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| Report of: | Head of Internal Audit, Veritau |
| Relevant Executive Member: | Executive Member for Finance and Governance |
| Submitted to: | Audit Committee |
| Date: | 22 August 2024 |
| Title: | Annual Report of the Head of Internal Audit and Annual Counter Fraud Report |
| Report for: | Information |
| Status: | Public |
| Strategic priority: | All |
| Key decision: | No |
| Why: | Not applicable |
| Subject to call in?: | No |
| Why: | Not applicable |

Executive summary

This report provides the committee with:

- the results of internal audit work and counter fraud work undertaken
- the opinion of the Head of Internal Audit on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control
- the significant control issues identified by internal audit which are considered relevant to the preparation of the Council's Annual Governance Statement
- the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards

Purpose

1. To provide Members with a summary of internal audit work undertaken in 2023/24 and to provide an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control. To provide a summary of counter fraud activity during the year.

Background and relevant information

2. Internal audit provides independent and objective assurance and advice on the Council's operations. It helps the organisation to achieve overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
3. The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit.
4. Fraud is a significant risk to the public sector. Annual losses are estimated as being as high as £58 billion in the United Kingdom. Veritau are engaged to deliver a counter fraud service for Middlesbrough Council. The service helps the Council to mitigate fraud risks and to take appropriate action where fraud is suspected.

Head of Internal Audit annual report

5. The annual internal audit report is attached at appendix 1. It includes a summary of the work completed during the year, findings from recently issued audit reports, and the annual internal audit opinion.
6. The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council is that it provides Reasonable Assurance. Further details can be found at paragraph 18 onwards at appendix 1.
7. The report also includes details of Veritau's Quality Assurance and Improvement Programme (QAIP). This outlines Veritau's ongoing quality assurance arrangements and activities and provides evidence to demonstrate that internal audit work has been carried out to the expected professional standards.

Counter fraud annual report

8. An annual report setting out counter fraud activity and performance is attached at appendix 2.

What decision(s) are being recommended?

That the Audit Committee

- notes the results of internal audit work and counter fraud work undertaken during the year

- notes the opinion of the Head of Internal Audit on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control
- notes the significant control issues identified by internal audit which are considered relevant to the preparation of the Council's Annual Governance Statement
- notes the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards

Rationale for the recommended decision(s)

9. Internal audit professional standards and the Council's audit charter require that internal audit prepare an annual report, including an opinion on the Council's framework of governance, risk management and control.

Other potential alternative(s) and why these have not been recommended

10. This report is for information. There are no other options available.

Impact(s) of the recommended decision(s)

Financial (including procurement and Social Value)

11. There are no specific impacts or implications.

Legal

12. There are no specific impacts or implications.

Risk

13. The Council will fail to comply with proper practice for internal audit if Members are not regularly updated on the progress of, and the outcomes from internal audit work.

Human Rights, Public Sector Equality Duty and Community Cohesion

14. There are no specific impacts or implications.

Climate Change / Environmental

15. There are no specific impacts or implications.

Children and Young People Cared for by the Authority and Care Leavers

16. There are no specific impacts or implications.

Data Protection / GDPR

17. There are no specific impacts or implications.

Actions to be taken to implement the recommended decision(s)

| Action | Responsible Officer | Deadline |
|--------|---------------------|----------|
| n/a | n/a | n/a |

Appendices

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| 1 | Head of Internal Audit annual report |
| 2 | Counter fraud annual report |

Background papers

| Body | Report title | Date |
|------|--------------|------|
| n/a | n/a | n/a |

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