

**Appendix A**

# **London Borough of Sutton Internal Audit Annual Audit Plan: 2020/21**

**Report drafted by:**

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**Report issued to:**

Audit and Governance Committee – 18 June 2020

## 1. Background

This document sets out the council's Internal Audit Strategy and Annual Audit Plan for the year 2020/21. 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 requires 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 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 2020/21**

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 2020/21

#### **Covid 19**

In March 2020, the council was required to put in place an emergency response to the COVID 19 pandemic. This has included a change in governance structure, staff working from home or redeployed as the focus has been on supporting residents and businesses. The audit plan for 2020/21 will therefore need to be flexible as it focuses on the impact of Covid 19 on the control environment. Assurance work on key financial systems, schools and key areas will require a different approach.

The Audit Plan will therefore be reviewed throughout the year to ensure that it can provide on-going support to the council.

### **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 include the governance arrangements in place during and after the emergency Covid 19 arrangements. 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. During 2020/21 we will undertake a review of the internal control environment on both temporary and permanent changes made. This will include a increased use of data analytics with a view to providing on-going testing,

### **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, including the COVID 19 risk assessments.

### **ICT and Information Governance**

The plan will include the IT security arrangements in place and also a review of GDPR including any increased risks of data sharing with the NHS and partnerships and staff working from home. We will also be covering cyber security controls in place.

### **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.

### **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.

### **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
  - 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, timetable 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 actions 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 2020/21**

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

For 2020/21, it is proposed that the total resource level is 640 audit days. This allocation of time excludes non-chargeable time, which comprises sickness, administrative tasks, staff meetings and training.

This year the plan has been presented as the proposed audits for each quarter. This will be reviewed on a regular basis and the committee informed of changes throughout the year. Some audit work may need to be carried out later in the year and other work may require more urgent attention. 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.

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

## Internal Audit Plan 2020/21

### Audit Activity in quarter 1 (April to June)

#	Description	Type	Days
1	COVID 19 support	Support	40
2	Annual Governance Statement	Governance	20
3	Completion of last years audits	Service specific	20
4	Covid 19 response- review of governance during crisis and going forward	Governance	15
5	School support and advice	Advisory	5
6	Bandon Hill Cemetery (Annual Review)	Accounts	10
		<b>Total Days</b>	<b>110</b>
	<b>Quarterly</b>		
1	Troubled families grant	Grant	4
2	Audit Planning and Committee preparation	Advisory	15
3	Duplicate payment testing	Advisory	3
4	Procurement Cards- quarterly review	Service specific	3
5	Advisory/governance	Governance	5
		<b>Total Days</b>	<b>30</b>

### Audit Activity in quarter 2 (July to September)

#	Description	Type	Days
1	COVID 19 support	Support	30
2	Annual Governance Statement	Governance	5
3	FOI/SARS	Governance	10
4	GDPR	Governance	12
5	IT resilience	IT	7.5
6	IT Disaster recovery	IT	7.5
7	Ethical hacking	IT	8
8	Planning Applications	Service specific	15
9	Hardship fund	Service specific	12
9	DCS/DASS Local Assurance test	Advisory	15
10	Temporary Housing/ homelessness	Service specific	15
11	completion of last years audits	Service specific	5
12	Oyster cards	Service specific	10

		<b>Total Days</b>	<b>152</b>
	<b>Quarterly</b>		
1	Troubled families grant	Grant	3
2	Audit Planning and Committee preparation	Advisory	5
3	Procurement Cards- quarterly review	Service specific	3
4	Duplicate payment testing	Advisory	3
5	Advisory/governance	Governance	10
		<b>Total Days</b>	<b>24</b>

### **Audit Activity in quarter 3 (October to December)**

<b>#</b>	<b>Description</b>	<b>Type</b>	<b>Days</b>
1	Shared Payroll/HR System (joint review with Merton, Kingston and Richmond)	Financial	8
2	Key financial systems and review of internal controls	Financial	30
3	SLWP	Procurement	10
4	Business Continuity	IT	8
5	Control and monitoring of Agency staff	Service specific	15
7	Business World (Agresso upgrade)	IT	12
8	Adult social care easements -safeguarding/direct payments	Service specific	15
9	Schools assurance- cross cutting reviews		12
10	Section 106/CIL	Service specific	15
		<b>Total Days</b>	<b>125</b>
	<b>Quarterly -checks/support</b>		
1	Troubled families grant	Grant	3
2	Procurement Cards- quarterly review	Service specific	3
3	Duplicate payment testing	Advisory	3
4	Audit Planning and Committee preparation	Advisory	5
5	Advisory/governance	Governance	10
		<b>Total Days</b>	<b>24</b>

**Audit Activity in quarter 4 (January to March)**

#	Description	Type	Days
1	Management of Council run Buildings	Service specific	15
2	Recruitment controls and pre-employment checks	Service specific	15
3	Appointee and Deputyship	Service specific	15
4	Insurance	Service specific	12
5	Residential care contracts	Procurement	15
6	Schools assurance- cross cutting reviews	Schools	36
7	Declaration of interests- officers	Governance	10
8	Corporate procurement	Procurement	20
9	Governance review	Governance	10
		<b>Total Days</b>	<b>148</b>
	<b>Quarterly</b>		
1	Troubled families grant	Grant	3
2	Procurement Cards- quarterly review	Service specific	3
3	Duplicate payment testing	Advisory	3
4	Audit Planning and Committee preparation	Advisory	8
5	Advisory/governance	Governance	10
		<b>Total Days</b>	<b>27</b>

**Total 640 days**

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