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**REPORT FOR: GOVERNANCE, AUDIT,  
RISK MANAGEMENT &  
STANDARDS COMMITTEE**

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**Date of Meeting:** 26th January 2021

**Subject:** **INFORMATION REPORT – Internal  
Audit and Corporate Anti-fraud  
Mid-Year Report and Quarter 3  
Update 2020/21**

**Responsible Officer:** Dawn Calvert – Director of Finance &  
Assurance

**Exempt:** No except Appendix 2 - the item is exempt  
from publication under paragraph 3 of  
Schedule 12A to the Local Government  
Act 1972 (as amended) as it contains  
information relating to the financial or  
business affairs of any particular person  
(including the authority holding that  
information).

**Wards affected:** ALL

**Enclosures:** Appendix 1 – Internal Audit Mid-Year and  
Quarter 3 Update Report 2020/21  
Appendix 2 (Part II) – Red Assurance  
Report Follow-up  
Appendix 3 – Corporate Anti-Fraud Team  
Mid-Year and Quarter 3 Update Report  
2020/21

**Section 1 – Summary and Recommendations**

<p>This report sets out progress against the 2020/21 Internal Audit and Corporate Anti-Fraud Plan.</p>
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**FOR INFORMATION**

## **Section 2 – Report**

### **Background**

- 2.1. Annually the GARMS Committee considers a mid and full year report from Internal Audit and Corporate Anti-Fraud covering progress against the agreed plans.

### **Internal Audit Mid–Year Report and Quarter 3 Update (Appendix 1)**

- 2.2. In summary at mid-year Internal Audit have achieved 46% of the 2020/21 annual internal audit plan with a further 2% in progress. This included 100% achievement of the core financial systems reviews all of which were given an amber/green or green assurance rating. 100% of recommendations made to management to improve internal control were agreed for implementation exceeding the 95% target and at the time of follow-up 79% of recommendations previously agreed by management were implemented/substantially implemented, 15% were in progress and 6% were planned.
- 2.3 Appendix 1 details the key factors at mid-year for the 2019/20 Head of Internal Audit Opinion, provides a summary of all the work undertaken at mid-year and Quarter 3 and the performance of Internal Audit against the agreed key performance indicators at mid-year.
- 2.4 Whilst this has been a challenging year so far the service has performed well, meeting or exceeding all performance indicators, albeit against a revised plan that took into account the current situation. Challenges remain however with undertaking audit reviews and following up the implementation of agreed recommendations whilst working completely remotely. These challenges include IT connection issues and issues with engaging auditees and managers and is reflected in the speed with which work can be completed. Hence progress in Quarter 3 is slightly lower than expected.
- 2.5 Appendix 2 (Part II item) is a confidential report on the follow-up of a red audit report previously presented to the committee in September 2019 showing an increased assurance rating of amber/green.

### **Corporate Anti-Fraud Mid-Year Report and Quarter 3 Update (Appendix 3)**

- 2.6 Of the 14 work streams contained within the plan, 10 (71%) have commenced and 4 (29%) have yet to commence. In terms of the five 2020/21 performance indicators, 4 (80%) are being achieved with 1 (20%) not being achieved.
- 2.7 Progress against the Fraud Plan and performance is below expectation and usual achievements at mid-year due to the challenges of the current situation.

- 2.8 The national emergency has had a significant impact upon the work of the team as desk based investigation work limits the avenues of enquiry and the extent to which investigations can be progressed appropriately. There is a need in many cases to undertake site visits and formal interviews under caution, but this has not been possible as officers have all been working from home since April 2020 and of course with the disruption of local and national restrictions on movement.
- 2.9 Work is well underway to establish a process of safe visiting, but at present this is not possible due to the restrictions in place. A process of conducting both formal and informal interviews using the virtual environment is also being developed, but this is largely dependent upon officers being able to guarantee a strong internet connection to ensure that any virtual interview is not disrupted because this has legal implications for the interview being made inadmissible in any prospective legal action taken.
- 2.10 The knock-on impact of Covid-19 more generally and the cessation of visiting and interviews can be illustrated in a number of ways by comparing performance data for the same period in 2019/20. The number of referrals received has reduced from 75 to 40 for the same period; the number of positive outcomes is down from 25 to 5 for the same period and in terms of the value of fraud identified, this has reduced from £1.15 million to £242,000. The reduction in the value of outcomes is predominantly preventative, but nonetheless represents a reduction of fraud losses stemmed.
- 2.11 The recommencement of interviewing will go a long way to reinstating the fraud deterrent, improving positive outcomes and improving fraud risk resilience for the authority, but this will be subject to technology hurdles. A restart of site visiting will also improve fraud risk resilience but this will be dependent upon the national and local Covid-19 restrictions in place.

## **Legal Implications**

- 2.5 The Accounts & Audit Regulations 2015:

### **Internal audit**

**5.—(1)** A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

## **Financial Implications**

- 2.6 There are no financial implications to this report. The Internal Audit Service and the Corporate Anti-Fraud Service are provided within the set service budgets.

## **Risk Management Implications**

2.7 There are no risk management implications to this report. Both the Internal Audit Plan and the Corporate Anti-Fraud Plan and any reactive work undertaken are risk based.

## **Equalities implications / Public Sector Equality Duty**

2.8 There are no equalities implications to this report.

## **Council Priorities**

2.9 Both the Internal Audit Service and Corporate Anti-Fraud Service contribute to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

## **Section 3 - Statutory Officer Clearance**

3.1 As this report is for information only it has been decided that no Statutory Officer Clearance is required.

<b>Ward Councillors notified:</b>	<b>NO</b>
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## **Section 4 - Contact Details and Background Papers**

**Contact:** Susan Dixson, Head of Internal Audit & Corporate Anti-Fraud,  
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Tel: 0208 424 1609

**Background Papers:** None