

**AUDIT AND ANTI-FRAUD REVIEW OF 2020/2021 ANNUAL PLAN &
PROGRESS REPORT AS AT 30 SEPTEMBER 2020**

**AUDIT COMMITTEE
MEETING DATE**

14 October 2020

CLASSIFICATION:

Open

**If exempt, the reason will be listed in the
main body of this report.**

WARD(S) AFFECTED

All Wards

GROUP DIRECTOR

Ian Williams, Group Director of Finance & Corporate Resources

1. INTRODUCTION AND PURPOSE

1.1 The purpose of this report is for the Audit Committee to consider the performance of the Audit & Anti-Fraud Service, the areas of work undertaken, and information on current developments in Internal Audit and Anti-Fraud as well as statistical information about the work of the investigation teams.

1.2 This is part of the Committee's role in overseeing corporate governance and the report is presented for information and comment.

2. RECOMMENDATION

2.1 The Audit Committee is asked to consider and note the progress and performance of the Audit & Anti Fraud Service to 30 September 2020 (Appendices 1 - 4).

2.2 The Audit Committee is recommended to review and approve the changes proposed to the 2020/2021 Annual Audit Plan (Appendix 2)

3. REASONS FOR DECISION

3.1. The Public Sector Internal Audit Standards (PSIAS) came into force in April 2013 and apply to all internal audit service providers. These Standards were updated in April 2016 and again in April 2017.

3.2. The PSIAS requires the Chief Audit Executive (or equivalent) to report functionally to a board and to communicate the internal audit service's performance relative to its plan and other matters. For the purposes of the PSIAS the Audit Committee has been designated the 'board'.

3.3. The Audit & Anti Fraud Service, like all services in the Council, have been affected by the lockdown that was introduced nationally as part of the strategy to combat Covid19. Between March and September all of the auditors have been undertaking redeployment duties in key service areas alongside their own audit work where possible. Our ability to undertake reviews has also been hampered by the additional burdens placed on service areas during this time. It is anticipated that from October, assuming the Council's response to Covid19 continues to be relaxed to enable service to return to a new form of normality, we hope to be able to undertake audits to enable the Head of Internal Audit & Risk Management to provide the annual assurance statement. For this to be achieved we rely on the co-operation of directorate and service level management.

4. BACKGROUND

4.1 The Audit Committee approved the 2020/21 Annual Audit Plan on 22 April 2020 and this report notes the progress against that plan and progress against high and medium priority recommendations.

4.2 The 2020/21 Annual Audit Plan has been amended to reflect the reduction in days available to undertake the planned reviews and to focus resources on the areas that will provide the necessary evidence to support the Head of Internal Audit & Risk Management's annual assurance statement. The proposed changes have been discussed with directorate management teams and the Council's external auditor. The proposed plan is shown at Appendix 2.

4.3 The Progress Report of the Internal Audit Service is provided in Appendix 1 and includes a summary of: -

- Performance against key performance indicator targets
- Internal Audit work carried out up to the end of September 2020
- Implementation of high and medium audit recommendations

- School audits

Details of progress with planned audits and proposed revisions to the 2020/21 annual plan are provided in Appendix 2.

Definitions of the assurance levels used are provided in Appendix 3.

4.4 A statistical summary of the work undertaken by the Audit Investigation Service for the period April to September 2020 is provided in Appendix 4. In summary, the key financial benefits to arise from selected key areas of enquiry are as follows:

Investigation area	Estimated saving arising from enquiries £
Tenancy Fraud	408,000 (minimum)
No Recourse to Public Funds	887,888
Blue Badge/Parking	4,965
NFI	344,031
Total	1,644,884

4.3 There was a shift in corporate priorities as the Council provided maximum support to residents and businesses in response to the Covid19 pandemic. This has drawn resources from secondary services, including Audit and Anti-Fraud (AAF), to support key front line teams. There has been an impact on the internal audit team's performance as a result of service managers needing to focus on the Council's response to the pandemic. Although half of the investigators were reassigned to other duties in support of the pandemic response, and some aspects of the work could not be undertaken, the estimated savings arising from investigations work are 73% of what was achieved at the equivalent time last year. The Division has been proactive in moving officers to support the Borough Emergency Command Centre and Customer Services quickly, this took place from the end of March onwards. Much of the work of the division was suspended from April until August which strongly impacted performance of the service.

4.4 Policy Context

The work of the Internal Audit Service complies with the Public Sector Internal Audit Standards. Internal Audit reviews consider all applicable policies of the Council.

4.5 Equality Impact Assessment

This report does not require an equality impact assessment but where applicable equality issues and adherence to corporate policies would be considered in audit reviews.

4.6 Sustainability

Not applicable

4.7 Consultations

Consultation on the proposed changes to the internal audit plan have taken place with senior management, the Council's external auditors and the Audit Committee.

4.8 Risk Assessment

The work of Internal Audit is based upon a risk assessment which covers all areas of the Council's activity and is continually changing to reflect new initiatives, emerging risk areas and new legislation. There is also continuous reassessment of risk as audits are undertaken, plus regular

consultation with directors, chief officers and senior managers to ensure that account is taken of any concerns they raised during the year.

5. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

5.1. There are no financial implications arising from this report as the costs of providing the audit service are included within the Council's base budgets.

5.2 However, an effective audit service is important in order to ensure that key internal controls are assessed, thereby aiding the prevention and detection of fraud and other occurrences that could otherwise result in budget pressures.

5.3 The impact of the Council's response to Covid-19 on the capacity of the internal audit team is noted as is the ambition set out in paragraph 4.2 to undertake sufficient audit work this year in order for the Head of Internal Audit & Risk Management to provide the annual assurance statement. There is an expectation that there will be some level of reliance on cumulative assurance and it is also emphasised that internal audit are in liaison with the external auditors to ensure that there is minimal impact on the external audit programme of reduced internal audit activity.

6. COMMENTS OF THE DIRECTOR OF LEGAL

6.1. The Accounts and Audit Regulations 2015 place obligations on the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which includes arrangements for management of risk. An adequate system of internal audit is inherent. This report demonstrates how the Council is fulfilling its obligations in this regard.

6.2 The Audit Committee is asked to note the report on the Audit and Anti Fraud's performance and opinion. There are no immediate legal implications arising from the report.

Appendices

Appendix 1 - Internal Audit Progress Report to 30 September 2020

Appendix 2 - Progress with planned audits 2020/21 and proposed changes to the 2020/21 Audit Plan

Appendix 3 - Definitions of audit assurance levels

Appendix 4 - Audit Investigation Service statistics to 30 September 2020

BACKGROUND PAPERS

None

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