

# **London Borough of Sutton Internal Audit Annual Audit Plan: 2019/20**

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Audit and Governance Committee – 16 May 2019



## 1. Background

This document sets out the council's Internal Audit Strategy and Annual Audit Plan for the year 2019/20. The Audit Charter is set out in Appendix B..

The purpose of the Internal Audit Strategy and Annual Audit Plan is to:

- Ensure effective audit coverage and a mechanism to provide independent and objective overall assurance to Members, Strategic Director Resources and the Corporate Management Team (CMT);
- Optimise the use of audit resources available, given that they are limited;
- Add value and support senior management in providing effective control and identifying opportunities for improving value for money;
- Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2015.

### **Internal Audits Role in the Risk, Internal Control and Assurance Framework**

The Accounts and Audit Regulation 2015 require an annual review of the effectiveness of its system of internal control to be reported to the Audit committee for consideration. The system of internal control is broader than just the work of the internal audit section and includes the framework of assurance covering how the risks to the authority are identified with effective managed controls. Assurances are provided by a range of internal and external providers. The Head of Audit will assess whether the overall framework of assurances is adequately designed and effectively operated through a plan of internal audit work.

In addition to the above, the Strategic Director Resources has a statutory duty under Section 151 of the Local Government Act 1972, to establish a clear framework for the proper administration of the local authority's affairs. To perform that duty the Section 151 Officer relies on, amongst other things the internal audit work for reviewing systems of internal control, financial management and other assurance processes.

The standards for 'proper practice' in relation to internal audit are laid down in Public Sector Internal Audit Standards. We continually ensure compliance with these professional standards and reflected in our Audit Charter, shown at Appendix A (ii)..

An overall assurance on the adequacy of internal controls within the Council is provided in the Annual Report and the Annual Governance Statement.

In order to give such an assurance, a balanced programme of Internal Audit review is constructed each year. This Audit Plan contains elements of all audit work assessed by a "Risk Based" approach. There are many elements to this including undertaking systems reviews, regularity audits (e.g. schools), contract and computer

**Appendix A**

audit, and an Annual Review of major financial systems such as Council Tax, the General Ledger and debtors/creditors systems.

In order to contribute to the Annual Governance Statement all Internal Audit reports give an audit assurance as follows:

- Full
- Substantial Assurance
- Limited Assurance
- No assurance

In addition each recommendation is given a priority 1, 2 or 3 score. Priority 1 recommendations are followed up by Internal Audit to ensure that they have been implemented.

**Key Issues and Priority Areas for 2019/20**

Having regard to the current risk profile of the council, the following areas have been identified as key issues and priority areas of our work for 2019/20

**Governance Arrangements**

The council's governance framework covers all aspects of its business, including risk management, internal control and ethical standards. We have a key role to play in assessing the effectiveness of governance arrangements by comparison with principles contained in the CIPFA/SOLACE Governance Framework (Delivering Good Governance in Local Government, 2016). A number of audits will support this assessment and will take account of the emerging governance arrangements as the council implements its new operating model. The statutory Annual Governance Statement will be produced in May, for approval by the Audit and Governance Committee and then signed by the Leader and Chief Executive.

**Key Financial Systems**

The effectiveness of controls and management of risks within key financial systems remains a core part of our audit work. Key Financial systems are carried out on a 3 year rolling cycle. This work is important in providing annual assurance to the council and to meet the requirements of the External Auditor. We continue to develop our audit approach to give greater assurance and ensuring it meets the External Auditor's requirements, including carrying out testing to assist with the annual audit of accounts.

**Transformation**

Considering the significant financial challenges facing the public sector and the council's continuous transformation program, our Annual Audit Plan will need to be flexible enough to respond to emerging issues and risks from change.

Value for money (VFM) will continue to be an integral part of our risk based audit approach, in particular being alert to opportunities and ensure reporting of issues

raised and agreed management actions from audit recommendations. In addition we will support transformation projects, consider changes to the control environment and risk exposure and provide assurance on program management and realisation of benefits.

### **Risk Management**

We will assess the council's risk management arrangements, including risk management strategy, adequacy of strategic and operational risk registers, risk reporting and the extent to which it is embedded.

### **ICT and Information Governance**

Information technology is fundamental to the delivery of the council's services and is an area of rapid change. Due to this high risk to the council, providing assurance on the adequacy of electronic systems and controls is a key part of our Annual Audit Plan. Our work recognises the pace of change and adoption of new information technology and as such will be well informed to focus our resources on areas of highest risk and benefit.

### **Partnerships\council owned companies**

The council is increasingly operating and delivering services jointly through partnerships as well as setting up council owned companies. This also brings risks and opportunities to the council and the delivery of services. We will continue to review key partnerships and to ensure that we coordinate audits across boroughs.

### **Contracts, Procurement and Major Projects**

Changing approaches to procurement and contract management are a key part of delivering improved services. This also brings additional inherent risks that need to be managed. Major projects also represent a high risk to the council in terms of corporate importance and resources. Our audit work will continue to focus on embedding risk management and controls. We will provide advice on key systems, such as the social care system Mosaic, GDPR and the waste and parks contracts on the South London Waste Partnerships.

### **Anti-Fraud and Corruption**

The Internal Audit team will review areas of high fraud risk to recommend improvements in controls.

### Related Documents

This document is one of a series that, together, constitute the policies of the authority in relation to anti-fraud and corruption. The other documents are:

- Anti-fraud and Corruption Strategy
- Anti-Money Laundering Policy

**Appendix A**

- Whistleblowing policy

**Internal Audit's Role Providing Advice**

Internal Audit can provide support and advice to managers, particularly regarding the interpretation and application of Council Policies and Procedures.

Internal Audit advice and recommendations are given without prejudice to the right of Internal Audit to review the relevant policies, procedures and operations at a later date.

In order to establish an audit presence and to create sound informal lines of communication as much audit work as possible will be done on location.

**Protocol for Audit Reviews**

For each audit review carried out, the responsible Assistant Director, and Service Manager will be consulted in the scoping to ensure that the audit is appropriately focused on current key perceived risks and issues. A terms of reference (Audit Brief) will be produced for each audit review and agreed to ensure the scope, objectives, approach, timetables are understood and agreed.

Draft internal audit reports will be issued for discussion with the appropriate levels of management and normally set-out in the terms of reference.

Final internal audit reports will be issued after the agreement of draft reports and contain completed management action plans that will identify those responsible for implementation and timescales. The final reports will always be issued to the 'Lead Client' responsible for the area reviewed.

**Implementation of Agreed Audit Recommendations**

At the end of each audit review, an audit report will be produced containing agreed management actions to audit recommendations made. We will ensure these agreed actions to audit recommendations are fully implemented to ensure improvements to the council's control environment and value for money. We will follow-up on all P1 audit recommendations. We will get confirmation and evidence from officers responsible for implementation that required actions have taken place. Any outstanding P1 recommendations are escalated to strategic directors and then at 3 months overdue reported to Audit and Governance Committee.

**Planned Audit Days and Budget 2019/20**

The information shown below analyses planned audit activity by Directorate type of audit activity and method of delivery.

For 2019/20, it is proposed that total resource level is 750 audit days. This allocation of time excludes non-chargeable time, which comprises sickness, administrative tasks, staff meetings and training.

**Summary of Planned Days for 2019/20**

<b>Analysis By Directorate:</b>	<b>Days</b>
Council Wide/Corporate	230
Chief Executive's	50
People Services	207
Environment, Housing and Regeneration	105
Resources	158
<b>Total Days</b>	<b>750</b>

The Annual Audit Plan will be indicative and it is inevitable that changes will be made during the year as the risk profile of the council changes. This will be achieved through ongoing review and amendment, in consultation with the relevant lead clients and service managers to reflect the changing needs of the council and to add maximum value.

Contingency has been provided for unplanned reactive work. This will be used to respond to emerging issues, risks and to have the capacity to respond to requests from senior managers.

Timing of the audit review will be agreed with management during the planning process.. Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives

In addition to the Audit and Governance Committee receiving regular progress reports against the plan, Corporate Management Team Members will be provided with progress reports as necessary through the year summarising the outcome of reviews and other audit work for the quarter and planned for the quarter ahead. The Head of Audit will also attend Management Team meetings as required.

## Appendix A

### London Borough of Sutton Audit Plan 2019/20

#### Chief Executive's Directorate

#	Location/Description	Type	Days
1	Outcome Based Commissioning reviews	Procurement	15
2	Freedom passes	Service specific	10
3	LATC's and Shared service reviews	Governance	15
4	Risk Management review	Governance	10
		<b>Total Days</b>	<b>50</b>

#### People Services Directorate

#	Location/Description	Type	Days
1	Domiciliary Home Care Contracts	Procurement	15
2	Leaving care	Service specific	15
3	Adult debt Management and deferred payment	Service specific	15
4	Troubled families grant	Grant	12
5	Adoption, Fostering and Special Guardian payments	Service specific	15
6	Risk Based Schools Audit Visits	Establishment	78
7	Residential care contracts	Contract	15
8	care plans	Service specific	15
9	Better care fund/sutton health care alliance	Service specific	15
10	No recourse to public funds	Service specific	12
		<b>Total Days</b>	<b>207</b>

#### Environment, Housing and Regeneration Directorate

#	Location/Description	Type	Days
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1	Planning Services planning permissions and approval	Service specific	15
2	Licencing including street markets	Service specific	15
3	SLWP -waste disposal	Contract	10
4	Highway contract	Contract	20
5	New House building programme	Contract	15
6	Temporary Accommodation	Service specific	15
7	Section 106/CIL	Service specific	15
<b>Total Days</b>			<b>105</b>

### Resources Directorate

#	Location/Description	Type	Days
1	Shared Payroll/HR System (joint review with Merton and Kingston)	Financial	8
2	Appointee and deputyship	Service specific	10
3	Bandon Hill Cemetery (Annual Review)	Accounts	8
4	Accounts receivable	Financial	15
5	Review of controls on CHAPS/BACS and journals	Financial	10
6	Apprenticeships	Service specific	10
7	Council tax	Financial	15
8	Budget setting/saving plans MTFP	Financial	15
9	Council loans	Financial	10
10	Staff absence	Service Specific	10
11	Integrated insurance service	Service Specific	10
12	PCI compliance	IT	5
13	Network Security	IT	7.5
14	Itrent application -IT audit	IT	6
15	Customer Relations system	IT	2.5
16	Birth, deaths and marriages	Service Specific	10
17	Duplicate payment testing	Financial	6
			<b>158</b>

### Corporate Items

#	Location/Description	Type	Days
1	Annual Governance Statement	Governance	20
2	Audit Committee Reporting / Attendance	Governance	25
4	Consultancy/advice	Consultancy	15
5	Contingency	Audit	45
6	Fraud Management and reactive work	Consultancy	10

**Appendix A**

7	Audit planning and management	Audit	20
8	Completion of 2018/19 audits	Audit	60
9	Follow up audits	Audit	10
10	Declaration of interest- Officers	Governance	10
11	Foi's and SAR	Governance	15
<b>Total Days</b>			<b>230</b>

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