

Audit, Governance and Standards Committee

12th March 2019

INTERNAL AUDIT CHARTER AND STRATEGY AND INTERNAL AUDIT PLAN 2019/20

Report by the Head of the South West London Audit Partnership (SWLAP)

Purpose

To set out the proposed Internal Audit Charter and Strategy and Internal Audit Plan for 2019/20 as required by the Public Sector Internal Audit Standards (PSIAS)

Recommendation

To Resolve that the IA Charter and Strategy and IA Audit Plan for 2019/20 is approved.

BACKGROUND

1. The South West London Audit Partnership (SWLAP) is a shared audit service which was established on 1st June 2012 and includes five local authorities: LB Richmond, LB Wandsworth (Richmond/Wandsworth Shared Staffing Arrangement), RB Kingston, LB Sutton and LB Merton. This also includes Achieving for Children (AfC), the community interest company set up by Richmond and Kingston to deliver their children's services.
2. Internal audit work is undertaken by the SWLAP across the 5 Boroughs and as such, any references to Internal Audit in the Audit Charter and Strategy relates to the SWLAP.

3. Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. The work undertaken by Internal Audit is a key part of the Council's Annual Governance Statement (AGS) process and the annual audit opinion forms part of the AGS.
4. The Accounts and Audit (England) Regulations 2015 require that " A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector Internal audit standards and guidance". Proper practice is defined as being the Public Sector Internal Audit Standards (PSIAS) together with an Application Note published by the Chartered Institute of Public Finance & Accountancy (CIPFA). The PSIA standards came into effect from 1st April 2013, were last updated in March 2016 and apply to local and central government, and the NHS.
5. One of the key requirements of the standards is that the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter. The charter is a formal document which establishes the internal audit activity's position within the organisation, authorises access to records, personnel and physical properties and defines the scope of activities.
6. The strategy covers how the service will be developed and delivered, together with the appropriate resourcing; an assessment of the risks which the audit service itself faces; how internal audit will rely on the assurance provided by other providers, and how the service will measure its performance and quality assure its services.
7. The IA Charter and Strategy for 2019/20 is at **Annex 1** to this report.

Internal Audit Plan 2019/20

8. Internal Audit operate a risk based plan, driven in part by the Council's Annual Governance Statement (AGS), and established following discussions with Senior Management, review of the AGS Action Plan and analysis of Departmental and Corporate Risk Registers. To ensure compliance with PSIAS the risk based plan must take into account the requirement to produce an annual internal audit opinion and the wider assurance framework. Consequently, it is not sufficient for the plan to focus solely on the high risks from the Corporate Risk Register.
9. To ensure sufficient coverage is delivered across the whole organisation, Internal Audit combine the corporate assessment of risk with its own assessment of risk (the Audit Universe) and knowledge of any emerging risks to produce a plan with sufficient coverage of the Council's activities. This enables the Head of Internal Audit to provide the Council with an opinion on the adequacy and effectiveness of the internal control environment.
10. Following the above exercise and discussions with DMTs, a plan has been developed which currently sits at 775.5 days, 78 days more than the 697.5 days commissioned by the Shared Service Board. The audit plan must be dynamic and will be amended during the year to reflect changes in the Council's risks. It will mean however that some of the audits currently seen as priority will not be delivered but this will be discussed at quarterly meetings with DMTs and any concerns will be reported back to Audit, Governance and Standards Committee. The proposed plan is attached at **Annex 2**.

11. Annex 2 includes time allocated for the AfC audit plan (280 days) which is apportioned equally to both Richmond and Kingston – 140 days each. Consequently, the Kingston audit plan includes the apportionment for AfC in the total number of days deliverable (557.5 days for RBK and 140 days for AFC). The AfC plan was presented to the AfC Audit and Risk Committee in January and is included in Annex 2.
12. Key to providing an effective service is ensuring that the plan remains dynamic. As always, the audit plan must remain flexible to accommodate changing management and organisational priorities during the year and Internal Audit will attend quarterly DMTs to agree which audits should be prioritised each quarter.
13. It is intended that changes to the plan will be monitored by the Shared Service Board at the quarterly performance meetings, with any significant changes reported to the Strategic Leadership Team and the Audit, Governance and Standards Committee.
14. One of the key objectives of the shared audit service is to provide an efficient and cost-effective service to its partners which is able to add value by ensuring that audit work concentrates on key areas of risk. Regular review of service delivery and performance, standardisation of audit methodology, the delivery of shared audits over more than one partner and a structural review of the service has resulted in a 2% saving for 2019/20 across the partnership.

Annual Governance Statement (AGS) and Action Plan 2018/19

15. There were a number of key areas identified in the 2018/19 AGS Action Plan where actions were required to strengthen governance arrangements. Detailed below are the key themes identified and the audit work undertaken in 2018/19 or included in the 2019/20 audit plan:
- Financial management – A number of audits have been included in the 2019/20 plan which will consider financial risks. This includes an audit to look at the budget setting process and saving plans.
 - Scheme of Delegation and Declarations of interest – As part of the AGS process, Internal Audit consider the effectiveness of governance arrangements by comparison with principles contained in the CIPFA/SOLACE Governance Framework. A number of other audits will support this assessment and will take account of any emerging governance arrangements.
 - Human Resources – The starters and leavers process will be reviewed and there is an audit on Staff absence in 2019/20.
 - Mandatory Training – a Staff training and development audit was undertaken in 2018/19 and given limited audit assurance. This will be followed up in 2019/20.
 - Business Impact Assessments – an audit of Business Continuity arrangements will be undertaken in 2019/20
 - Achieving for Children – an audit is being undertaken in 2018/19 on the transition from Children's to Adult Services. This is a joint review with AfC which considers the risks around cost.
 - Risk Management – there will be an overarching review of risk management arrangements across the 5 Borough partnership to benchmark current activity and share best practice
 - GDPR – An audit on GDPR was undertaken in 2018/19 and was given limited audit assurance. This will be followed up in 2019/20.

Resource Implications

16. The number of audit days remains the same as 2018/19 however efficiencies delivered by the service have resulted in a 2% saving for 2019/20. This is reflected in a 2% reduction in the charge to RBK for internal audit services.
17. Currently the audit plan has 78 days more than the Internal Audit service is commissioned to deliver. There will need to be an ongoing review and assessment of risks through discussions with DMTs to ensure that the plan is targeted at those areas of highest risk.

Background papers – held by the Author of this report:

Alix Wilson – Head of the South West London Audit Partnership (SWLAP) Tel: 020 8547 5125, e-mail: alix.wilson@kingston.gov.uk