


Non-Executive Report of the:  <b>Audit Committee</b>  Tuesday, 23 July 2019	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Corporate Director, Resources	<b>Classification:</b> Open (Unrestricted)
<b>Head of Internal Audit Annual Report</b>	

<b>Originating Officer(s)</b>	Paul Rock
<b>Wards affected</b>	(All Wards)

### Executive Summary

This report provides the annual audit opinion of the Head of Internal Audit in accordance with the requirements of the Public Sector Internal Audit Standards. The opinion supports the governance conclusions included within the Annual Governance Statement, which forms part of the statement of accounts required under the Accounts and Audits Regulations 2015.

### Recommendations:

The Audit Committee is recommended to:

1. Note the content and opinion of the Head of Internal Audit as outlined within the Head of Internal Audit Annual Report which includes a summary of the work undertaken during 2018/19.

### 1. REASONS FOR THE DECISIONS

- 1.1 The Accounts and Audit Regulations 2015 require authorities to maintain an adequate and effective system of internal audit of its accounting records and systems of internal control in accordance with proper practices. The Audit Committee has responsibility for oversight over the authority's governance, risk and control framework. The annual report from the Head of Internal Audit assists the Audit Committee in discharging this responsibility.

### 2. ALTERNATIVE OPTIONS

- 2.1 None.

### 3. DETAILS OF THE REPORT

- 3.1 Internal Audit is a statutory requirement for local authorities under the Accounts & Audit Regulations 2015 for English local authorities (including police and fire bodies). The regulations state that a local authority shall maintain an adequate and effective system of internal audit of its accounting records and systems of internal control in accordance with proper practices. These regulations further recognise the need to follow public sector internal audit standards.
- 3.2 The Public Sector Internal Audit Standards(PSIAS) define the way in which internal audit should undertake its functions and requires that a written report is submitted to those charged with governance, which should include an opinion on the overall adequacy and effectiveness of the Council's control environment. The annual opinion supports the Annual Governance Statement, which is required under Regulation 6 of the Accounts and Audit Regulations 2015.
- 3.3 The attached report summarises the planned and ad-hoc internal audit and counter fraud work undertaken by Internal Audit during the 2018/19 financial year. It focusses on the outcomes of audit reviews, management actions, counter fraud activities and service performance.
- 3.4 The regulations also require that a formal review of the 'effectiveness of the system of internal audit' is conducted. The annual audit opinion together with the review of conformance with the Public Sector Internal Audit Standards provides this assurance.
- 3.5 The annual assurance opinion provided within the annual internal audit report informs and forms part of the 2018/19 Annual Governance Statement, which will be presented to the Audit Committee separately and included in the accounts. The Head of Internal Audit's opinion is as follows:

On the basis of the audit and counter fraud activity undertaken during the year, and taking into consideration external assurances provided by Ofsted and the Local Government Association Corporate Peer Challenge as well as management's progress in addressing governance, risk and control weaknesses, it is my opinion that I can provide **reasonable assurance** that the authority has adequate systems of internal control and that they have, in the main, been operating effectively.

The framework of governance, risk management and control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

#### **4. EQUALITIES IMPLICATIONS**

4.1 There are no specific equality implications.

#### **5. OTHER STATUTORY IMPLICATIONS**

5.1 There are no other statutory implications.

#### **6. COMMENTS OF THE CHIEF FINANCE OFFICER**

6.1 Other than the requirements on the responsible financial officer set out in the Accounts and Audit Regulations 2015, there are no significant financial implications.

#### **7. COMMENTS OF LEGAL SERVICES**

7.1 This report and the appendices comply with the Council's legal obligations in respect of auditing and the management of risk. It also demonstrates that the Council has appropriate systems in place to manage its financial affairs in compliance with the Corporate Director Resources' duties under s.151 of the Local Government Act 1972

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- None

#### **Appendices**

- Appendix 1 – Annual Report of the Head of Internal Audit.

#### **Local Government Act, 1972 Section 100D (As amended)**

#### **List of “Background Papers” used in the preparation of this report**

List any background documents not already in the public domain including officer contact information.

- Children's Services Monitoring Visits 2018/19.
- Corporate Peer Challenge. London Borough of Tower Hamlets. 2018.

#### **Officer contact details for documents:**

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