

Audit, Governance and Standards Committee

4th May 2021

Internal Audit Update

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

Purpose

To provide the Committee with assurances around the Council's control environment based on the work carried out by Internal Audit since the last report on the 27th January 2021; including identification of significant issues arising from this work and providing assurance that appropriate action is being undertaken to address these issues.

To **RESOLVE** that:

The Committee note the work undertaken by Internal Audit, new Priority 1 recommendations raised since the last meeting and the progress being made to address issues previously reported.

Key Points

- A. The Audit, Governance and Standards Committee has, amongst other things, responsibility for the "review of internal audit strategy, plans and performance; consideration of a summary of the most significant issues arising from internal audit work; and obtaining assurance that appropriate action is being taken on those issues." This report has been provided to assist the Committee in meeting its responsibilities.
- B. The Audit Plan for 2020/21 for Quarters 1 and 2 was approved by the Audit, Governance and Standards Committee in July 2020 and extended to cover Quarters 3 and 4 as approved by this Committee on the 19th November 2020.

Progress against Plan 2020/21

1. Progress against the 2020/21 plan as at 31st March 2021 is as follows:

	Audits	Days
Number of audits in the plan (<i>including audits c/f from 2019/20</i>)		557.5
Audit Days delivered		537
Number of audits finalised/completed	16	
Number of audits at draft report stage	3	
Number of audits in progress	6	
Number of audits not started		
Audits cancelled or moved to 21/22	9	
Total	34	

2. The agreed deliverable audit days commissioned from the shared service was 697.5 days which included 557.5 days for RBK and 280 days for AfC, with the AfC days split equally between LBR and RBK (140 days each).
3. At the end of March 2021 96% of the plan has been completed based on the number of days delivered.
4. The total number of pieces of audit work completed or which are work in progress is 25. (see **Annex 1**).
5. **Annex 1** details the 2020/21 Internal Audit Plan and shows the status of work to date with the assurance level for completed audits.
6. Internal audit visits Directorate Management Teams a number of times throughout the year to discuss progress against the plan and to review the audits which are still to be undertaken to ensure they are still relevant and timely.
7. A 6 month rolling audit plan was agreed by the Audit, Governance and Standards Committee this year to ensure that it allowed sufficient flexibility in light of the Council's emergency response to the Covid-19 pandemic ensuring that audit resources focussed on the key areas of risk. All changes were discussed and agreed with Departmental Management Teams and have been reported back to the Audit, Governance and Standards Committee.
8. Internal audit applies a risk based audit approach to audit work, identifying key risks with the relevant manager, then identifying and testing controls in place to manage those risks. A formal overall conclusion is then reached as to whether a sound system of internal control is being maintained.
9. Each audit is given an opinion based on 4 levels of assurance depending on the conclusions reached and the evidence to support those conclusions. Members and management should note that the assurance level is an opinion of controls in operation at the time of the audit. The auditor will agree with management a number of recommendations which, when implemented, will result in a reduction of the exposure to risk. Each recommendation is given a priority ranking and an implementation date and these are monitored on a regular basis by the internal audit team. Priority 1 recommendations are defined as being those where major issues have been identified for the attention of senior management.

Levels of assurance	
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified. (NB full assurance is based only on the sample tested and does not guarantee that there are no instances of control failure within a system that we have looked at unless we state that we have reviewed 100% of transactions).
Substantial Assurance	Whilst there is a largely sound system of control, there are some weaknesses, which may put a limited number of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key control areas, which put the system objectives at risk.
No Assurance	Control is weak, leaving the system open to material error or abuse.

Priority of recommendations	
1	Major issues that we consider need to be brought to the attention of senior management.
2	Important issues which should be addressed by management in their areas of responsibility to avoid exposure to significant risk.
3	Minor issues where the risk is low. Action is advised to enhance control or improve operational efficiency.

REPORTS FINALISED SINCE THE LAST AUDIT COMMITTEE AND SIGNIFICANT CONTROL WEAKNESSES

10. No limited assurance audit reports have been issued since the Audit, Governance and Standards Committee on the 27th January 2021 however a review of governance and decision making was undertaken in respect of the Dementia Care Nursing Home project. This identified a number of areas where improvements should be made to project governance arrangements. Recommendations raised and a list of agreed actions are included at **Annex 2**. Going forward, these recommendations will be subsumed within the Annual Governance Statement Action Plan for 2021/22.
11. Achieving for Children (AFC) approved an audit plan for 2020/21 of 280 days (See **Annex 1**). The delivery of this plan has been reported to the AFC Audit Committee. As at the end of March 2021, 92% of the audit plan had been completed and since the last Committee meeting, 1 audit on Leaving Care was given a Substantial assurance opinion with 1 priority 1 recommendation (**Annex 2**).

FOLLOW UP OF PRIORITY 1 RECOMMENDATIONS

12. Internal Audit follow up all Priority 1 recommendations and report progress to this committee. At the last meeting on the 27th January 2021, 23 recommendations were outstanding across 7 audits. Follow up work has been undertaken which has

confirmed that 10 recommendations have either been fully implemented or sufficient action has been taken to move these to Priority 2 or 3. A summary is provided below:

Audit	Recommendations Implemented	Recommendations Outstanding
Housing Repairs	1	1
Health and Safety		3
Housing Income		1
Starters and Leavers	2	
GDPR		2
ASC Debt Recovery	7	
Fircroft		6
Total	10	13

13. **Annex 3** provides an update on those where further action is required to include detailed actions to be undertaken and target dates for implementation.

Resource Implications

There are no resource implications arising directly from this report's recommendations.

Background papers – held by the author of the report:

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