



**ANNUAL REPORT OF THE AUDIT COMMITTEE**

<p><b>Audit Committee</b></p> <p>20 April 2022</p>	<p><b>CLASSIFICATION:</b></p> <p>Open</p> <p>If exempt, the reason will be listed in the main body of this report.</p>
<p><b>WARD(S) AFFECTED</b></p> <p>All</p>	
<p><b>CORPORATE DIRECTOR</b></p> <p>Ian Williams, Group Director - Finance and Corporate Resources</p>	

## **1. GROUP DIRECTOR'S INTRODUCTION**

The purpose of this report is to detail the role of the Audit Committee (the Committee) and summarise the key activities and achievements in 2021/22 that demonstrate how the Committee has fulfilled this role effectively and to measure consistency with the guidance issued by the Public Sector Internal Audit Standards (PSIAS) and other statutory requirements.

## **2. RECOMMENDATION(S)**

There are no recommendations arising from this report, the Council is asked to note the Annual Report of the Audit Committee set out in Appendix 1.

## **3. SUMMARY**

3.1 The Annual Report of the Audit Committee outlines key developments in: -

- Internal Control
- Internal Audit
- Risk Management
- External Audit
- Anti-Fraud & Corruption
- Financial Reporting

3.3 In reviewing the performance of the Audit Committee against the Public Sector Internal Audit Standards (PSIAS) and in the areas mentioned above, the judgement is that the Committee has fulfilled its role effectively.

3.4 The report is a self-assessment of the activities of the Audit Committee during 2021/22.

## **4. OVERALL CONCLUSION**

4.1 As detailed and evidenced in the Annual Report, the Audit Committee discharged its duties effectively and has played a significant role in developing and improving internal control and governance arrangements within the Council.

4.2 Where opportunities for further strengthening the performance and effectiveness of the Audit Committee are identified, development sessions and deep dive reviews are utilised to assist with this.

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

5.1 This report looks back over the last year and as such there are no financial implications arising from the recommendation. It is recognised however that an effective Audit Committee can help to both reduce risk and strengthen the control environment in which the services are provided. Through its consideration and approval of the accounts, the risk and treasury management strategies, it can also help to ensure that the financial risks to the Council arising in the future are appropriately managed.

## **6. COMMENTS OF THE DIRECTOR, LEGAL SERVICES**

- 6.1 The Council has a best value duty under the Local Government Act 1999 to ensure that it is securing economy, efficiency and effectiveness in the use of its resources.
- 6.2 Section 151 of the Local Government Act 1972 provides that 'every local authority shall make arrangements for the proper administration of its financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs'.
- 6.3 Part of the proper administration of the Council's affairs must encompass the obligation on the Council to have its accounts audited in accordance with the Audit Commission Act 1998 by an appointed party.
- 6.4 The Council's Constitution gives the Audit Committee responsibility for considering reports dealing with the management and performance of the providers of internal and external audit services. The Annual Report of the Audit Committee details how the audit matters in this Report and Appendix 1 have been addressed to discharge the statutory obligations.
- 6.5 There are no immediate legal implications arising from the Report.

### **Ian Williams**

#### **CORPORATE DIRECTOR OF FINANCE & RESOURCES**

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### **List of Appendices**

#### **Appendix 1 Annual Report of the Audit Committee 2021/22**

## Appendix 1 - ANNUAL REPORT OF THE AUDIT COMMITTEE 2021/22

### 1. CHAIR'S INTRODUCTION

**Background.** The Audit Committee is a vital means for Members and residents to hold the Executive to account for their management of the Council's resources, human and financial. It does this in three ways: first, by ensuring past financial performance is fully audited, second, by scrutinising the Council's current financial performance and ensuring all departments have fully assessed the risks they face; and thirdly, it assesses whether the Council has credible plans in place to achieve its policy objectives over future years. As well as the Committee's regular meetings which are fully accessible to the public, the Council receives this annual report on the Audit Committee's work, a report that is expected to be a legal requirement shortly.

- 1.1 **Audit Committee Performance in 2021.** Despite the continuing challenges of Covid and the cyberattack the Audit Committee has successfully achieved its central responsibility of overseeing the Council's management of its performance, risk and finances. Through the year we had regular reports on the Corporate and Departmental Risks, the Performance of key services, Treasury Management and our Internal Audit service. This close scrutiny has enabled us to be confident in our judgement that the Council has maintained the integrity of its financial and compliance systems despite the intense pressures the Council has faced at all levels of the organisation. This assessment was confirmed with the external auditor's clean bill of health for our Annual Governance Statement, a crucial test of good governance as recent reviews of financially failing Councils have shown.

In addition to fulfilling its responsibility for ensuring the soundness of the Council's general resource management, the Committee has focussed on four significant issues:

- 1.2 **Covid-19** has had far-reaching effects on the Council's services and systems. Our regular reports from front line services, supported by full and regular internal audit reviews, shows that we have successfully embedded new ways of operating in both front line and backroom services. This has been particularly reassuring given that many staff worked from home for most of the last year. We were especially pleased that the new systems of procurement, cost and contract management and performance management introduced at the beginning of the pandemic, have proved to be robust.

Our concern about the wider and long-term impacts of the pandemic led us to launch an extensive 'deep dive' investigation of the Council's responses. This involved a two-stage process that looked first at how the Council reacted to new service needs created by the pandemic and how it adapted delivery of its existing services. The second stage of the inquiry then looked at the longer-term plans that the Council is developing to 'build back better' in the wake of the pandemic.

I'm pleased to report that the Committee's conclusions about both the short- and long-term responses by the Council were very positive. From the start, the Council leadership and departments had taken the initiative, from enabling many staff to

work from home to developing new methods of community-based service delivery (especially in delivering food and medicine to vulnerable residents) and setting up financial support for local businesses. We were also reassured that protocols to deal with pandemics had been updated to reflect our learning and that these had proven to be robust as the Omicron variant took hold in the Borough in December.

We were also pleased with the Council's ambitious longer-term plans to embed the learning from the pandemic, especially in terms of hybrid working and in the need for new community-based models of service delivery. The 'bottom-up' approach to defining and delivering service need proved to be most effective at identifying and reaching vulnerable residents through the community mobilisation of voluntary support. We were also reassured to hear from senior management that there was a real understanding of the depth of change involved in moving from 'top-down' forms of delivery, especially the need for staff training and support from the voluntary sector.

- 1.3 **Budget management** has continued to be extraordinarily difficult with great uncertainty over both income and costs. Government has continued with a pattern of last-minute announcements of short term, piecemeal support for services. However, thanks to regular and full reports from the Group Director, Finance & Corporate Resources and his colleagues we were able to reassure ourselves that the Council retained strong control over its costs and budgets. The oversight of the Council's financial state and its projected income and expenditure throughout the year was greatly helped by the regular joint briefings of representatives of the Executive, the Scrutiny Chairs and Audit Committee. Importantly, his oversight committee has brought external scrutiny to these key processes, before rather than after the event. We recommend this approach is carried forward in the new Administration as a matter of good practice, especially as the inexorable pressures of reduced resources and increased needs will create very difficult choices over the next few years. We were also particularly pleased to see the Executive Member for Finance's leadership in launching an exercise to define the Council's corporate priorities and match these against the resources. Despite the Government's consistent failure to give local government any medium-term financial commitments, the Council will need to project forward its medium-term resource requirements as far as possible to allow it to make informed decisions in prioritising its policy objectives.
- 1.4 **Cyberattack** the Audit Committee has continued to be deeply involved in overseeing the Council's response to the criminal cyberattack on the Council's IT systems. We received a series of updates throughout the year which reassured us that all feasible measures had been taken to protect the Council from future attacks. Given the enormous problems that had been created for residents reliant on information provided by our IT systems, especially housing benefits, rents, Council tax and land searches, we were also particularly concerned that these services were restored as fast as possible and that those affected were kept informed of developments and supported where necessary. Throughout we have recognised the valiant efforts the IT team and the departments affected have made over the last fifteen months. We were pleased that the recent Council-commissioned external audit of these protection and recovery measures showed that the measures we have taken over the last year have been comprehensive and professional, though everyone while recognising there is

further to go. In light of the sacrifices many have made, we are anxious to share the conclusions of this audit with residents, within legal constraints.

1.5 **External audit.** Although our draft statements were prepared in a timely manner, we were disappointed that our external auditors were unable to complete their audit of our 2019/20 accounts in line with the Government's extended deadline. We were only able to sign off these accounts on 21 October 2021, some twenty months after the end of the end of the 2019/20 financial year. Although the cyberattack and pandemic certainly made the process more difficult, the external auditor has acknowledged the need to improve their own management of the audit process. One positive outcome however is that the learning from last year's audit exercise should allow us to conclude the 2020/21 Audit much more quickly. We hope to sign off these accounts at our last meeting in this municipal year, on 20 April. These have been unacceptable delays especially in light of the importance of external audit in reassuring Members and residents about the robustness of the Council's financial and risk management. We are planning to resume our usual commitment to the rapid turnaround of external audit for the 2021/22 financial year. Given the continuing pressures on local government and evidence of the increasing financial fragility of the sector, this is an important objective. Despite the problems we have had with the current external audit contract, we have decided to join the collective local government procurement of external audit services through the Local Government Association, the PSAA (Public Sector Audit Appointments). Given the crisis within the supply market it was clear that the alternative (to procure ourselves or with a group of local authorities) would be riskier and more costly. There is clearly now a case for the local government sector to press for the creation of an alternative public sector auditor.

1.6 **Future Challenges for the Audit Committee.** This is my last annual report after five years chairing the Committee. It's been a great experience that has allowed me to appreciate the extraordinary range of local government responsibilities and the knowledge and professionalism of our staff and partners. First, I'd like once again to thank all my fellow Committee Members for their enthusiastic support, in both the main meetings and our deep dive investigations. As always, we owe so much of the Committee's success to the keen and supportive team of officers especially in the different parts of the Finance & Corporate Resources Directorate. I'd also like to thank the Mayor, Phil Glanville and his Executive Team for their unstinting support for the Audit function. Despite its role in challenging the Council's management they have rightly seen a strong Audit Committee as an essential part of good governance.

Looking to the future, I strongly recommend the next Administration builds on and develops the active role for the Committee we have developed over the last few years. For too long, local government has undervalued the audit function, often seeing it no more than as a routine and backward-looking check on the integrity of Councils' financial management. In fact, the potential scope of the Committee is extraordinarily broad. It is responsible for overseeing all aspects of the Council's past and current performance. It also has to assure itself that the Council has credible plans and financial resources to achieve the policy objectives it has set itself. Hackney has gone a long way in setting clear corporate policies. However, these need to be supported by a medium-term corporate plan that matches its ambitious policy objectives to the necessary resources, human and financial, to

achieve them. A good start has been made on this exercise with the aim of completing the process over the first year of the new administration. The Audit Committee will have an important role in overseeing this vitally important task and monitoring the result.

Our work has highlighted some organisational challenges if the Council is to achieve its ambitious corporate aims:

First, the management and leadership structures need to be strengthened to support forms of cooperative working across traditional departments. Some welcome moves have been made in the fields of health and social services, regeneration and climate change. However, these need to be reinforced and extended, especially in areas demanding liaison with external organisations. Hackney, like much of local government, is largely based on traditional professional departmental structures. It is important the deep professional experience and knowledge of departmental specialisms are retained as the Council develops new forms of cooperative work effectively across these traditional boundaries.

Second, as we have noted our deep dive review of the Council's response to the covid pandemic, the Audit Committee fully supported the Council's vision for a new community-based model of service delivery. A focussed programme of change to develop this approach will need building new relationships and expertise. As with any major organisational change, this in turn will need resources and the focussed leadership and commitment at all levels. The Mayor has rightly said, we must build back better after Covid. Here will be an early test of the new Administration.

Third, the Council has set ambitious policy targets to deliver its strategically and politically crucial services using inhouse staff. Our deep dive review of the Council's approach to insourcing was generally very positive about the procurement and contracting processes the Council has in place. However, our report also highlighted the need to strengthen the performance oversight of insourced services to ensure their effectiveness is maintained.

There are many challenges ahead, but I firmly believe Hackney has the people, commitment and experience to make a real impact on the big local challenges we face in the next decade of climate change, community-based service delivery, regeneration, health and welfare. The Audit Committee can and should have a vitally important role in helping to ensure the organisation matches its human and financial resources to the ambitious policies in these key areas.

## **2. COMMITTEE MEMBERSHIP & ATTENDANCE**

2.1 The composition of the committee has been largely stable during the year. The following Councillors were members of the Audit Committee during the 2021/22 municipal year:

Cllr Nick Sharman (Chair)	Cllr Anthony McMahon
Cllr Michelle Gregory (Vice Chair)	Cllr Harvey Odze
Cllr Brian Bell	Cllr Clare Potter
Cllr Ajay Chauhan	Cllr Ian Rathbone
Cllr Sophie Conway	Cllr Gilbert Smyth

Cllr Anna Lynch

Cllr Patrick Spence

It should be noted that both Cllr Nick Sharman (Chair) and Cllr Michelle Gregory (Vice Chair) will be standing down from their roles in the next municipal year. The Committee expresses particular thanks to Cllr Gregory for her twelve years of service.

- 2.2 The table below outlines members' attendance at committee meetings during the 2021/22 municipal year. As ever, members had a significant number of alternative commitments such as other public meetings and ward commitments and surgeries, and were therefore not always available to attend meetings.

Members	Meeting dates			
	21/04/2021	09/06/2021	13/10/2021	05/01/2022
Cllr Nick Sharman	P	P	P	P
Cllr Michelle Gregory	A	A	P	P
Cllr Brian Bell	P	N/a	N/a	N/a
Cllr Ajay Chauhan	P	P	P	P
Cllr Sophie Conway	N/a	P	P	A
Cllr Margarey Gordon	N/a	P	P	P
Cllr Anna Lynch	P	P	A	P
Cllr Anthony McMahon	N/a	P	P	A
Cllr Harvey Odze	P	A	P	P
Cllr Clare Potter	P	N/a	N/a	N/a
Cllr Ian Rathbone	N/a	P	P	P
Cllr Gilbert Smyth	N/a	P	P	P
Cllr Patrick Spence	P	N/a	N/a	N/a

Key: P = Present A = Absent L = Late

- 2.3 Training opportunities concerning local government finance and key Audit Committee skills and requirements were provided to new committee members during the year.



### **3. WORK UNDERTAKEN IN THE 2021/22 MUNICIPAL YEAR**

- 3.1 The Audit Committee operates in accordance with the CIPFA publication *Audit Committees, Practical Guidance for Local Authorities and Police*, 2018 Edition. The guidance defines the purpose of an Audit Committee as follows:

*“To provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.”*

The Committee’s terms of reference were most recently reviewed at the June 2021 meeting to ensure that they continue to meet the best practise as set out by CIPFA.

#### **3.2 Internal Control**

- 3.2.1 The Committee plays a key role in developing and improving the Council’s internal control and assurance framework.
- 3.2.2 The Accounts and Audit Regulations 2015 require the Council to conduct annual reviews of the system of internal control and publish an Annual Governance Statement (AGS) within its annual financial statements.
- 3.2.3 The AGS process in 2020/21 continued to reflect the current requirements as set out in the Framework/Guidance issued by CIPFA/SOLACE in 2016 and a revised Hackney Code of Governance. Each department produces a local statement which is used to support the corporate AGS. As part of the assurance process, Internal Audit reviews the local statements and verifies that any actions identified in the previous year’s AGS have been actioned. The 2020/21 corporate AGS will be included as part of the final accounts that the Audit Committee will review, but which have been delayed due to factors entirely outside of the Council’s control. The AGS has become increasingly important in recent years as the challenges faced by all local authorities have escalated. The statement includes a summary of key issues facing the Council, and also an account of the progress in tackling the key issues reported in the previous year. As such it reflects issues that the Committee has considered through the reporting year and is a document worthy of the Audit Committee’s continuing attention.
- 3.2.4 The Committee contributed to the process of providing assurance of the Council’s internal control and governance framework by receiving and reviewing regular progress reports on Internal Audit and Risk Management including service performance information.
- 3.2.5 The cyber attack has had a significant impact on the Council, our residents, businesses and staff. Our external auditors, Mazars, reported to us in late 2020 that in order to reach a conclusion on the Council’s value for money arrangements for 2019/20 they would need to carry out a review of the cyber attack that occurred in October 2020 as this was a material event that would be relevant to the arrangements that the Council had in place during the 2019/20 financial year. Subsequently Mazars’ specialist auditors carried out a Cyber Impact Audit which explored the following questions:

- Did the Council have sufficient “arrangements” in place to either prevent or reduce the likelihood of a cyber security breach?
- Has the Council taken efficient and effective steps in recovering services as a result of the cyber security breach?
- Has the Council taken efficient and effective steps in implementing further controls to reduce the likelihood and impact of a future cyber security breach?

This work, as it related to the 2019/20 value for money conclusion, was reflected in [Mazar's Annual Audit Letter for 2019/20](#) also presented to the January Committee, in which Mazars concluded that:

“Work performed by our IT audit and Cyber specialists has confirmed that the Council had appropriate arrangements in place to either prevent or reduce the likelihood of a cyber security breach. A separate report, identifying potential improvements to the arrangements in place has been agreed with the Council and is being implemented.”

The separate detailed report on the findings of the audit was presented as an exempt item to the January 2022 Audit Committee which was reviewed in private due to the report being exempt. The Committee noted that Mazars had identified that the Council had implemented security arrangements that were in line with what would be expected from a local authority and noted Mazars' recommendations for future improvements. The Committee also noted that Mazars had found that the Council had made good efforts to respond to the attack using the resources at their disposal and support from external agencies. The Committee was also encouraged that the Council's work to recover its systems and data was found to be systematic and is contributing to a stronger cyber security posture and reducing the risk of another attack.

The Audit Committee is mindful of the need for transparency in relation to its work in discharging its functions and sought further clarification regarding the reasons for the Mazars report being exempt. The Chair met with Chief Officers, including the Director of Legal and Governance, regarding the exemption and was advised that the report is exempt on the grounds of "Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime." In addition to the ongoing criminal investigation into the attack of October 2020 there is also a public interest in ensuring that the Council does not disclose information that could assist potential attackers in understanding the Council's arrangements for security of its systems, and assist them in future attacks or cause potential harm to people whose data the Council holds.

### **3.3 Internal Audit**

3.3.1 In accordance with the Accounts and Audit Regulations 2015 the Committee continuously reviewed the effectiveness of the Internal Audit service. This comprised of: -

- Review and approval of the Internal Audit Annual Plan 2021/22 which includes Internal Audit's key performance measures and outlines audit work for the Council and Associated Bodies for which the Council has a lead responsibility.
- Revisions to the Internal Audit Plan are reported to the Committee during the year, this recognises the reality of auditees facing additional operational pressures from the Council's Covid response and the impact of the cyber attack, and also the fact that audit and investigation staff were redeployed to other key services to assist with the pandemic response at times during the year.
- Review of quarterly progress reports of the Head of Audit & Corporate Risk Management detailing the performance and progress of the Internal Audit Service against the Internal Audit Plan and performance targets.
- Review of the Internal Audit Service Annual Report.

3.3.2 The Committee noted that the Internal Audit Service expects to meet its other key performance measures again this year despite the exceptional circumstances of the last twelve months.

3.3.3 The Audit Committee continues to play a vital role in supporting the work of Internal Audit by ensuring that identified control weaknesses are properly addressed by services. It is noteworthy that other authorities that have recently experienced financial difficulties have received warning signs in advance but these were not always acted upon. I am pleased to say that Hackney management does take the implementation of recommendations arising from audit work seriously with the result that we only rarely need to pursue managers for non-compliance. It is important that the Committee remains vigilant as significant issues of concern might be identified and provides both challenge and support to ensure that these are resolved.

### **3.4 Risk Management**

3.4.1 A robust risk management framework is an essential element of good management and enables the Council to effectively manage strategic decision-making, service planning and delivery to safeguard the wellbeing of its stakeholders and increase the likelihood of achieving objectives. It is an essential element of good management and a sound internal control system and is necessary for the Council to demonstrate that it has sound systems of corporate governance. The Committee contributed to this by: -

- Reviewing and endorsing the Risk Management Annual Report 2020/21 detailing arrangements for the management of risk in place during 2021/22.
- Proposing measures for developing the Council's approach to managing its risks to assist future improvement.
- During the reporting year the Committee reviewed the risk registers for each of the Council Directorates (Finance and Corporate Resources, Neighbourhoods and Housing, Children and Education, Adults, Health and Integration, and Chief Executives), as well as fully reviewing the corporate risk register on two occasions. This top-level review helps to ensure that risk management remains a meaningful and on-going activity across all service areas.
- Reviewing a summary of the corporate risk register on a quarterly basis as part of the Performance Management report that was introduced in 2017/18.

### **3.5 Treasury Management**

3.5.1 Ensuring treasury management is governed effectively is an essential element of the work of the Audit Committee. A regular cycle of reports is presented to the Committee to enable them to comment upon and monitor treasury action throughout the year.

3.5.2 The Committee considered the following reports during the Year:-

- Reviewed a draft Treasury Management Strategy for 2021/22.
- Review of quarterly and half-yearly updates on treasury management detailing performance.

### **3.6 External Audit**

3.6.1 The Council's external auditor, Mazars, attended the Committee's meetings at which they presented external audit progress reports for review and comment. There has been one additional review undertaken by the external auditors in relation to the cyber attack in order for a conclusion to be reached on the Council's value for money arrangements.

3.6.2 The external auditors attended the January 2022 committee meeting to present a report setting out the 2019/20 Audit Letter; this was significantly later in the review cycle than usual because of the issues set out in more detail in section 3.9 of this report. The Audit Letter concludes that the financial statements give a true and fair view of the Council's financial position.

### **3.7 Anti-Fraud and Corruption Arrangements**

3.7.1 The Committee reviewed the quarterly and annual performance of the anti-fraud teams in tackling fraud against the authority and the contribution this made to strengthen the system of internal control.

3.7.2 During the period 1 April to 30 November 2021 the following savings were made as a direct result of the work of the anti-fraud teams:

<b>Outcome</b>	<b>Outcomes 2020/21 to 30/11/21</b>	<b>Savings Realised</b>
Council service or discount cancelled	37	(1) £746,633
Blue Badges recovered	97	(2) £9,700
Other fraudulent parking permits recovered	4	(2) £400
Parking misuse warnings issued	23	n/a
Penalty Charge Notice (PCN) issued	108	(3) £7,020
Vehicle removed for parking fraud	82	(4) £16,400
Recovery of tenancy	34	(5) £1,428,000
Right to Buy cancelled	3	(6) £338,400
Housing application cancelled/downgraded	5	(7) £20,000
Covid business grants cancelled	4	£40,000
<b>Total</b>		<b>£2,606,553</b>

1. No Recourse to Public Funds Team (NRPF) savings – 37 support packages cancelled, average saving £387 per week and assuming saving of one year support
2. Calculated using Audit Commission figure of £100 per badge recovered
3. 108 x £65 PCN charge
4. £200 per removal in addition to the PCN charge
5. Calculated using Tenancy Fraud Forum figure of £42,000
6. Calculated using London RTB discount entitlement of £112,800
7. Calculated using minimum value from Audit Commission of £4,000

3.7.2 The Committee noted that revised investigation priorities were set through the year to respond to limitations to regular activity arising from the pandemic and the cyber attack. New emphasis was placed on pre- and post-verification of Covid business grant applications while other work has at times been interrupted.

3.7.3 The corporate responsibility for the Regulation of Investigatory Powers Act (RIPA) and Proceeds of Crime Act (POCA) rests with the Corporate Head of Audit, Anti-Fraud & Risk Management. During the year the Committee was provided with quarterly monitoring information on the activities undertaken by the Council.

### **3.8 Whistleblowing Arrangements**

During the year the Committee received quarterly updates on whistleblowing referrals regarding fraud/irregularity in addition to an annual report on the Council's whistleblowing arrangements and activity.

### **3.9 Financial Reporting**

3.9.1 Reports were received from our external auditors, Mazars, during the year. The Financial Update report that officers have presented to each Committee meeting also provided an update on the problems in completing the 2019/20 Statement of Accounts together with the actions that Hackney has taken to facilitate the additional work that Mazars have needed to undertake.

The delays in relation to the financial statements were initially due to Mazars awaiting assurances around the LPFA audit alongside clarification required on dedicated schools funds deficits. However, once these items were resolved it transpired that Mazars needed to undertake further specific testing on ICT controls which had been missed as part of the initial audit. During this period whilst the financial statements remained open officers identified an anomaly regarding fixed assets which needed investigation and clearance before an opinion could be given. This work has now been concluded.

- 3.9.2 The conclusion in relation to the value for money statement has proved to be more problematic in that it was delayed due to the cyber attack. During the 2019/20 external audit work was completed by the external auditor in support of the value for money conclusion. No issues came to light during this work that would indicate that the Council did not have appropriate arrangements in place to secure value for money. However, due to the cyber attack in October 2020, the external auditor was required to perform audit work to give assurance over the recovery arrangements in place at the Council.

That review has now concluded resulting in the Mazars report for the 2019/20 accounts being received at the Audit Committee meeting of 5 January 2022. The external auditor has concluded that the financial statements do give a true and fair opinion given of the Council's financial position, and also that the arrangements that the Council has put in place generally, and in response to the cyber attack in October 2020, do secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

- 3.9.3 The Audit Committee has continued to support Council officers in their efforts to allow the external audit process to conclude throughout the reporting year.

### **3.10 Performance Reporting**

Quarterly updates to the Committee on a range of Council activities were introduced in 2017. The report covers three key areas of activity and has resulted in both a wider span of oversight and increased knowledge of key areas. Firstly, a performance report of selected key indicators provides coverage of activities of importance to the Committee and our residents; where concerns about performance have been identified, officers have attended meetings to provide explanations of how issues are being resolved. Secondly, the Corporate Risk Register is now reported quarterly (in addition to the biannual in-depth review of the register), so that emerging concerns and changes to existing risks are immediately on the Committee's radar. Thirdly, oversight of capital expenditure is now achieved by inclusion of a Capital Programme Monitoring Report.

### **3.11 Audit Committee Deep Dive Reviews**

The Chair has initiated and led a series of 'deep dives' into areas of activity that are particularly topical or which have been considered by the Committee previously and it was felt that a more forensic understanding of the issue was needed. In doing so, more detailed assurance has been provided over areas of greater concern. Reports arose from this work during 2021/22 concerning the

Council's arrangements to respond to and learn from the pandemic and an update report on the management of capital spend forecasting.

A review of the strategic response to the pandemic and specific key impacts on the Hackney community concluded that the Council response had been timely, innovative and flexible. It also concluded that ongoing planning for the post-pandemic recovery needs to continue to give particular consideration to the needs of vulnerable groups.

#### **4. PROPOSED WORK PROGRAMME FOR 2022/23**

- 4.1 The Committee will continue to receive and examine the Council's Statement of Accounts and Annual Governance Statement and approve these if it is appropriate to do so in order that the accounts are ready for audit at the earliest reasonable opportunity within the constraints of the cyber attack and the ongoing pandemic response.
- 4.2 The Committee will continue to receive regular performance reports from the Internal Audit Service, Anti-Fraud Teams, Treasury Management, directorate and corporate risk registers. As well as reviewing corporate policies and strategies relating to these services.
- 4.3 The Chair will continue to act as Risk Management Champion taking responsibility for advocating the embedding of risk management throughout the Council. The Committee is keen to take a proactive approach to overseeing the Council's management of risks and will work closely with the Corporate Risk Advisor and senior managers for continual improvement in our corporate risk management processes.
- 4.4 The Committee will continue to focus attention on the high risk areas which are identified from the risk management framework.
- 4.5 The Committee will receive and approve the Internal Audit annual plan to ensure that audit work provides appropriate coverage during the year.
- 4.6 The Committee will continue to improve its assessment of current performance by receiving regular reports on a small range of key performance indicators of selected Council services and financial performance, and obtaining further explanation where appropriate. This will help provide both Councillors and the public with a sense of how the Council is performing overall and give an early warning of any potential problems. Another initiative to reassure the Council about its ability to cope with current threats and opportunities is the quarterly review of corporate risks to ensure that emerging issues are properly considered in service reviews.
- 4.7 The Council's whistleblowing arrangements and performance will be reviewed annually and as part of the quarterly reporting process.
- 4.8 The Committee will continue to be proactive and engage wherever necessary to further strengthen the Council's assurance processes. In particular, there will be

focus on areas highlighted through the risk management process as presenting a concern at the corporate level.

- 4.9 The programme of deep dive reviews will continue to focus on areas of specific concern.

## **5. SUMMARY OF THE ACHIEVEMENTS OF THE AUDIT COMMITTEE**

- 5.1 The Audit Committee has contributed to the Council's overall internal control process in 2021/22 through the challenge and monitoring it has performed on governance, internal audit, anti-fraud, risk management, treasury and financial management processes.
- 5.2 Risk management at corporate and strategic service levels continues to support business processes.
- 5.3 Internal Audit has continued to develop and strengthen with support from the Committee.
- 5.4 The Committee has played a significant role in highlighting the importance of implementing Internal Audit recommendations to agreed timeframes.
- 5.5 The deepdive review of the Council's response to the pandemic was carried out and an update to the earlier review of capital spend forecasting was also reviewed.
- 5.6 The Committee worked alongside the Executive Member for Finance and the Chair of the Scrutiny Commissions as part of the Budget Scrutiny Group to keep the state of the Council's finances under close review throughout the crisis.
- 5.7 The Committee also undertook the role of oversight of the Council's use of Regulation of Investigatory Powers Act (RIPA).



