

Report for: Corporate Committee – 25 July 2019

Title: Annual Internal Audit Report 2018/19

Report authorised by : Assistant Director of Corporate Governance

Lead Officer: Minesh Jani, Head of Audit and Risk Management
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Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Information

1. Describe the issue under consideration

- 1.1 To inform Members of the overall adequacy and effectiveness of the system of internal control and risk management operating throughout 2018/19 and present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other bodies.
- 1.2 This report also fulfils the relevant statutory requirements of the 2017 UK Public Sector Internal audit Standards (PSIAS); the 2017 Local Government Transparency Code; and the Corporate Committee’s terms of reference.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 That the Corporate Committee notes the content of the Head of Audit and Risk Management’s annual audit report and assurance statement for 2018/19.

4. Reasons for decision

- 4.1 The Corporate Committee is responsible reviewing the Annual Internal Audit Report as part of the required statutory processes.
- 4.2 In order to facilitate this, reports are provided on a quarterly basis to the Corporate Committee on the work undertaken by the Internal Audit Service in completing the 2018/19 annual audit plan, together with reports on the responsive and pro-active fraud investigation work undertaken during the year.
- 4.3 The report also supports the production of the Council’s statutory Annual Governance Statement.

5. Alternative options considered

- 5.1 Not applicable.

6. Background information

- 6.1 One of the terms of reference for the Corporate Committee is *‘to consider the Head of Audit and Risk Management’s annual report and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can provide about the Council’s corporate governance arrangements.’*
- 6.2 In addition, the mandatory PSIAS state:
- The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
 - The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.
 - The annual report must incorporate:
 - the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.
- 6.3 The 2015 Local Government Transparency Code requires the Council to publish information annually in respect of its counter-fraud activities and the resources used to undertake this.
- 6.4 The information in this report has been compiled from information held within Audit & Risk Management and from records held by Mazars Public Sector Internal Audit Ltd (Mazars), the contracted provider of internal audit services to the Council and relates to the work carried in the financial year 2018/19.

7. Contribution to strategic outcomes

- 7.1 The internal audit and counter-fraud teams make a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all Corporate Plan Priority areas.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance and Procurement

There are no direct financial implications arising from this report. The work completed by Mazars is part of the framework contract which was awarded to the London Borough of Croydon and extended to 31 March 2024, in accordance with EU regulations. The costs of this contract are contained and managed within the Audit and Risk Management revenue budget.

The report includes a number of estimates of the value of fraud uncovered by the work of the team; the Council will always seek to recover this where possible and in many instances this has been achieved. Even where full recovery has not yet been possible, the investigatory work has prevented further losses.

Two of the largest areas of activity concern housing – tenancy and ‘Right to Buy’ fraud. The financial benefits to the Council of the housing tenancy fraud work will be realised as properties are recovered and returned to the Council’s

portfolio. The Cabinet Office estimates that the costs of fraudulent tenancies and unauthorised sub-letting equate to £18k per annum per property, mainly relating to additional costs for temporary accommodation. Preventing fraudulent Right to Buy applications ensures that properties are retained within the social housing stock and discounts of up to £104k per property are not allocated to those who are not entitled to receive them.

8.2 Legal

The Assistant Director of Corporate Governance has been consulted in the preparation of this report, and in noting that the level of audit coverage complies with the mandatory PSIAS industry required standards, and that measures have been put in place to deal with instances of limited or nil assurance reports, has no comments.

8.3 Equality

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not.

As contracted providers of Haringey Council, the internal audit contractor is required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010. Ensuring that the Council has effective internal audit and assurance arrangements in place will also assist the Council to use its available resources more effectively.

9. Use of Appendices

Appendix A – Annual Internal Audit Report 2018/19.

10. Local Government (Access to Information) Act 1985

Not applicable