

<b>COUNCIL</b>	<b>DATE</b> 21 July 2021	<b>ITEM NO.</b> 12
<b>TITLE</b> Report on the work of the Audit and Risk Management Panel during 2020/21	<b>WARD(S)</b> All	
<b>REPORT AUTHOR</b> Chair of Audit and Risk Management Panel	<b>CABINET MEMBER</b> Finance and Resources	
<b>DECISION CLASSIFICATION</b> Non exempt report	<b>IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING</b> Yes	

## 1 **Decision Required**

Council is requested to;

- 1.1 Note the report, setting out the issues considered by the Audit and Risk Management Panel during 2020/21.

## 2. **Introduction**

- 2.1 The purpose of the Audit and Risk Management Panel is to provide an independent assurance of the adequacy of the Royal Borough's risk management framework and the associated control environment, including the effectiveness of the Internal Audit and Corporate Anti- Fraud functions, alongside other key areas.
- 2.2 The Audit and Risk Management Panel has a number of key responsibilities including:
  - to receive the annual review of internal controls and be satisfied that the Annual Governance Statement properly reflects the risk environment and any actions required to improve it.
  - to receive regular reports covering implementation of the Council's risk management policy and strategy to determine whether strategic risks are being actively managed.
  - to receive reports on audit issues arising from the financial statements, external auditor's opinion and reports to members, and monitor management action in response to such issues.

- to provide pre scrutiny (as required by the relevant Code of Practice) and comment on the Treasury Management Strategy, review the previous year's outturn position and to undertake a mid-year review.

2.3 This report updates members of the key issues that the Audit and Risk Management Panel have reviewed and considered during their meetings in 2020/21.

2.4 This report was considered by the Audit and Risk Management Panel on 29 June 2021

### 3 **Summary**

3.1 The report covers:

- Statement of Accounts 2019/20
- Annual Governance Statement and Local Code of Corporate Governance
- Internal Audit and Anti-Fraud (IAAF) Plan 2020/21
- Internal Audit and Anti-Fraud (IAAF) Performance 2019/20
- External Auditor (Grant Thornton) Audit Plans and Performance
- Treasury Management

### 5 **Council's Statement of Accounts 2019/20**

5.1 The Panel was asked to review and comment on the draft annual Statement of Accounts for the year ended 31 March 2020. The Accounts were first considered on 21 September 2020 and, following the audit, a final set of Accounts were considered on 24 November 2020 and subsequently submitted to Council for approval.

### 6 **Annual Governance Statement and Local Code of Corporate Governance**

6.1 The Panel reviewed the Royal Borough's governance arrangements as required by the Accounts and Audit Regulations, and as part of this process also reviewed and agreed the Local Code of Corporate Governance and Annual Governance Statement. The Local Code outlined the processes, procedures and policies that underpin the core principles of governance within the Royal Borough.

- 6.2 The Annual Governance Statement reported how effectively the above Code was complied with during the year.
- 6.3 Through the annual review of the Royal Borough's governance arrangements, issues were identified and included in a high level action plan and reported to the Panel.

## **7 Internal Audit and Anti-Fraud - Plans and Performance**

- 7.1 The Internal Audit and Anti-Fraud plans for 2020/21 were reported to the Panel for review. Under normal circumstances performance against the plan would be reviewed by the panel on an ongoing basis to ensure that adequate progress was made and to ensure the control risks identified were being reviewed and resolved as required.
- 7.2 As a result of the Covid-19 pandemic and the general lockdown although the Internal Audit plan was produced to ensure consistency with previous levels of productivity, the plan for 2020/21 had an amended effective start date of August 2020 with only 8 months available for internal audit work within the planning period.
- 7.3 This was largely due to Internal Audit staff volunteering to assist in other areas of council business during the first quarter of the year.
- 7.4 However a number of staff continued in seconded roles throughout the year in order to support the Council and colleagues in delivering the response to the pandemic.
- 7.5 Whilst Internal Audit conducted audit work from the plan during the year the Panel has not met to review progress.
- 7.6 Performance was reviewed at the Panel meeting of 29 June 2021.
- 7.7 The Panel reviewed the performance of Internal Audit & Anti-Fraud in respect of the annual Internal Audit plan for the financial year 2019/20 and the areas of work undertaken. The Panel also considered the Head of Internal Audit & Anti-Fraud's opinion on the soundness of the control environment in place to minimise risk to the Royal Borough. Overall, the Royal Borough could have a reasonable level of confidence in its financial and management control systems, as 94.7% of audit areas reviewed were exercising high or moderate levels of control.

- 7.8 This outcome was significantly higher than previous years and has to be tempered with the fact that some internal audit reviews (including a number of reviews deliberately scheduled for quarter 4 of the financial year) could not be finalised during the year due to the pandemic.
- 7.9 The Panel received details of reviews conducted by Internal Audit where the level of assurance was one of limited assurance. Members were provided with details of progress in implementing recommendations against Internal Audit action plans.

#### Council Tenancies - Subletting

- 7.10 The Panel received and reviewed reports in relation to investigation work undertaken into subletting of council tenancies and the sanction levels achieved during 2019/20 as part of the annual performance report.
- 7.11 During 2019/20 Internal Audit & Anti-Fraud received 72 allegations of tenancy and housing related fraud. As a result of these investigations and additional proactive activity into illegal occupation and sub-letting of council tenancies, 17 properties have been recovered during this period. A further 7 Registered Social Landlord (RSL) properties have also been recovered during this period. 3 individuals were subject to prosecution.
- 7.12 During the same period the work of the Unauthorised Occupation Team has resulted in Tenancy Services recovering 18 properties. These are in addition to the 17 tenancies recovered by way of Internal Audit investigations. A total of 35 recovered council tenancies represent a combined value of £3.25m.

#### Corporate-Related Fraud

- 7.13 The Panel also reviewed the work of Internal Audit & Anti-Fraud in relation to 'internal fraud' in 2019/20. Internal Audit & Anti-Fraud had investigated 65 allegations of corporate related fraud. Of the total of 65 investigations, 7 involved allegations implicating a Royal Borough or Agency employee. The investigations relate to instances of alleged misuse of a Blue Badge, a failure to declare additional employment and breaches of the Royal Borough's ICT policy. Of the 7 cases, one individual resigned, one received a written warning and one a verbal warning.

#### Partnership with the London Borough of Bromley

- 7.14 The Panel were advised that Internal Audit has continued to work in partnership with the neighbouring borough of Bromley for the provision of a

fraud investigation service. A service specification was in place that was monitored monthly and reviewed on a regular basis.

## 9 **External Audit**

9.1 Grant Thornton is the Royal Borough's external auditor and to this end the Panel scrutinised their Annual Audit Letter for 2019/20 and also received details of the audit plans and fees, the audit findings report and progress of the work outlined in the 2019/20 audit plans.

9.2 The members of the ARM Panel were made aware of their role as 'those charged with governance' in relation to the 'Statement of Responsibilities of Auditors and Audited Bodies'. The ARM Panel applied this guidance when it scrutinised the Statement of Accounts and, as part of its role in the review process, it confirmed that relevant issues had been appropriately considered by the Council.

## 10 **Treasury Management Outturn 2019/20 Report and the progress of the Strategy in 2020/21**

10.1 The Panel reviewed reports with regards to the Royal Borough's Treasury Management. The Panel reviewed the outturn position for 2019/20, monitored progress of the 2020/21 strategy and provided pre scrutiny of the setting of the 2020/21 strategy.

## 11 **Direction of work in 2021/22**

11.1 2020/21 was a difficult year and due to the impact of the Covid-19 pandemic the Panel met less frequently than originally planned. During 2020/21 the Panel concentrated on ensuring that the key risks faced by the Royal Borough were being properly managed and that the Royal Borough's systems of internal audit and the framework for control were robust. The panel also considered various items that are derived from its core areas. For 2021/22 the Panel will continue with its core objectives and seek to ensure that the Royal Borough's overall governance processes, procedures and policies are in place and operating effectively.

## 12. **Cross-Cutting Issues and Implications**

Issue	Implications	Sign-off
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<b>Legal</b> including Human Rights Act	There are no legal implications arising from this report.	John Scarborough, Director of Legal Services, 13 July 2021
<b>Finance</b> and other	There are no financial implication arising from this report.	Michael Bate Assistant Director of Corporate Finance 4 June 2021
<b>Equalities</b>	N/A	Michael Bate Assistant Director of Corporate Finance 4 June 2021
<b>Climate change</b>	N/A	Michael Bate Assistant Director of Corporate Finance 4 June 2021

### Background Papers

Audit and Risk Management Agendas and Minutes for meetings between April 2020 and March 2021.

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