


| | |
|---|---|
| <p>Non-Executive Report of the:</p> <p>Audit Committee</p> <p>Monday, 22nd January 2024</p> |  <p>TOWER HAMLETS</p> |
| <p>Report of: Julie Lorraine - Corporate Director, Resources</p> | <p>Classification: Open (Unrestricted)</p> |
| <p>Internal Audit and Anti-Fraud - Progress Report against the 2023-24 Audit Plan</p> | |

| | |
|-------------------------------|---|
| Originating Officer(s) | David Dobbs – Head of Internal Audit, Anti-Fraud & Risk |
| Wards affected | (All Wards) |

Executive Summary

This report provides an update on progress against the delivery of the 2023-24 Annual Internal Audit Plan, and an update on investigations activity, fraud prevention and anti-fraud work. The report also highlights any significant issues and concerns since the last update to the Audit Committee in November 2023.

Recommendations:

The Audit Committee is recommended to:

1. Note the contents of the attached report and the overall progress and assurance opinions for audits carried out as part of the 2023-24 Audit Plan.

1. REASONS FOR THE DECISIONS

- 1.1. The Accounts and Audit Regulations 2015 state that a relevant authority must ensure that it has a sound system of internal control which:
 - Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - Ensures that the financial and operational management of the authority is effective; and
 - Includes effective arrangements for the management of risk.
- 1.2. The Audit Committee has responsibility for oversight of the arrangements for governance, risk management and control and this report assists the Committee in discharging its responsibilities.

2. **ALTERNATIVE OPTIONS**

2.1. None.

3. **DETAILS OF THE REPORT**

3.1 The attached report (refer Appendix A) details progress against the 2023-24 Internal Audit Plan, which was agreed by the Audit Committee at its May 2023 meeting. The report also includes details of the significant findings and concerns from the internal audits that have been completed during this period that resulted in Limited or No Assurance audit opinions. For this period, this applies only to the internal audit of Homelessness Assessments, which received a Limited Assurance opinion.

3.2 As indicated in the report, in the year to date, 43% of audit opinions have resulted in Reasonable or Substantial Assurance (65%: 2022-23). However, caution should be adopted before any firm conclusions are drawn from this data, as it is an interim position. The outturn figure, which will be reported in June/July, will be calculated from a significantly larger body of audit work, and is expected to vary from the position reported above.

3.3 At the start of the year Internal Audit noted that there is '*... a backdrop of significant organisational transformation and change, coupled with the need to identify £37m of savings from 2024/25. Maintaining a robust system of internal control and risk governance will help to navigate these challenges, though some instability should be expected, which may in turn impact the outcomes of Internal Audit's work for 2023-24.*'

3.4 To add further context, it should be further noted that a key focus during this period has been identifying the significant savings required to deliver a balanced financial position across the three-year Medium-Term Financial Strategy (MTFS). This has been achieved and reported in the draft budget for 2024-25 and the MTFS for 2024-27.

3.5 In also recognising the need to improve and strengthen internal control processes, management is also reviewing key governance processes to ensure that are fit for purpose, this will include:

- Setting out and implementing a Control and Assurance Framework, based on CIPFA guidance, to strengthen management accountability throughout the Council
- Review and update the Council's Financial Regulations and related Financial Administration procedures
- As part of Internal Audit planning for 2024-25, to ensure that planned work is properly aligned to key risks/exposures and can be promptly flexed to meet emerging risks.

4. EQUALITIES IMPLICATIONS

4.1 There are no equalities 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 compliance requirements set out the Accounts and Audit Regulations 2015 there are no specific financial implications arising from this report.

7. COMMENTS OF LEGAL SERVICES

7.1 Regulation 3 of the Accounts and Audit Regulations 2015 requires local authorities to have a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk.

7.2 This report demonstrates the Council's compliance with these duties and with the duties set out in Section 151 of the Local Government Act 1972. This section requires every local authority to make arrangements for the proper administration of their financial affairs and to secure that one of their officers has responsibility for the administration of those affairs.

7.3 The matters set out in this report comply with the above legislation.

Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- Appendix A: Internal Audit and Anti-Fraud Progress 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:

David Dobbs, Head of Internal Audit, Anti-Fraud and Risk

Email: david.dobbs@towerhamlets.gov.uk