

AUDIT AND ANTI-FRAUD PROGRESS REPORT AS AT 31 DECEMBER 2021
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AUDIT COMMITTEE MEETING DATE	CLASSIFICATION:
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13 January 2021

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 31 December 2021 (Appendices 1 - 4).

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'.

4. BACKGROUND

- 4.1 At the start of the financial year there was a shift in corporate priorities as the Council provided maximum support to residents and businesses in response to the Covid19 pandemic. This drew on resources from secondary services, including Audit and Anti-Fraud (AAF), to support key front line teams. In addition, 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. The Council was also the subject of a major cyber attack in October 2020 which has further limited the ability to undertake audit reviews and investigations.
- 4.2 Between March and September all of the auditors undertook redeployment duties in key service areas alongside their own audit work where possible. The ability to undertake reviews was further hampered by the additional burdens placed on service areas during this time as well as the loss of access to data resulting from the cyber attack. At the start of December the auditors were again called upon to assist with the Council's response to the second wave of the pandemic and although auditors have only been released on a part time basis this may further impact upon the delivery of the audit plan. Whilst the auditors are willing to assist wherever possible the focus from January to March will be on completing the audits remaining on the plan to enable the Head of Internal Audit & Risk Management to provide the annual assurance statement. For this to be achieved the cooperation of directorate and service level management will be paramount. The auditors recognise that many services are under pressure as a result of the pandemic and cyber attack and whilst auditors will be sympathetic to the challenges there is still the need to ensure the audit plan is completed as far as is practicably possible to provide assurance on the Council's internal control systems and support the governance arrangements.

- 4.3 The ability to provide performance data has been restricted by the fact that Pentana, the IT system used to record performance information, has been impacted by the cyber attack. At the time of reporting this system remained unavailable.
- 4.4 On 14 October 2020 the Audit Committee approved a revised Annual Audit Plan that reflects the reduction in days available to undertake the planned reviews and focuses resources on the areas that will provide the necessary evidence to support the Head of Internal Audit & Risk Management's annual assurance statement. This report notes progress against the plan.
- 4.5 The Progress Report of the Internal Audit Service is provided in Appendix 1 and includes a summary of: -
- Performance against key performance indicators where data is available
 - Internal Audit work carried out up to 31 December 2020
 - Implementation of high and medium audit recommendations
 - School audits

Details of progress with planned audits are provided in Appendix 2
 Definitions of the assurance levels used are provided in Appendix 3

- 4.6 A statistical summary of the work undertaken by the Audit Investigation Teams for the period April to December 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	80,000 (minimum)
No Recourse to Public Funds	20,179
Blue Badge/Parking	5,640
Covid19 business grants	290,000
Total	395,819

It should also be noted that a considerable number of housing applications have been reviewed during the reporting period which may result in outcomes when Council systems return following the cyber attack.

- 4.7 With the emergence of the pandemic's second wave officers from AAF are again being called upon to assist with critical service delivery and it is anticipated this could have a further impact on the performance of the service.

4.8 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.

4.9 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.

4.10 Sustainability

Not applicable

4.11 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.

4.12 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 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 31 December 2020

Appendix 2 - Progress with planned audits 2020/21

Appendix 3 - Definitions of audit assurance levels

Appendix 4 - Audit Investigation Service statistics to 31 December 2020

BACKGROUND PAPERS

None

Report Author	Michael Sheffield Michael.sheffield@hackney.gov.uk	020-8356 2505
Comments of the Group Director of Finance & Corporate Resources	Jackie Moylan Jackie.moylan@hackney.gov.uk	020-8356 3032
Comments of the Director of Legal	Dawn Carter-McDonald Dawn.carter-mcDonald@hackney.gov.uk	020-8356 4817