

AUDIT AND RISK MANAGEMENT PANEL	DATE: 29 June 2021
REPORT TITLE: Internal Audit Plan 2021/22	ITEM NO 6
CHIEF OFFICER Director of Finance	CABINET MEMBER Finance & Resources
DECISION CLASSIFICATION -	IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING N/A

I. Decision Required

This report makes the following recommendations to the decision-maker:

- 1.1 To provide Members of the Panel with details of the Internal Audit Plan for 2021/22.

2. Links to the Royal Greenwich Strategy

- 2.1 Internal Audit is a statutory requirement under the Accounts and Audit (Amendment) (England) Regulations 2015. Regulation 5, paragraph 1 requires:

‘A relevant authority must undertake 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’.

- 2.2 Section 3 of the Accounts and Audit (Amendment) (England) Regulations 2015 state that the “...authority must ensure that it has a sound system of internal control.” and Section 4 (4) (a) (ii) goes on to say that “the financial control systems....must include measures to enable the prevention and detection of inaccuracies and fraud”.

3 Purpose of Report and Executive Summary

- 3.1 This report details the work undertaken by Internal Audit & Anti-Fraud as part these statutory requirements, which facilitates the effective exercise of the authority’s functions and the achievement of its aims and objectives.

4 The Role of Internal Audit

4.1 The definition of Internal Audit as outlined within the Public Sector Internal Audit Standards (PSIAS) that came into force on 1st April 2013 is

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance.'

4.2 In fulfilling this role, Internal Audit is able to provide assurances for Corporate Governance and recommend/promote the implementation of changes which will have a fundamental bearing on the accomplishment of the Royal Borough's objectives at both strategic and operational levels.

4.3 In addition, the Accounts and Audit (Amendment) (England) Regulations 2015, Regulation 6 (Review of internal control system) states:-

- (1) A relevant authority must, each financial year—
 - (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
 - (b) prepare an annual governance statement;
- (2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must—
 - (a) consider the findings of the review required by paragraph
 - (i) by a committee; or
 - (ii) by members of the authority meeting as a whole; and
 - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of—
 - (i) a committee; or
 - (ii) members of the authority meeting as a whole.

(3) If the relevant authority referred to in paragraph (1) is a Category 2 authority, following the review it must—

- (a) consider the findings of the review by members of the authority meeting as a whole; and
- (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of members of the authority meeting as a whole.

4.4 Internal Audit contributes to the assurance gathering framework for the Royal Borough's Annual Governance Statement by providing an annual Head of Internal Audit Report. This report includes a 'Statement of Assurance' and is based on the internal audit work undertaken during the course of the year and provides an opinion on the overall level of Internal Control.

4.5 All work undertaken by Internal Audit is in accordance with the Public Sector Internal Audit Standards (PSIAS).

4.6 Internal Audit maintains its own quality management system aligned to the ISO 9001:2008 Quality Standard Award.

5 Internal Audit Plan and Risk Assessment 2021/22

5.1. Internal Audit & Anti-Fraud's Service Plan details the strategy for delivering an effective level of internal audit within the Royal Borough. The strategy includes the preparation of a risk-based audit plan service to ensure that audit resources are targeted to areas that represent the greatest risk to the Royal Borough. Accordingly, the Internal Audit plan is prepared using a number of techniques to identify auditable areas, assess the risk to service delivery and prioritise audit coverage.

5.2. The approach adopted in preparing the 2021/22 audit plan considered a number of factors and follows a defined methodology, including:

- Determining in liaison with the Royal Borough's external auditor (Grant Thornton) material systems and the corresponding key controls which need to be annually reviewed. Consequently, Internal Audit consider the following material systems when compiling the audit plan;

- General Ledger (including journal controls)
- Payroll
- Housing Repairs
- Schools Finances
- Treasury Management (including loans and investments)
- Cash Receipting (including bank reconciliations)
- Debtors
- Creditors
- Housing Rents
- Social Services Payments
- Business Rates
- Council Tax
- Housing Benefits & Council Tax Support
- Fixed Assets
- Pension Fund Management

Grant Thornton has the opportunity to review the work undertaken by Internal Audit on the material systems when conducting the annual review of the Royal Borough's accounts.

- Performing an independent audit needs and risk assessment on the services, systems, management/policy objectives and the operations within the Royal Borough, in order to identify those risk areas that are of high priority.
- Identifying any audits which have been deferred from the 2020/21 plan and which, following consultation with Chief Officers, remain a priority;
- Identifying those audits which are in progress at the end of 2020/21 which will need to be completed in 2021/22;
- Identifying those audits which have been completed but which require further "follow up" audit work to track the recommendations formally agreed with management from the audit reviews and obtain assurance that management have implemented the agreed audit recommendations.
- Identifying through consultation with each Director and other senior directorate representatives, issues of concern and risk within their areas of responsibility. On this theme Internal Audit also review and consider Departmental Operational Risk Registers and Service Plans;

- The review of certain specific financial systems and processes, which require annual audit certification such as Eltham Crematorium.
- The regular cyclical review of the Royal Borough's Schools. At present, Internal Audit is scheduled to visit all primary, secondary and special schools every three years. During 2021/22 Internal Audit will endeavour to undertake cyclical reviews of 41 schools and visit 4 further schools, specifically to ascertain progress with the implementation of previous audit recommendations.

5.3 The 2021/22 Internal Audit Plan was compiled with due regard to the above requirements. A detailed analysis of the Internal Audit plan, showing individual auditable areas and resource apportionment between Royal Borough departments is shown at **Appendix A**.

6 Resources/Productivity

- 6.1 At present, Internal Audit has a complement of 11 Internal Audit and Anti-Fraud Auditors/Investigators. They operate a generic role with responsibility for providing audit coverage in addition to duties surrounding the investigation of fraud and irregularity.
- 6.2 Internal Audit coverage is provided on a fully in-house basis. Previously, the plan allowed for the engagement of specialist Computer / Information Technology Audit services. As a result of staff professional development, we now have adequate expertise in this specialist area. However, should there be a need there is flexibility within the plan to engage external resources.
- 6.3 As a result, and after deducting “non-direct” audit time (staff annual leave, sickness, staff development, professional studies, and time allocated to anti-fraud investigations), the Section has a total of 1,079 days available solely for undertaking internal audit reviews. The available Internal Audit resource has been allocated based on the methodology detailed in section 5 of this report.
- 6.4 Within the 1,079 days available for direct audit work, roughly 11% (115 days) has been allocated to ensuring that management have implemented agreed audit recommendations. Additionally, and based on past experience and good practice, the Internal Audit Plan includes 2% contingency for unplanned work requirements and advice and information (18 days) to ensure Internal Audit have the flexibility to respond to changing needs and demands.

6.5 The Internal Audit plan has been produced to ensure consistency with previous levels of productivity.

7 Scope of audit coverage

7.1 The following chart indicates the planned level of audit coverage across the Royal Borough Directorates and external clients: (including recommendation tracking and contingency)

Directorate	No of Days	% of Total Days (Approx.)
Health and Adult Services	65	7.0%
Children's Services + School Finances	307	33.0%
Communities and Environment	145	15.6%
Housing and Safer Community	85	9.1%
Finance	239	25.8%
Regeneration, Skills & Enterprise	55	5.9%
Follow Up Contingency	15	1.6%
Unplanned Work Contingency	18	2.0%
Total	929	100%

7.2 25.8% of available audit resources are to be concentrated within the Finance Directorate. This is because the Directorate holds responsibility for many of the Royal Borough's main financial systems (including Payroll and Creditors).

7.3 The Panel will note that the audit resource allocated to Children's Services has increased significantly in comparison to previous years. This is because Internal Audit were unable to conduct any school probity audits during 2020/21. All of these audits have been deferred to the 2021/22 audit plan and we will endeavour to conduct these together with the reviews which are due as part of the 3 yearly audit cycle.

8 Performance indicators

8.1 Since April 2019, Internal Audit management reports on four performance indicators decided to assist gauge and assure the quality of internal audit work being produced by the section.

8.2 Internal Audit management also reports to the Panel on the progress of the implementation of internal audit recommendations.

- 8.3 Whilst the latter does not represent a performance indicator in respect of Internal Audit delivery it will provide members with information relating to the number of recommendations and instances where internal audit recommendations have not been implemented within the agreed timescales.
- 8.4 Details of the performance indicators and recommendations information to be provided to members are detailed in the tables below.

Table I - Internal Audit Performance Indicators

Performance Indicator Description	Target Performance	Performance Achieved	RAG Status
Percentage of IA Plan delivered to draft report stage by 31 March	90%		
Percentage of draft reports issued as a final report within 5 working day of client response	75%		
Productivity level	80%		
Client Satisfaction Rating	4 or above		
IA work is fully compliant with the PSIAS and IIA Code of Ethics	100%		

Table 2 – Recommendation Implementation / Tracking

Recommendation Description	Time Period
Number of High priority IA recommendations where positive management action is proposed	
Number of Medium priority IA recommendations where positive management action is proposed	
Number of High priority IA recommendations where management action is taken within the agreed timescales	
Number of Medium priority IA recommendations where management action is taken within the agreed timescales	

9. Conclusion

- 9.1 This report provides the Panel with details of the Internal Audit plan for the financial year 2021/22. Progress on the implementation of the Internal Audit plan will be reported to the Panel on a quarterly basis during the course of the year.

10. Cross Cutting Issues and Implications

Issue	Implications	Sign-off
Legal including Human Rights Act	The Internal Audit function is covered under Section 151 of the Local Government Act 1972. The report raises no legal issues.	Azuka Onuorah Head of Legal Services 14th June 2021
Finance and other resources including procurement implications	This report has been prepared by the Director of Finance and has no other financial implications.	Michael Bate Assistant Director of Corporate Finance 4th June 2021
Equalities	The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no apparent equality impact on end users.	Brendan Costello, Assistant Director of Finance (Financial Governance & Audit) 4th June 2021
Climate change	The decisions recommended through this paper have a remote or low relevance to the substance of the Greenwich Carbon Neutral Plan.	Brendan Costello, Assistant Director of Finance (Financial Governance & Audit) 4th June 2021

Background Papers

None

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