

CORPORATE COMMITTEE 02 DECEMBER 2021

Report title: Internal Audit and Counter Fraud Progress 2021/22

Wards: All

Portfolio: Cabinet Member for Finance & Performance: Councillor Andrew Wilson

Report Authorised by: Fiona McDermott: Strategic Director for Finance and Investment

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REPORT SUMMARY

The Corporate Committee, in its 'audit committee' role, receives regular reports on the outcomes of Internal Audit and Investigations work in sufficient detail to allow the Committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address in respect of governance, risk management and internal control arrangements.

This report provides an update on completed audits and progress being made against the annual Internal Audit Plan for 2021/22 since the last progress report was presented to Committee. The report also provides a summary of outcomes against the Counter Fraud Work Plan and fraud investigations undertaken since the previous meeting.

FINANCE SUMMARY

This report does not give rise to any additional capital or revenue financial implications. Actions to ensure compliance with relevant legislation and Council policies will be undertaken within the existing budgets.

RECOMMENDATIONS

1. To note the report which provides an update on matters relating to the Internal Audit and Counter Fraud service, its activities and outcomes.

1. CONTEXT

1.1 In discharging its 'audit committee' role, the Corporate Committee is required "to consider summaries of specific reports of Internal Audit, Investigations and External Audit reports, in particular those with an 'inadequate' audit assurance assessment" (Terms of reference #20).

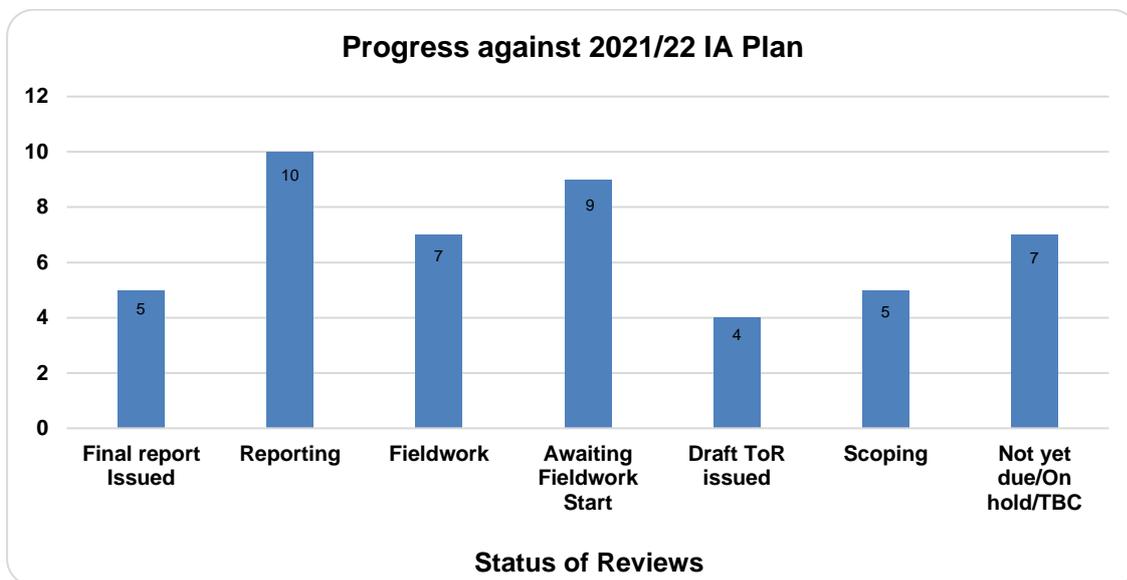
2. PROPOSAL AND REASONS

2.1 This report provides Members with updates on a range of Internal Audit and Counter Fraud matters, new developments, and emerging issues, namely:

Internal Audit Delivery

Good progress has been made against delivery of the internal audit plan across the year to date. As at the end of October 2021, we have delivered around 45% of the annual programme of audit work and the cooperation of management in gaining access to systems and process remains good. Implementation rates remain over 90%, which is best in class for the sector

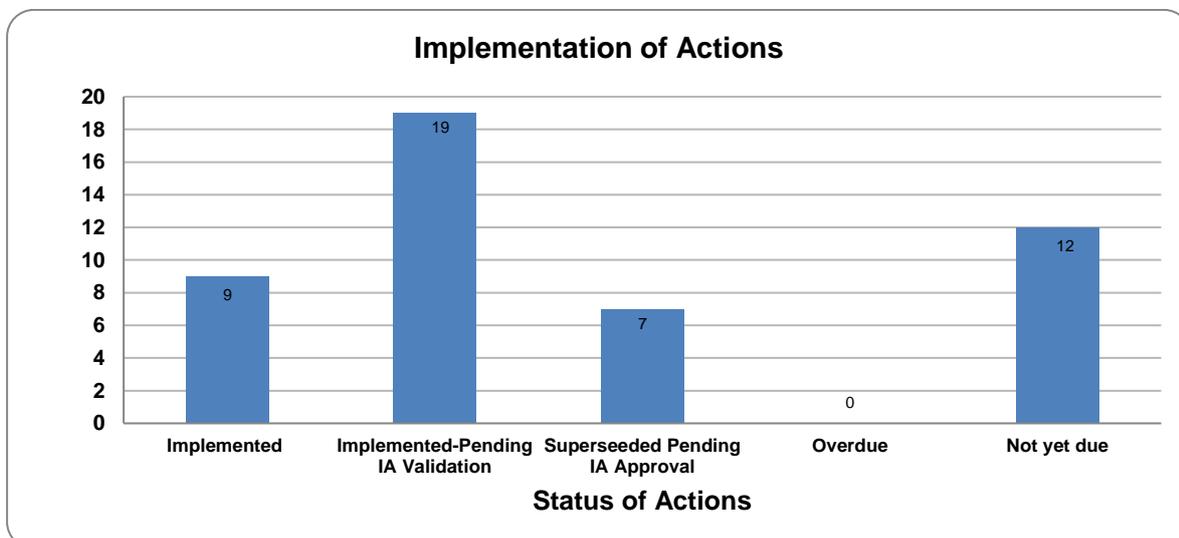
Chart 1. Progress against 2021/22 IA Plan



Implementation of Actions

There were 47 high risk actions as at 31st October 2021. The status of implementation of these actions is outlined in the Chart below:

Chart 2. Implementation of Actions



External Quality Assessment (EQA)

The EQA mandated by the Public Sector Internal Audit Standards (PSIAS) exercise has been completed and the service is awaiting the final report which will be reported at a future Corporate Committee.

Cyber Security

Management has confirmed that since the beginning of 2021 the Council has undertaken a significant amount of remediation activity to resolve known vulnerabilities. Resident Services have also stood up the Cyber Security and Information Risk (CSIR) programme to organise, monitor, and coordinate several projects aiming to improve the Council's cyber security posture. Doing so will reduce the probability of a serious attack happening and provide the organisation with more capability to respond in the event of a serious cyber-attack.

There are over 20 projects already underway, and they are broadly categorised into People, Process, Technology, and Compliance themes which have been informed by an independent cyber maturity assessment (conducted by NCC in January 2021), and national, regional, and local activity. The Council is linked up with the London Office of Technology and Innovation, Local Government Association, National Cyber Security Centre, and has met with other London Boroughs including Hackney to learn from their experiences and collaborate in some areas.

Resident Services plan is to repeat the cyber maturity assessment in January 2022 to evaluate and quantify progress. Internal audit will continue to monitor progress.

Counter Fraud

General Investigations: Between 1 April 2021 and 31 October 2021, 172 investigations have been completed of which 60 have resulted in the recovery of properties. The Team has 113 live investigations, and 139 cases are with Housing and/or Legal Services for further action after recommendations were made by Counter Fraud to serve notices.

Internal Investigations: 34 investigation reports have been submitted, and 42 investigations have been closed, of which 6 have resulted in management recommendations being provided, 1 officer has been dismissed, 5 officers have resigned, 5 has received warnings and 11 candidates have had offers of employment rejected due to information obtained from Cifas.

Financial Investigations: 16 financial investigations are being advanced; progress has been hindered by the pandemic and the resulting court delays. There are several crown court trials set for 2022 where financial investigations are ongoing.

Further details are set out in Item 1: Appendix A

3. FINANCE

- 3.1 This report does not give rise to any additional capital or revenue financial implications. Actions to ensure compliance with relevant legislation and Council policies will be undertaken within the existing budgets.

4. LEGAL AND DEMOCRACY

- 4.1 Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:
- a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - b) ensures that the financial and operational management of the authority is effective; and,
 - c) includes effective arrangements for the management of risk.

- 4.2 Regulation 5 requires the Council to ensure that it undertakes 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.
- 4.3 Regulation 6 requires the Council to conduct an annual review of the effectiveness of the system of internal control required by Regulation 3; and to prepare an annual governance statement. The findings of the review of effectiveness must be considered as part of the consideration of the system of internal control referred to in paragraph 4.2 above. The Council has delegated the discharge of this function to Corporate Committee.
- 4.4 There were no further comments from Democratic Services.

5. CONSULTATION AND CO-PRODUCTION

- 5.1 In Lambeth, officers and Members were consulted during the drafting of the Internal Audit and Counter Fraud update report.

6. RISK MANAGEMENT

- 6.1 An inadequate and operationally ineffective internal control system can have an adverse impact on the Council's risk management processes and wider corporate governance and on quality of services for residents.
- 6.2 With regard to Risk Management, the Public Sector Internal Audit Standards (PSIAS) require Internal Audit to evaluate the effectiveness and contribute to the improvement of Risk Management processes.

7. EQUALITIES IMPACT ASSESSMENT (EIA)

- 7.1 Not applicable: The nature of our work in reviewing existing policies, procedures and controls does not necessitate the completion of EIA

8. COMMUNITY SAFETY

- 8.1 Not applicable.

9. ORGANISATIONAL IMPLICATIONS

Environmental

- 9.1 None.

Health

- 9.2 None.

Corporate Parenting

- 9.3 None.

Staffing and accommodation

- 9.4 None.

Responsible Procurement

- 9.5 None.

10. TIMETABLE FOR IMPLEMENTATION

- 10.1 Not applicable.

AUDIT TRAIL

Name and Position/Title	Lambeth Directorate	Date Sent	Date Received	Comments in paragraph:
Councillor Andrew Wilson	Cabinet Member for Finance & Performance	03/11/2021	18/11/2021	Throughout
Fiona McDermott, Strategic Director	Finance and Investment	03/11/2021	09/11/2021	N/A
Christina Thompson, Director of Finance and Property	Finance and Investment	03/11/2021	19/11/2021	N/A
Andrew Pavlou, Principal Lawyer	Legal & Governance	03/11/2021	05/11/2021	N/A
Hamant Bharadia, Assistant Director of Finance	Finance and Investment	03/11/2021	11/11/2021	Throughout
Chloe Morris, Democratic Services	Legal & Governance	03/11/2021	08/11/2021	Throughout

REPORT HISTORY

Original discussion with Cabinet Member	N/A
Report deadline	19/11/2021
Date final report sent	19/11/2021
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	No
Date first appeared on forward plan	NA
Key decision reasons	NA
Background information	Internal Audit & Counter Fraud Plan 21/22 Accounts and Audit Regulations 2015
Appendices	Appendix A - Internal Audit and Counter Fraud Progress Report for 2021/22