

<b>DECISION MAKER:</b> Audit and Risk Management Panel	<b>DATE:</b> 19 June 2024	<b>ITEM NO.</b> 8
<b>REPORT TITLE:</b> Internal Audit Plan 2024/25	<b>WARDS</b> All	
<b>CHIEF OFFICER</b> Director of Finance	<b>CABINET MEMBER</b> Finance & Resources and Social Value	
<b>DECISION AND CLASSIFICATION</b> Non-Key Non-exempt Appendix Call in- Non exempt	<b>IS THIS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING</b> There are no recommendations requiring decisions	

## **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 2024/25 as set out in **Appendix A**.

## **2. Links to Our Greenwich missions**

- 2.1 This report relates to the Council's agreed missions as follows:

- Our Council is an adaptive organisation, enabling it to navigate the increasing number of challenges it faces while remaining financially sustainable.
- Our Council works in the most efficient and effective ways possible.

## **3. Purpose of Report and Executive Summary**

- 3.1 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'*

- 3.2 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*”.
- 3.2 This report details the work undertaken by Internal Audit & Anti-Fraud as part of these statutory requirements, which facilitates the effective exercise of the Royal Borough’s functions and the achievement of its aims and objectives.

#### **4. Introduction and Background**

- 4.1 The definition of Internal Audit as outlined with the Public Sector Internal Audit Standards (PSIAS) that came into force 1st April 2013 and updated in March 2017 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 assurance 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 require 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 require by paragraph (1)(a)

- (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 91) is a Category 2 authority, following the review is 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 included 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 conforms 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 2024/25**

5.1 Internal Audit and 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 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 2024/25 audit plan considered a number of factors and follows a defined methodology, including:

a) Determine in liaison with the Royal Borough's external auditor 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.

- a. General Ledger (including journal controls)
- b. Payroll
- c. Housing Repairs
- d. Schools Finances
- e. Treasury Management (including loans and investments)
- f. Cash Receipting (including bank reconciliations)
- g. Debtors
- h. Creditors
- i. Housing Rents
- j. Social Services Payments
- k. Business Rates
- l. Council Tax
- m. Council Tax Support & Housing Benefits
- n. Fixed Assets
- o. Pension Fund Management

The external auditor 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.

- b) 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.
- c) Identifying any audits which have been deferred from the 2023/24 plan and which, following consultation with Chief Officers, remain a priority.
- d) Identifying those audits which are in progress at the end of 2023/24 which will need to be completed in 2024/25.
- e) 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.

- f) 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.
- g) The review of certain specific financial systems and processes, which require annual audit certification, such as Eltham Crematorium.
- h) The regular cyclical review of the Royal Borough's School. At present, Internal Audit is scheduled to visit all primary, secondary and special schools every three years. During 2024/25 Internal Audit will be undertaking cyclical reviews of 23 schools.

5.3 The 2024/25 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 Directorates are shown at **Appendix A**.

## **6. Resource/Productivity**

6.1 At present, Internal Audit has a complement of 7.6 Internal Audit and Anti-Fraud Auditors/Investigators. They operate a generic role with responsibility for providing audit coverage in addition to duties surround the investigation of fraud and irregularity.

6.2 Internal Audit coverage is provided on a fully in-house basis. It is recognised that the internal resources dedicated solely to internal audit work needs to be increased. A recruitment exercise is currently ongoing. Like many areas within the Council where specific skills and qualifications are required there is a difficulty with the recruitment of appropriately qualified individuals.

6.3 The audit plan allows for the engagement of specialist Computer / Information Technology Audit services. As a result of staff professional development, the Internal Audit Service now has adequate expertise in this specialist area. However, should there be a need, there is flexibility within the plan to engage external resources.

6.4 Internal Audit also participates in the Cross Council Assurance Service Framework which provides the ability to purchase additional or specialist

resource at competitive rates. The resource is provided by Price Waterhouse Coopers (PwC).

- 6.5 Should the recruitment exercise be successful the audit plan has the capacity to be revised and the coverage increased, and it may not be necessary to engage any additional external resource which has currently been allocated to Material Systems Reviews in the plan.
- 6.6 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 Service has a total of 607 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.
- 6.7 Within the 607 days available for direct audit work, roughly 18% (110 days, of which 50 days are for follow up contingency) have been allocated to ensuring that management have implemented agreed audit recommendations. Additionally, and based on previous experience for unplanned work requirements and advice and information (12 days) to ensure Internal Audit have the flexibility to respond to changing needs and demands.
- 6.8 The Internal Audit Plan has been produced to ensure consistency with previous levels of productivity.

## 7. **Scope of Audit Coverage**

- 7.1 The following table indicates the planned level of audit coverage across the Royal Borough Directorates (including recommendations tracking and contingency):

Table I – Audit Coverage

<b>Directorate</b>	<b>No of Days</b>	<b>% of Total Days (Approx)</b>
Health and Adult Services	35	5.8%
Children’s Services + School Finances	159	26.2%
Communities, Environment and Central	30	4.9%
Housing and Safer Community	85	14.0%
Finance and Legal Services	196	32.3%
Regeneration, Skills & Enterprise	40	6.6%
Follow Up Contingency	50	8.2%

Unplanned Work Contingency	12	2.0%
<b>Total</b>	<b>607</b>	<b>100%</b>

7.2 32.3% of available audit resource are to be concentrated within the Finance and Legal Services Directorate. This is because the Directorate holds responsibility for many of the Royal Borough's main financial systems (including Payroll and Creditors).

## 8. Performance Indicators

8.1 Internal Audit management reports on six performance indicators decided to assist gauge and assure the quality of internal audit work being produced by the Service.

Table 2 - Internal Audit Performance Indicators

<b>Performance Indicator Description</b>	<b>Target Performance</b>	<b>Performance Achieved</b>	<b>RAG Status</b>
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%		
Percentage spent on audit work	75%		
Client Satisfaction Rating	4 or above		
IA work is fully compliant with the PSIAS and IIA Code of Ethics	100%		

\*Internal Audit measures time productivity by monitoring the level of staff time expended on audit reviews and service/corporate responsibilities as a percentage of the total resource available.

8.2 Performance reports to the Panel also include information relating to the number of high and medium priority recommendations being accepted by management.

Table 3 – Recommendations Accepted by Management

<b>Recommendation Description</b>	<b>Period</b>
Number of <b>High</b> priority IA recommendations where positive management action is proposed	
Number of <b>Medium</b> priority IA recommendations where positive management action is proposed	

8.3 Internal Audit management also report to the Panel on the progress of the implementation of internal audit recommendations.

8.4 Whilst this does not represent a performance indicator in respect on 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.

## **9. Available Option**

9.1 This report provides the Panel with details of the Internal Audit Plan for the financial year 2024/25. 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. As this is an information report there is only one option which is to note the information provided.

## **10. Preferred Option**

10.1 Not applicable

## **11. Reasons for Recommendations**

11.1 Not applicable

## **12. Consultation Results**

12.1 No consultation is required and none has been undertaken



### 13. Cross Cutting Issues and Implications

Issue	Implications	Sign-off
<p><b>Legal</b> including Human Rights Act</p>	<p>Part 3 of the Council’s constitution, Responsibility for Functions, provides that the Audit and Risk Management Panel is responsible for the provision of independent assurance of the adequacy of the risk management framework and the associated control environment, including the effectiveness of the Internal Audit and Corporate Anti-fraud functions.</p> <p>This report, together with Appendix A, is to provide members of the Panel with the Royal Borough’s Internal Audit Plan for the year 2024/2025.</p> <p>No Legal or Human Rights issues arise.</p>	<p>Davidaire Horsford, Interim Head of Legal Services 4th June 2024</p>
<p><b>Finance</b> and other resources including procurement implications</p>	<p>This report makes the following recommendations to the Audit &amp; Risk Management Panel:</p> <ul style="list-style-type: none"> <li>• To provide Members of the Panel with details of the Internal Audit Plan for 2024/25.</li> </ul> <p>There are no direct financial implications arising from this report.</p>	<p>Joanne Stark Head of Accounting &amp; Business Change 17th May 2024</p>
<p><b>Equalities</b></p>	<p>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.</p> <p>Further, given the nature of the report it has a remote or low relevance to the</p>	<p>Brendan Costello Assistant Director of Finance (Financial Governance &amp; Audit) 16th May 2024</p>

	Councils Equity and Equality Charter and the Council's Equality Objectives 2020-2024.	
<b>Climate change</b>	The decisions recommended through this paper have a remote or low relevance to the substance of the Greenwich Carbon Neutral Plan as agreed by Cabinet on 18 November 2020.	Brendan Costello Assistant Director of Finance (Financial Governance & Audit) 16th May 2024

#### **14. Report Appendices**

14.1 The following documents are to be published with and form part of the report:

- Appendix A: Internal Audit Plan 2024/25

#### **15. Background Papers**

None

Report Author: Jess Fyhr,  
Internal Audit & Anti-Fraud Manager  
Tel No: 020 8921 6965  
Email: [jess.fyhr@royalgreenwich.gov.uk](mailto:jess.fyhr@royalgreenwich.gov.uk)

Reporting to: Brendan Costello  
Assistant Director of Finance (Governance & Audit)  
Tel No: 0208 921 5239  
Email: [brendan.costello@royalgreenwich.gov.uk](mailto:brendan.costello@royalgreenwich.gov.uk)

Chief Officer: Damon Cook  
Director of Finance  
Tel No: 0208 921 3508  
Email: [damon.cook@royalgreenwich.gov.uk](mailto:damon.cook@royalgreenwich.gov.uk)