

Non-Executive Report of the: Audit Committee Thursday, 14 November 2019	 TOWER HAMLETS
Report of: Corporate Director, Resources	Classification: Open (Unrestricted)
Revised Head of Internal Audit Annual Report 2018/19	

Originating Officer(s)	Paul Rock
Wards affected	(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.

The report was first submitted in July 2019, however it must be resubmitted as the limitations to the scope of the opinion have been revised at paragraph 10.1 of the annual report.

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 and 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 (AGS), which will be presented to the Audit Committee separately and included in the accounts.

3.6 Since the opinion was first published in July 2019 new information in support of the AGS has emerged which includes a resubmission of the Annual Assurance Statement from the Corporate Director, Resources. This statement records significant governance issues related to the statement of accounts and Council spending.

3.7 In considering this new information, the Head of Internal Audit has decided to clarify the scope of his annual opinion so that stakeholders who may wish to rely on the opinion are clear on its limitations and why the opinion between internal and external audit may differ. The following paragraph has been added:

3.8 *Internal Audit does not audit the Council's annual statement of accounts and therefore the work of Internal Audit and my opinion do not cover the*

associated financial statements or disclosures. The Council's external auditors (Deloitte) are responsible for the audit of the annual statement of accounts and reporting whether, in their opinion, they present a true and fair view of the financial position of the Council.

- 3.9 In addition to clarifying the scope of the opinion, and to support management in addressing these governance issues and provide independent assurance to the Audit Committee, the Head of Internal Audit will reconsider the focus and scope of the remaining audits in the 2019/20 audit plan. The outcomes of these audits will be reported to senior management and the Audit Committee.

4. EQUALITIES IMPLICATIONS

- 4.1 There are no specific equality implications.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

- 5.2 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 The Council is under a duty to produce an Annual Governance Statement by virtue of regulation 4 of the Accounts and Audit Regulations 2015, which requires authorities to "conduct a review at least once a year of the effectiveness of its system of internal control". This report confirms compliance with the above statutory requirement.

- 7.2 The report 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

- Head of Internal Audit Annual Report

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.

- None

Officer contact details for documents:

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