

Report for: Corporate Committee – 28 June 2016

Item number: 8

Title: Annual Internal Audit Report 2015/16

Report authorised by : Assistant Director of Corporate Governance

Lead Officer: Anne Woods, 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 2015/16 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 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 2015/16.

4. Reasons for decision

- 4.1 The Corporate Committee is responsible reviewing the Annual Internal Audit Report as part of the required statutory processes. The report also supports the Council's Annual Governance Statement.
- 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 2015/16 annual audit plan, together with the responsive and proactive fraud investigation work.

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 2013 UK Public Sector Internal Audit Standards (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 Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

- 6.3 The information in this report has been compiled from information held within Audit & Risk Management and from records held by Mazars.

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 key 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 2018, 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 RTB 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 £103k per property are not allocated to those who are not entitled to receive them.

8.2 Legal

The Assistant Director, Corporate Governance has been consulted in the preparation of this report, and advises that in view of the fact that the Annual Audit Report has been compiled in accordance with legislative requirements and industry best practice standards, there are no direct legal implications arising out of the report.

8.3 Equality

There are no direct equality implications for the Council's existing policies, priorities and strategies. However, ensuring that the Council has effective governance arrangements in place and takes appropriate action to improve these where required will assist the Council to use its available resources more effectively. Internal Audit supports this process by providing assurance on key risks and controls and recommendations for improvement where necessary.

9. Use of Appendices

Appendix A – Annual Internal Audit Report 2015/16

10. Local Government (Access to Information) Act 1985

Not applicable