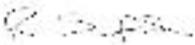


<b>Report to:</b>	Audit and Governance Committee	<b>Date:</b>	18 June 2020
<b>Report title:</b>	Internal Audit: Progress Report		
<b>Report from:</b>	Richard Simpson, Strategic Director - Resources		
<b>Ward/Areas affected:</b>	Borough Wide		
<b>Chair of Committee/Lead Member:</b>	Councillor Sam Weatherlake		
<b>Author(s)/Contact Number(s):</b>	Margaret Culleton, Head of Internal Audit, 020 8770 4956		
<b>Corporate Plan Priorities:</b>	<ul style="list-style-type: none"> <li>Smarter ways of working</li> </ul>		
<b>Open/Exempt:</b>	Open		
<b>Signed:</b>		<b>Date:</b>	2 June 2020

## 1. Summary

- 1.1 In May 2019, the Audit and Governance Committee agreed to an Annual Audit Plan comprising a total of 750 chargeable days. This report summarises Internal Audit's progress in delivering the Annual Audit Plan up to March 2020.

## 2. Recommendation

- 2.1 To note and comment on the attached progress report.

## 3. Background

- 3.1 The Accounts and Audit Regulations 2015 require an adequate and effective internal audit of accounting records and the system of internal control in accordance with proper practices. This task has been delegated to the responsible finance officer under Section 151 of the Local Government Act 1972. At Sutton, the role of the responsible finance officer is fulfilled by the Strategic Director – Resources and the internal audit requirement is met through the South West London Audit Partnership (SWLAP), which Sutton joined in April 2016.
- 3.2 Internal Audit follows the Public Sector Internal Audit Standards (PSIAS). These standards comprise the public sector interpretation of existing standards set by the Chartered Institute of Internal Auditors. As supplementary guidance, specific to the local government sector, an application note has been issued by CIPFA/IIA; this guidance establishes the requirement for interim reporting [of Internal Audit activity] during the year and the attached report is designed to meet that requirement.

**4. Issues**

Internal Audit Progress

4.1 The table shown below summarises the planned and actual audit activity during the period in question.

<b>2019/20 Audit Plan</b>	<b>Audits</b>	<b>Days</b>
Number of audits on the plan	48	
Audit Days Delivered *		841
Number of audits at final stage	38	
Number of audits at draft stage	6	
Number of audits in progress	3	
Number of audits on hold	1	

\* Audit days on plan 750

4.2 At the time of writing this report, 112% of the plan had been completed at the end of March on the basis of days delivered. This is due to increased time spent on school audits including follow up meetings. There is no additional cost to the council.

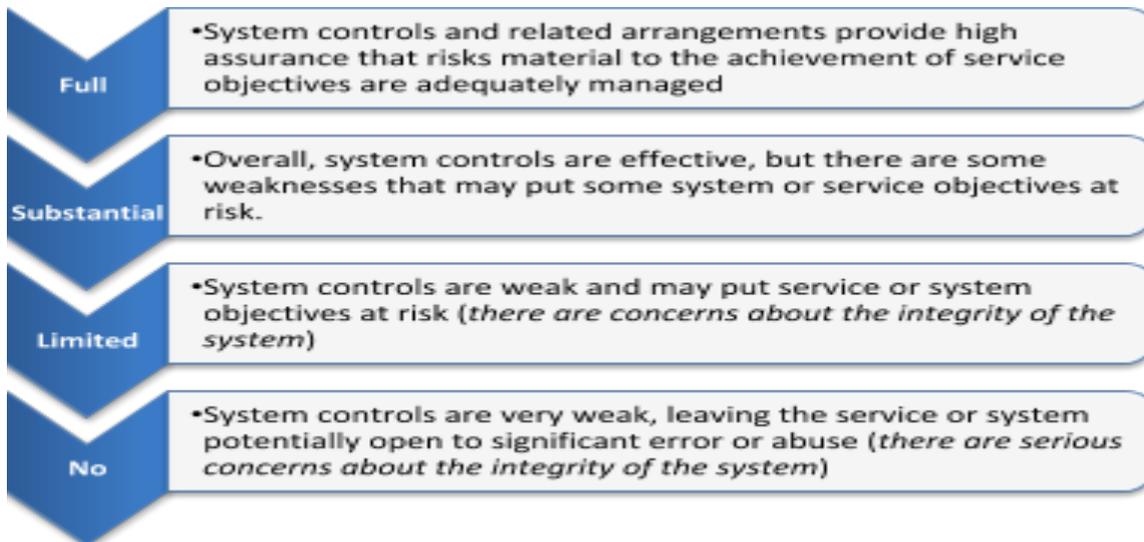
4.3 38 audit assurance opinions were issued since April 2019, categorised as following:

- 0 (0%) **Full Assurance** audit opinion
- 32 (84%) **Substantial Assurance** audit opinions
- 6 (16%) **Limited Assurance** audit opinions
- 0 (0%) **No Assurance** audit opinions.

227 audit recommendations were issued to management, of which:

- 36 (16%) were Priority 1
- 170 (75%) were Priority 2
- 21 (9%) were Priority 3

4.4 Appendix A includes details of the results of all individual audit assignments that were initiated during the period up to March 2020. In total, 38 audit opinions have been issued. Audit assurance opinions issued by Internal Audit are classified into one of the four categories described in the following diagram.



4.5 Overall, 32 (84% of) audit reports issued during this period resulted in either substantial or full assurance. At this stage a conclusion about the overall Council assurance cannot be reached until further work is completed.

4.6 The year-end position on all work undertaken during 2019/20, including any third party assurances, will be evaluated and reported in September 2020 and used to determine the Head of Audit's annual opinion on the Council's internal control environment.

#### Limited and No Assurance Opinions

4.7 Since April 2019, there have been 6 limited assurance final reports, four of these were reported at the July 2019 committee.

- John Fisher High School
- Sherwood Park school
- Nonsuch Primary
- Beddington Infants School

4.8 The 2 limited assurance reports issued since July 2019, are:-

- Starters and Leavers
- Bandon Hill Primary School

4.9 A joint review with Royal Borough of Kingston on the starters and leavers process provided limited assurance. The main issues identified were:-

- Managers are not completing leavers' forms on a timely basis. Two Sutton users still had network access three months and five months after they had left employment.. This resulted in IT not being informed to revoke all networks/database(s) that the employee had access to in a timely manner.
- Generally departmental asset registers detailing ICT equipment held by the service area were not provided to the auditor. The register should record ICT equipment and assets that LBS have allocated to staff. These should also

record where equipment is reallocated or where stored in the department, awaiting reallocation.

- Further clarity is required with respect to the starters and leavers processes for agency, interim and temporary staff.

4.10 Bandon Hill Primary School - .

- Improvement required on Budget Monitoring
- Improvements are required in the ordering and payment process
- Improvements required on records relating to quotations and tenders received and contracts in place.

Additional Audit reviews

4.11 Internal audit has undertaken and completed 2 additional reviews this year. This is in addition to the ad hoc advice provided to services.

- Hackbridge Capital expansion project - presented at the October committee.
- GDPR follow up review - Substantial Assurance

Follow - up on Priority 1 actions

4.12 At the time of this report, there were 7 P1’s due to be implemented. See Appendix B for details. The table below shows the audits where actions have not yet been implemented. These actions are in the process of being followed up.

Audit	P1’s outstanding
ITrent expenses	1
GDPR	4
Sherwood Park School	1
John Fisher school	1
<b>Total</b>	<b>7</b>

Counter-Fraud and Investigations

4.13 The responsibility for managing the risk of fraud and its prevention and detection lies with management. However, Internal Audit’s planned work includes evaluating controls for their effectiveness in mitigating the risk of fraud.

4.14 Counter-fraud work has been undertaken by the South West London Fraud Partnership (SWLFP) since April 2015. This falls across three categories, namely:

- Reactive investigations arising from external intelligence, management referrals or whistleblowing disclosures
- Co-ordination and investigation work in line with the requirements of the National Fraud Initiative data matching exercise
- Proactive counter-fraud work which includes data matching and online fraud awareness training.

- 4.15 A separate report is provided twice yearly by the SWLFP detailing the cases referred and the outcome of any investigations.
- 4.16 Any allegations of corporate fraud or corruption are brought to the attention of the Head of Internal Audit in the first instance. Whistleblowing concerns are also recorded by Internal Audit and the outcome reported annually to the committee.
- 4.17 Any area of potential internal control weaknesses identified during fraud investigations are considered for inclusion on the internal audit plan.

## **5. Options considered**

- 5.1 Not applicable.

## **6. Impacts and Implications**

### Financial

- 6.1 The Council's budget includes provision for the audit plan.

### Legal

- 6.2 This report is designed to comply with the requirements of the following legislation and regulations:
- Local Government Act 1972
  - Accounts and Audit Regulations 2015
  - CIPFA/IIA: Public Sector Internal Audit Standards (PSIAS)
  - CIPFA/IIA: Local Government Application Note for the UK PSIAS

**7. Appendices and Background Documents**

<b>Appendix letter</b>	<b>Title</b>
A	Audit Assurance Opinions: 2019/20
B	Follow up priority 1 actions

<b>Background documents</b>
None

<b>Audit Trail</b>		
Version	Final	Date: 2 June 2020
<b>Consultation with other officers</b>		
Finance	No	N/A
Legal	No	N/A
Equality Impact Assessment required?	No	N/A