and will be undertaking Interviews under Caution where necessary (following all Covid-19 social distancing measures).
- 2.2.2 Of the five referrals brought forward from the previous report, three have been investigated and sanctions applied where appropriate. The remaining two cases are still under investigation.
- 2.2.3 During the 1<sup>st</sup> July to 30<sup>th</sup> September 2021 five referrals were received; all five were Whistleblowing referrals. One case has been investigated and the findings forwarded to HR for reference and monitoring. Four referrals are currently being investigated.

### **Section 3. Significant Governance Issues Update**

3.1 The Annual Governance Statement for 2020/21 was published on 31<sup>st</sup> July 2021. There were five Significant Governance Issues identified for ongoing action during 2021/22. These are reviewed at Governance and Assurance Board, chaired by the S151, on a regular basis. The current status and action plan is provided in full in Appendix D.

### **Section 4. Risk Management Update**

4.1 The Corporate Risk Register is regularly reviewed, monitored and updated by the Governance and Assurance Board. The current version of the Corporate Risk Register is provided in Appendix F.

### **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 2021/22 audit plan

Appendix D: AGS 2020/21 Significant Governance Issues Update

Appendix E: Risk Management Update

Appendix F: Corporate Risk Register

## **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.