

Title of Report	AUDIT AND ANTI-FRAUD PROGRESS REPORT TO MARCH 2024
For Consideration By	Audit Committee
Meeting Date	17 April 2024
Classification	Open
<u>Ward(s) Affected</u>	All
<u>Group Director</u>	Jackie Moylan, Interim Group Director, Finance

1. INTRODUCTION

- 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 March 2024 (Appendices 1 - 4).**
- 2.2 **A briefing note is set out at Appendix 5 concerning potential changes to the Audit Committee. The Audit Committee is recommended to consider the briefing and approve an approach to the Full Council to approve a change to the Committee's terms of reference to allow the appointment of two independent members.**

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 The Audit Committee approved the 2023/24 Annual Audit Plan on 19 April 2023 and this report notes the progress against that plan and progress against high and medium priority recommendations.
- 4.2 The 2023/24 Annual Audit Plan focuses resources on the areas that will provide the necessary evidence to support the Head of Internal Audit & Risk Management's annual assurance statement.
- 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 March 2024
 - 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

A statistical summary of the work undertaken by the Audit Investigation Service for the period January to March 2024 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	£344,000
No Recourse to Public Funds	£80,717
Blue Badge/Parking	£6,760
NFI	£271,713
Proceeds of Crime	£127,000*
Total	£830,190

*Note that the Proceeds of Crime benefit is in respect of the wider public purse

- 4.4 Appendix 5 provides a summary of updated CIPFA guidance concerning the appointment of independent members to the Audit Committee to further enhance the Council's governance arrangements.

4.5 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.

4.6 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.

4.7 Sustainability

Not applicable

4.8 Consultations

Consultation on any proposed changes to the internal audit plan have taken place with senior management and Group Directors.

4.9 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 INTERIM GROUP DIRECTOR, FINANCE

- 5.1. There are no financial implications arising from this report (Appendices 1 to 4) 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 impact on the Council's finances.
- 5.3. The proposals set out at Appendix 5 will result in a relatively small additional cost to the Council. The financial implication on the basis of current independent member allowances is likely to be in the region of £1,250p.a. for 2 independent members and this can be contained within the current approved budget .

6. COMMENTS OF THE ACTING DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

- 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 service's performance and opinion. There are no immediate legal implications arising from this part of the report.
- 6.3. The Council's Audit Committee is established further to the Local Government Acts 1972 and 2000 and its purpose is to give assurance to elected members and the public about the governance, financial reporting and performance of the Council.
- 6.4. Section 102(3) Local Government Act 1972 allows a Council to include persons who are not members of the authority on a Committee. Section 104 sets out disqualifications from membership, which is the same as for those persons seeking to be elected or being a member of the Council.

- 6.5 There is currently no legal requirement for an Audit Committee to include an independent member, although it is now recommended best practice by CIPFA. The appointment of non-voting Independent Members on the committee will assist and promote further good governance and scrutiny of the Committee and would assist in demonstrating that the Council has appropriate governance arrangements in place.
- 6.6 In the event that the Audit Committee considers that an independent person(s) should be included within the membership of the Committee, then the Terms of Reference of that Committee, which form part of the Constitution of the Council, would need to be amended. The approval of such amendments is a matter for Full Council and therefore a report to Full Council would be required.

Appendices

Appendix 1 - Internal Audit Progress Report to 31 March 2024

Appendix 2 - Progress with planned audits 2023/24

Appendix 3 - Definitions of audit assurance levels

Appendix 4 - Audit Investigation Service statistics to 31 March 2023

Appendix 5 - Audit Committee Independent Membership briefing

BACKGROUND DOCUMENTS

None

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