

Non-Executive Report of the:  <b>Audit Committee</b>  Thursday, 10 <sup>th</sup> October 2024	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Julie Lorraine - Corporate Director, Resources	<b>Classification:</b> Open (Unrestricted)
<b>Internal Audit and Anti-Fraud - Progress Update Report</b>	

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

## Executive Summary

This report provides a progress update on Internal Audit activity during 2024-25, including delivery against the Internal Audit Plan, details of the completed External Quality Assessment of the Internal Audit service and the results of the recent Fraud Awareness Survey. The report also highlights any significant issues and concerns since the last update to the Audit Committee in April 2024,

## Recommendations:

The Audit Committee is recommended to consider and note the following documents:

1. The Internal Audit progress report, including details of the assurance opinions for audits carried out as part of the 2024-25 Audit Plan (**Appendix A**).
2. A report by consultancy Validera, detailing the results of the recent External Quality Assessment of Internal Audit (**Appendix B**).
3. Results of the recent Council-wide Fraud Awareness Survey (**Appendix C**).

## 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**

### **Progress Update**

- 3.1 The report attached at **Appendix A** details progress against the 2024-25 Internal Audit Plan, which was agreed by the Audit Committee at its April 2024 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 the Passenger Transport Service, which received a Limited Assurance opinion.
- 3.2 Overall progress in undertaking and completing the audit plan for 2024-25 has been slow and this is being addressed by reporting progress and escalating blockages via Directorate Leadership Teams. However, owing to delays and resourcing issues there is a significant risk that the delivery of audit plan will be compromised.

### **External Quality Assessment**

- 3.3 The Public Sector Internal Audit Standards require an External Quality Assessment (EQA) should be conducted at least once every 5 years. The EQA evaluates whether the service provider is in compliance with the International Professional Practices Framework (IPPF), which includes the Code of Ethics, the Core Principles, the Definition of Internal Audit, and the Institute of Internal Audit Standards.
- 3.4 Having reported to the Committee during 2023 that an EQA was overdue, a consultancy, Validera, was commissioned to undertake this work on behalf of the Council. Validera's report (refer **Appendix B**) concluded that the Internal Audit service 'generally conforms' with the standards. This is the highest grade of conformity that can be awarded.
- 3.5 As noted in the report, from January 2025 the current standards will be retired and replaced by the new Global Internal Audit Standards (GIAS). Most elements of the new standards are an iteration of the existing

arrangements, with the previous standard and implementation guidance being merged into a single document. In its report, Validera states that 'conformity with the current standards will help ensure that the Council can move to compliance with the new PSIAS with relative ease'.

### **Fraud Awareness Survey**

- 3.6 Internal Audit helps the organisation to understand and manage the risk of fraud. It plays a key role in helping the Council to prevent and detect fraud but is not directly responsible for doing so.
- 3.7 To help inform and direct the work of Internal Audit in ensuring that management has effective systems in place to detect and prevent fraud and corruption a Fraud Awareness Survey was undertaken during July. The results of the survey are included at **Appendix C**.

## **4. EQUALITIES IMPLICATIONS**

- 4.1 There are no specific statutory 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 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.
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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- NONE

### **Appendices**

A: Internal Audit – Progress report

B: Internal Audit – External Quality Assessment

C: Internal Audit – Fraud Awareness Survey

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

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

- NONE

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

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