

**Committee:** Standards and General Purposes Committee

**Date:** 25 July 2019

Agenda item:

Wards: All

**Subject:** Internal Audit Annual Report

Lead officer: Caroline Holland Director of Corporate Services

Lead member: Peter McCabe Chair of Standards and General Purposes Committee

Forward Plan reference number:

Contact officer: Margaret Culleton Head of Internal Audit

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**Recommendation:**

That Committee review and comment on the Internal Audit Annual Report 2018/19

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**1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

1.1 The council has a responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of effectiveness of the system of internal control is informed by the work of the internal auditors. This is detailed in the Accounts and Audit Regulations 2015

**Regulation 5** requires 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

**Regulation 6** requires bodies to review the effectiveness of the system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 5.

1.2 The guidance accompanying the Regulations states that in practice councils are likely to take assurance from the work of Internal Audit when discharging their responsibility for maintaining and reviewing the system of internal control. External Audit and other review agencies and inspectorates are also potential sources of assurance.

1.3 The Annual Report summarises the work of Internal Audit in 2018/19 and provides the Head of Audit opinion on the adequacy and effectiveness of the internal control environment.

## **2 DETAILS**

- 2.1 The overall opinion is that the internal control environment is satisfactory. During 2018/19 91% of Internal Audit reviews provided substantial or above levels of assurance. This is an increase from last year (78%).
- 2.2 Concerns still remain in procurement, with audits on Corporate Procurement and Contract Monitoring of Commissioned places (Adult Services) providing a limited assurance. A full follow up audit on Corporate Procurement is included in the 2019/20 audit plan. An audit on declaration of interests (officers) also provided limited assurance as key officers had not completed declarations and guidance was not available. All the actions from these audits will be followed up by Internal Audit as well as included in discussions with the AGS working group.
- 2.3 The limited assurance audits in the previous year have been followed up and actions implemented, except CM2000 and service tenancies where the implementation dates are due in 2019/20. A follow up audit has been included in the 2019/20 audit plan for CM2000.
- 2.4 Fraud investigations in 2018/19 have resulted in housing properties recovered, right to buys cancelled and non-eligible housing applications removed from the housing waiting list
- 2.5 Employee investigations have resulted in 1 employee dismissed through disciplinary, 2 being prepared for disciplinary hearings and 1 case awaiting a court hearing.

## **3 ALTERNATIVE OPTIONS**

- 3.1 There are no alternative options as the annual report is a key component of the Annual Governance Statement, which is a statutory requirement,

## **4 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1 No alternative consultation has taken place or is planned for this document.

## **5 TIMETABLE**

- 5.1 This report has been prepared to meet the timetable for the approval of the Statement of Accounts.

## **6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 6.1 None for the purposes of this report.

## **7 LEGAL AND STATUTORY IMPLICATIONS**

- 7.1 The report sets out a framework for Internal Audit to provide an annual report for 2017/18. The Local Government Act 1972 and subsequent legislation sets out a duty for Merton and other Councils to make arrangements for the proper administration of their financial affairs. The provision of an Internal Audit service

is integral to the financial management of Merton and assists in the discharge of these statutory duties.

7.2 This report is designed to meet the requirements of the Accounts and Audit Regulations 2015

## **8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

8.1 Effective and timely auditing and advice enable departments, voluntary organisations and schools to provide quality services to their clients. These client groups are often vulnerable members of the community, e.g. elderly people, disabled people, asylum seekers and voluntary organisations. The audit service helps to identify weak financial management and sometimes reflects weaknesses in other operational systems such as quality and ethnic monitoring. Audit, therefore, has a crucial role in ensuring that Council resources are used to enable a fair access to quality services.

## **9 CRIME AND DISORDER IMPLICATIONS**

9.1 This report has already summarised activities in relation to fraud and irregularities

## **10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

10.1 A review of Risk Management has been included in this report.

10.2. The Audit Plan has a risk assessment formula built into the process. This takes such aspects as expenditure, income, and previous audit findings into account and calculates priorities and the frequency of the audit.

## **11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

Appendix 1 Annual Report

Appendix A Internal Audit Activity 2018/19

## **12. BACKGROUND PAPERS**

Internal Audit files and papers.

