

Corporate Committee 14 November 2019

Report title: Internal Audit and Counter Fraud Progress 2019/20

Wards: All

Portfolio: Cabinet Member for Finance & Performance: Councillor Andrew Wilson

Report Authorised by: Fiona McDermott: Strategic Director for Finance & Investment

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Report summary

The Corporate Committee, in its 'audit committee' role, receives regular reports on the outcomes of Internal Audit and Investigations work, in sufficient detail to allow the Committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address in respect of governance, risk management and internal control arrangements.

This report provides an update on recently completed audits and progress being made against the annual Internal Audit Plan for 2019/20. The report also provides a summary of outcomes against the Counter Fraud Work Plan and fraud investigations undertaken since the previous meeting.

Finance summary

This report does not give rise to any additional capital or revenue financial implications. Actions to ensure compliance with relevant legislation and Council policies will be undertaken within the existing budgets.

Recommendations

1. To receive and consider the report which provides an update on matters relating to the Internal Audit and Counter Fraud service, its activities and outcomes.

1. CONTEXT

- 1.1 In discharging its 'audit committee' role, the Corporate Committee is required "to consider summaries of specific reports of Internal Audit, Investigations and External Audit reports, in particular those with an 'inadequate' audit assurance assessment" (Terms of reference #20).

2. PROPOSAL AND REASONS

- 2.1 This report provides Members with updates on a range of Internal Audit and Counter Fraud matters, new developments and emerging issues, namely:
- a. Internal Audit
 - Current progress against the Internal Audit Plan;
 - Summaries of 'No' and 'Limited' Assurance reviews completed since the previous meeting; and,
 - Managers' progress with the implementation of agreed actions from internal audit work.
 - b. Counter Fraud
 - Completed investigations and recent counter fraud developments.

3. FINANCE

- 3.1 This report does not give rise to any additional capital or revenue financial implications. Actions to ensure compliance with relevant legislation and Council policies will be undertaken within the existing budgets.

4. LEGAL AND DEMOCRACY

- 4.1 Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:
- a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - b) ensures that the financial and operational management of the authority is effective; and,
 - c) includes effective arrangements for the management of risk.
- 4.2 Regulation 5 requires the Council to ensure that it undertakes an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes; taking into account public sector internal auditing standards or guidance.
- 4.3 Regulation 6 requires the Council to conduct an annual review of the effectiveness of the system of internal control required by Regulation 3; and to prepare an annual governance statement. The findings of the review of effectiveness must be considered as part of the consideration of the system of internal control referred to in paragraph 4.2 above. The Council has delegated the discharge of this function to Corporate Committee.
- 4.4 There were no further comments from Democratic Services.

5. CONSULTATION AND CO-PRODUCTION

- 5.1 Lambeth officers and Members were consulted during the drafting of the Internal Audit and Counter Fraud work plans and a draft of this report.

6. RISK MANAGEMENT

- 6.1 An inadequate and operationally ineffective internal control system can have an adverse impact on the Council's risk management processes and wider corporate governance and on quality of services for residents.
- 6.2 With regard to Risk Management, the Public Sector Internal Audit Standards (PSIAS) require Internal Audit to evaluate the effectiveness and contribute to the improvement of Risk Management processes.

7. EQUALITIES IMPACT ASSESSMENT

- 7.1 Not applicable.

8. COMMUNITY SAFETY

- 8.1 Not applicable.

9. ORGANISATIONAL IMPLICATIONS

9.1 Environmental

None.

9.2 Staffing and accommodation

None.

9.3 Procurement

None.

9.4 Health

None.

10. TIMETABLE FOR IMPLEMENTATION

Not applicable.

| Audit trail | | | | |
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| Consultation | | | | |
| Name/Position | Lambeth directorate/ division or partner | Date Sent | Date Received | Comments in para: |
| Councillor Andrew Wilson | Cabinet Member for Finance & Performance | 24.10.19 | 31.10.2019 | N/A |
| Fiona McDermott, Strategic Director | Finance & Investment | 24.10.19 | 01.11.2019 | 1.5 |
| Christina Thompson, Director | Finance & Investment | 24.10.19 | 05.11.2019 | N/A |
| Hamant Bharadia, Assistant Director | Finance & Investment | 24.10.19 | 04.11.2019 | N/A |
| Alison McKane, Director | Legal & Governance | 24.10.19 | 05.11.2019 | N/A |
| David Rose, Democratic Services | Legal & Governance | 24.10.19 | 24.10.2019 | N/A |

| Report history | |
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| Original discussion with Cabinet Member | N/A |
| Report deadline | 05.11.19 |
| Date final report sent | 06.11.19 |
| Part II Exempt from Disclosure/confidential accompanying report? | No |
| Key decision report | No |
| Date first appeared on forward plan | N/A |
| Key decision reasons | N/A |
| Background information | Internal Audit & Counter Fraud Plan 2019/20, approved on 21 March 2019 |
| Appendices | A. Internal Audit and Counter Fraud Progress Report for 2019/20 |