

Head of Internal Audit and Anti-Fraud

Annual Internal Audit Report 2020/21

I. Introduction

- 1.1 A primary objective of the Internal Audit function is to provide annual independent assurance on the Royal Borough's internal control arrangements, based on the audit and anti-fraud work undertaken. This assurance contributes to the Royal Borough's governance framework and informs the Annual Governance Statement.
- 1.2 The work of the Internal Audit and Anti-Fraud service is prioritised according to defined risk criteria to allow resources to be focused on those areas of the Royal Borough's operations that either have a direct impact on Service objectives or where the level of control is known to be weak and/or the risk of fraud is high. The Internal Audit and Anti-Fraud service seeks to provide assurance that management have implemented effective controls for the areas of risk identified.
- 1.3 At the end of the financial year, a control assessment exercise is undertaken to record all audit work completed during the period and provide an independent opinion on the adequacy of the controls operated by management. The opinion is solely based on the outcome of the audit work. As it is not possible to check all transactions processed through a system, the assurance can never be complete.

2. Impact on the Audit Plan due to the Covid-19 Pandemic

- 2.1 From the start of lockdown in March 2020 it was decided that Internal Auditors would not contact service areas within the Royal Borough in order to ensure they were able to direct their resources to responding to the Covid-19 pandemic. This was an approach widely adopted by all Audit Services across London.
- 2.2 Although an Internal Audit Plan had been prepared to take effect from 1st April 2020 it was clear that immediate adjustment was necessary. In addition, Internal Audit & Anti-Fraud staff were quick to respond to the call for assistance as part of the Royal Borough's response to the pandemic and a number of staff volunteered for redeployment.
- 2.3 Given the limited access to officers in service areas, and the secondment of Internal Auditors an interim audit plan was put in force. However, this was subsequently reviewed and a more detailed audit plan commenced effective 1st August 2020. The
- 2.4 The revised Audit Plan for 2020/21 was presented to the Audit and Risk Management Panel on 21st September 2020.

- 2.5 The original audit plan contained 99 reviews using a resource of 1,056.5 days. The revised plan contained 78 reviews using 649 days.
- 2.6 As the year progressed it became necessary to redeploy audit resources again to other services and a total of 390 days was spent on assisting the Registrars Service, Debtor Invoicing, NHS Test and Trace Payments and assisting GP Surgeries in organisation vaccinations. This resulted in 40 of 78 audit reviews being deferred to the 2021/22 audit plan. Leaving 38 audit reviews to be included in this report. No school probity audits were conducted in 2021/22.

3. Control Assessments

- 3.1 Attached to this Appendix (Attachment A1) are the results of the control assessment undertaken at the end of the year 2020/21. The attachments record the areas audited, which forms the basis of the audit opinion reported, and identify the appropriate Council Directorate responsible and the “function” (i.e. type of system, e.g. Grants). Each area audited has been assessed at 2 distinct levels:
- the importance of the review area to the Royal Borough’s objectives;
 - the level of assurance that can be placed on the control environment in operation.

The specific criteria used to complete this assessment are defined below.

- 3.2 The importance of the service, system or operation to Council objectives:

Impact Priority	Criteria
Fundamental	Control systems which have a high impact on the Royal Borough’s core functions and objectives. These areas will generally be the main corporate systems (i.e. those which impact on all Directorates, such as payroll) and those other systems which have a high level of financial materiality and/or which are highly sensitive to the Royal Borough’s reputation.
Important	Supporting systems which impact on financial control and service delivery. These represent important financial and management systems which impact on departmental objectives.
Local	Service areas which are largely autonomous in their management, such as Schools, or systems which have limited impact on departmental service delivery but which may be sensitive in terms of the Royal Borough’s reputation.

3.3 The level of assurance that can be placed on the control environment reviewed:

Level of Assurance	Definition
High	The audit review found key controls were in place and operating effectively to deliver the objectives of the system, function or process. Although relatively minor control issues may have been identified, these would be unlikely to place at risk the achievement of objectives. However, management may be advised to implement low priority recommendations to improve best practice.
Moderate	The audit review found several weaknesses in the design and/or the application of controls which could impact on the delivery of the objectives of the system, function or process. Although the control issues identified will not significantly place at risk the achievement of objectives, it is necessary for management to implement medium to low priority recommendations to ensure a satisfactory level of control.
Limited	The audit review found weaknesses in the design and/or application of controls some of which are considered key and could put at risk the delivery of the objectives of the system, function or process. Management will need to take prompt action to implement high and medium priority recommendations to ensure a satisfactory level of control.
None	The audit review found a significant number of weaknesses in the design and/or application of key controls which has impacted on the achievement of the objectives of the system, function or process. Management will need to take immediate action to implement several high priority recommendations to ensure a satisfactory level of control.

4. Assurance Statement

4.1 The Appendix attachments summarise the assessment of the audit work completed by Internal Audit and Anti-Fraud (draft and final reports issued):

Attachment A1: Provides a list of completed Risk Based Systems reviews;

4.2 In summary, the Assurance Assessment for 2020/21 has been based on 22 systems reviews review which have been completed.

4.3 The importance of the control systems to the Royal Borough's objectives are:

13 (59%) Fundamental (non-schools)

9 (41%) Important (non-schools)

4.4 The level of assurance assessed by Internal Audit is as follows:

Fundamental – 100% High or Moderate levels of assurance

The control environment for all of the 13 audit reviews areas assessed as fundamental has been assessed as providing either High or Moderate levels of assurance.

Important – 78% High or Moderate levels of assurance

Of the 9 audit review areas assessed as important, the control environment for 7 (78%) has been assessed as providing either High or Moderate levels of assurance. Conversely, 2 (22%) has been assessed as providing limited assurance.

Overall Assessment

4.5 Overall, Internal Audit has assessed that 91% of the areas audited have demonstrated High/Moderate levels of control over the risk environment. Therefore, it is the Head of Internal Audit's opinion that the Royal Borough can have a reasonable level of confidence in its financial and management control systems. This outcome is an improvement compared to previous years, which further supports this opinion.

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