

# Audit, Governance and Standards Committee

4th May 2021

## Internal Audit Charter, Strategy and Audit Plan 2021/22

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 2021/22 as required by the Public Sector Internal Audit Standards (PSIAS)

To **RESOLVE** that:

That the IA Charter and Strategy and Internal Plan for 2021/22 be approved.

### Introduction

1. The South West London Audit Partnership (SWLAP) is a shared audit service which was established on 1<sup>st</sup> 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 1<sup>st</sup> April 2013, were last updated in March 2017 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. This strategy and charter covers the operation of the SWLAP across all of its partners.
7. The IA Charter and Strategy for 2021/22 is at **Annex 1** to this report.

#### Internal Audit Plan 2021/22

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 for a total of 697.5 days as commissioned by the Shared Service Board. A session was then held with members of the Audit, Governance and Standards Committee to discuss the proposed plan in more detail to engage members in the process and seek their input prior to approval at Committee. Discussions were had around the risks and scope of some of the audits included in the plan including Contracts, ringfenced grants, Climate Change, the Governance Strength testing review and role of the Property Board, Project Management and Regeneration (including suggestions around the Cambridge Road Estate and transformation projects such as the Council's website and facility for on-line payments). These have been noted on the operational audit plan and will be factored into the initial risk assessments undertaken when the audits are scoped with senior officers.
11. The audit plan must be dynamic and will be amended during the year to reflect changes in the Council's risks. Meetings will be held with DMTs on a quarterly basis to review the Audit Plan and ensure that it reflects areas of highest risk. Any changes will be reported back to Audit, Governance and Standards Committee. The proposed plan is attached at **Annex 2**.
12. Sufficient flexibility is required on an on-going basis to ensure that appropriate levels of audit staff are available for deployment on unprogrammed work with the minimum disruption to the achievement of planned targets. Unprogrammed work includes supporting the Shared Fraud Service and the provision of expert and practical advice on management arrangements, financial stewardship and on the implementation of, and adherence to, RBK policies. It also includes dealing with any other urgent issues that may arise during the year for instance the removal of delegation from a school for poor financial management.

13. Whilst a full year plan has been submitted to Audit, Governance and Standards Committee for approval, it must be recognised that the Covid-19 pandemic will continue to impact on the Council in the coming months and the work of the audit team will need to adapt where required.
14. 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 March 2021 and is included in Annex 2.
15. In addition to the Audit Plan work, a proactive expenditure review team is being established to undertake end to end testing of expenditure following a detailed analytical review of expenditure against budgets and the Council's contracts register. This is a two year project agreed by the Shared Service Board and the results will be reported back to this Committee.

#### Annual Governance Statement (AGS) and Action Plan 2020/21

15. There were a number of key areas identified in the 2020/21 AGS Action Plan where actions were required to strengthen governance arrangements. Detailed below are a number of themes which have been included in the 2021/22 audit plan:
  - FOI and SARs - to test improved organisational arrangements
  - Project management - as above
  - Governance review - to strength test new framework following the implementation of a number of new governance boards
  - A number of audits are undertaken to follow up on previous audit reviews where limited assurance was provided and/or significant issues were identified: Highways Contract, Commercial Leases, Dementia Care Nursing Home.

#### **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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**INTERNAL AUDIT SERVICE**

**INTERNAL AUDIT CHARTER and STRATEGY  
2021-22**

**This Charter and Strategy sets out the purpose, authority, and responsibility of the Council's Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards. It also sets out how the South West London Audit Partnership (SWLAP) will be developed and delivered in accordance with these standards.**

**The Charter and Strategy will be reviewed annually and presented to the Audit Governance and Standards Committee<sup>1</sup> for approval.**

## **PURPOSE**

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as "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 processes".

In a local authority, internal audit provides independent and objective assurance to the organisation, its members, the senior management board (Directors Board in Wandsworth and Richmond's Shared Staffing Arrangement (SSA), Strategic Leadership Team at Kingston, Corporate Management Teams at Merton and Sutton), and in particular the Directors of Finance to help them discharge their responsibilities under s151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs. . For AfC, internal audit provides assurance to its Strategic Leadership Team and Audit and Risk Committee.

In addition, the Accounts and Audit Regulations 2015, Regulation 6 (1), requires 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"*. Internal Audit proper practices is defined as compliance with the Public Sector Internal Audit Standards and the CIPFA application note.

Within an organisation, there are 3 lines of defence in place to effect controls. The first line of defence is the day to day operational controls, the second is the management controls (budget & performance monitoring, trend analysis) and the third is independent inspection, both internal & external.

Internal audit forms part of the third line of defence and provides assurance on the effectiveness of governance arrangements, risk management and internal controls, and this includes an assessment of the effectiveness of the first two lines of defence. Internal audit can place reliance on assurances provided by third parties, although depending on the source, this may require some independent validation.

## **MISSION**

The Mission of the SWLAP is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight across the 5 Borough partnership.

## **AUTHORITY and ACCESS TO RECORDS**

In carrying out their duties and responsibilities, Internal Audit shall be entitled to have full and unrestricted access to all of the Council's activities, records, assets, cash, stores, property, personnel and information (both manual or computerised) which they consider to be necessary to properly fulfil its function. Internal audit may enter Council property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Council staff are expected to provide every possible assistance to facilitate the progress of audits.

Access rights also apply to other third parties / organisations as permitted through contract and partnering arrangements.

Internal audit has the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

Internal audit will consider all requests from the external auditor for access to any information, files or working papers obtained or prepared during audit work that has been finalised, and which external audit need to discharge their responsibilities.

All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for that purpose. All internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive in the course of their work. Any information shared will be shared in accordance with the Shared Service Data Sharing Protocol.

## **RESPONSIBILITY**

The Head of Internal Audit <sup>2</sup>is required to provide the Council, via the S151 officer and the Audit Committee, with an annual opinion on the adequacy and effectiveness of the internal control system for the whole council. To achieve this, the internal audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves processes and helps protect public resources
- To provide assurance that the Council's operations are being conducted in accordance with legislation, and relevant external and internal regulations, policies and procedures
- To provide assurance that significant risks to the Council's objectives are being managed
- To support management through the provision of advice and guidance on the overall control environment, and where new systems and / or procedures are implemented
- To provide independent assurance over the corporate governance arrangements in place across the Council
- To promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud. The corporate fraud function will be undertaken by the South West London Fraud Partnership (SWLFP) but will be overseen by the Head of Internal Audit (see Counter Fraud below).
- To undertake investigations where there is suspected fraud, bribery and corruption. This function will be undertaken by the SWLFP but will be overseen by the Head of Internal Audit.

These audit responsibilities are exercised with the aim of assisting the Council to deliver services in the most efficient and effective manner possible.

There are inherent limitations in any system of internal control and thus errors or irregularities may occur and not be detected by internal audit's work. When carrying out its work, internal audit will provide management with comments and report on breakdowns, failures or weaknesses of internal control systems together with recommendations for remedial action. However, internal audit cannot absolve line management of responsibility for internal controls.

Where appropriate, internal audit will undertake audit or consulting work for the benefit of the Council and / or organisations that are wholly owned by the Council (such as Achieving for Children). Where services are provided to bodies separate from the Council, this will be subject to approval by the Shared Service Board and will be provided under the terms of a Service Level Agreement (SLA).

Internal audit may also provide assurance to the Council on third party operations where this is provided for as part of the agreement or contract.

In some instances, internal audit may rely on assurances provided by other providers of assurance but this will be dependent on the level of associated risk and some degree of independent verification may be required.

## **Counter Fraud**

Internal Audit's planned work includes evaluating controls for their effectiveness in preventing or detecting fraud. Managing the risk of fraud is the responsibility of management however Internal Audit will consider the risks and exposures which may allow fraud or corruption to occur.

Fraud work is undertaken by the South West London Fraud Partnership which is a five Borough Shared Service led by the SSA. This service is overseen by the Shared Service Board which includes the Directors of Finance from each of the partners or their delegated representatives. Work will be undertaken in accordance with an agreed Fraud Plan which includes a mix of proactive and reactive fraud work in the following main areas:

- Housing tenancy
- Internal fraud
- Procurement
- Business Rates
- Council Tax Reduction
- Blue Badge
- Social Care
- Schools

## **REPORTING**

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report directly to the top of the organisation and those charged with governance. This will be done as follows:

- The Audit Charter will be agreed with the senior management team (Directors Board at the SSA, Corporate Management Teams at Sutton and Merton, and Strategic Leadership Team at Kingston)
- The annual audit plan will be compiled by the Head of Internal Audit following discussions with senior managers at their Directorate Management Team (DMT) meetings and sign off by the senior management team (Directors Board at the SSA, Corporate Management Teams at Sutton and Merton, and Strategic Leadership Team at Kingston and AfC). It will then be considered by the Shared Service Board who will agree the number of audit days to be commissioned each year, and the resource required to deliver this. This will then be reported to the Audit Committee for approval

- The internal audit budget is agreed each year by the Shared Service Board.
- Performance against the annual internal audit plan, together with any significant risk exposures and control issues arising, will be reported to the Shared Service Board on a quarterly basis. Progress reports will be made to Directorate Management Teams on a quarterly basis and to Audit Committee at least twice a year.
- Changes to the plan during the year will be reported to the Shared Service Board quarterly and where significant, to Audit Committee
- Any significant consultancy activity not already included in the risk-based plan and which might affect the level of assurance work undertaken will be reported to the Audit Committee
- The annual opinion report will be presented to Audit Committee annually
- Any instances of non-conformance with the Public Sector Internal Audit Standards will be reported to the Shared Service Board and Audit Committee and will be included in the Head of Internal Audit's annual report. Any significant failings will be included in the Annual Governance Statement
- Any external review of the internal audit function will be agreed by, and reported to the Shared Service Board and the Audit Committee

## **INDEPENDENCE**

The Heads of Internal Audit have full and unrestricted access to the following (where relevant):

- The Director of Finance/Resources/Corporate Services/Corporate and Commercial (S151 officer)
- Chief Executive
- Chair of the Audit Committee (including AfC)
- The Council's Monitoring Officer
- The Council's General Counsel (RBK)
- The Chief Operating and Finance Officer and Director of Children's Services (AfC)
- All members of the senior management team (Directors Board at the SSA, Corporate Management teams at Sutton and Merton, and Strategic Leadership Team at Kingston and AfC)

The Head of the SWLAP is line managed by the Assistant Director of Resources (Financial Services) (SSA), who is responsible for carrying out the Head of Audit's annual appraisal. The Director of Corporate and Commercial and / or the Assistant Director Governance and Law, Kingston; Strategic Director of Resources (Sutton) and Managing Director - Legal Services (Merton), can participate in this appraisal review. The standards require that the Chief Executive, SSA, reviews, provides feedback and signs off this appraisal, also that the Chair of the Audit Committee must give feedback.

The Deputy Head of the SWLAP who also takes on a statutory Head of Internal Audit role is line managed by the Head of the SWLAP. As lead for Sutton and Merton, the Strategic Director – Resources (Sutton), Director of Corporate Services (Merton), Managing Director- Legal Services (Merton) and the Chairs of the Audit and Governance Committees (Sutton) and Standards and General Purposes Committee (Merton) can participate in this appraisal review.

The Assistant Director of Resources (Financial Services) is line managed by the Director of Resources and Deputy Chief Executive who will undertake the annual appraisal and this will be signed off by the SSA's Chief Executive.

The Audit Manager who performs the statutory Head of Internal Audit role for AfC is line managed by the Head of the SWLAP who will undertake the annual appraisal and the Chief Operating and Finance Officer for AfC can participate in this appraisal review.

All staff (including agency and contract staff) in the Internal Audit Partnership are required to make annual declarations of any potential conflicts of interest and adhere to confidentiality requirements. As far as resources permit, auditor rotation will be implemented to ensure auditors' objectivity is not impaired.

Internal audit must ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice. Where Internal Audit do provide consultancy services, any audit staff involved in this consulting activity will not be involved in the audit of that area for at least 12 months.

Internal Audit must remain independent of the activities that it audits to enable auditors to make impartial and effective professional judgements and recommendations. Within the SSA, the service does have operational responsibilities for Health & Safety, Procurement and Pensions (these functions are overseen by the Assistant Director of Resources (Financial Services) in his role of Statutory Head of IA for Wandsworth) and for Risk Management and Insurance. Risk Management work is also undertaken across a number of the other partners. Since these roles may involve establishing and maintaining the control environment, these functions will be audited independently by Mazars. Internal auditors have no other operational responsibilities towards the systems and functions audited.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Head of Internal Audit has the freedom to report without fear or favour to all officers and Members, and particularly to those charged with governance.

Accountability for the response to the advice and recommendations of Internal Audit lies with management. Managers must either accept and implement the advice and recommendations, or formally reject them accepting responsibility and accountability for doing so.

## **EXTERNAL AUDITORS**

The external auditors fulfill a statutory duty. Effective collaboration between internal and external audit will help ensure effective and efficient audit coverage and resolution of issues of mutual concern. Internal and external audit will meet periodically to discuss respective work plans and coverage, and potential issues arising from work completed.

## **DUE PROFESSIONAL CARE**

The internal audit function will adhere to / comply with the following:

- Institute of Internal Auditor's International Code of Ethics
- Seven Principles of Public Life (Nolan Principles)
- UK Public Sector Internal Audit Standards
- All Council policies and procedures
- All legislation

All audit work is subject to in house quality control procedures whereby each audit review is subject to senior peer review. The audit service will be subject to an annual self-assessment to assess its compliance with the UK Public Sector Internal Audit Standards and an external review and assessment at least once every 5 years by a suitably qualified, independent assessor.

The Head of Internal Audit is required to hold a relevant professional qualification (CCAB or CMIIA) and be suitably experienced. All staff are required to maintain a programme of Continuous Professional development (CPD) to ensure auditors maintain and enhance their knowledge, skills and audit competencies.

## **INTERNAL AUDIT STRATEGY**

### **Internal Audit Objectives**

Internal Audit will provide independent and objective assurance to the organisation, its Members, senior management and in particular to the Directors of Finance/Resources to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

It is the Council's intention to provide a best practice, cost efficient internal audit service through the SWLAP which adds value to the partner organisation's it serves.

### **Internal Audit Remit**

The internal audit service is an assurance function that primarily provides an independent and objective opinion on the degree to which the internal control environment supports and promotes the achievement of the Council's objectives. 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.

Under the direction of a suitably qualified and experienced Head of Internal Audit, Internal Audit will:

- Provide management and Members with an independent, objective assurance and consulting activity designed to add value and improve the Council's operations.
- Assist the Audit Committees to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;
- Drive organisational change to improve processes and service performance;
- Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements;
- Work closely with other assurance providers to share information and provide a value for money assurance service and;
- Participate in local and national bodies and working groups to influence agendas and developments within the profession.

Internal Audit will ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice. This type of work is key for our service in ensuring that it works closely with the partner organisations to provide proactive advice and guidance. The ability to bring in knowledge and experience from our other partners is an important way for the service to add value.

### **Service delivery**

The Internal Audit service will be delivered by the South West London Audit Partnership (SWLAP) which is the 5-borough shared internal audit service hosted by the SSA providing internal audit services to LB Wandsworth, LB Richmond, RB Kingston, LB Merton and LB Sutton. This relationship is governed in law through a formal Collaboration Agreement. The arrangement also includes the provision of Internal Audit to Achieving for Children (AfC), the community interest company created by LB Richmond and RB Kingston to provide their children's services.

The SWLAP is an in-house team with contract auditors or agency staff used as required to supplement the in-house skills and experience. The SWLAP are part of the Croydon Framework contract with Mazars allowing the service to buy in additional audit resource and expertise. Resources can also be sourced through the CCAS framework.

One of the key objectives of the shared service is the provision of an efficient and cost-effective service to its partners. This is achieved through the review and standardization of audit methodology which takes on board best practice, ensuring staff are properly trained and developed, developing and delivering shared audits across more than one partner and reviewing and restructuring the service where needed to drive out cost savings. Key objectives and performance targets are included within the annual Service Plan.

Quarterly performance reports to the Shared Service Board will provide updates on any staffing changes, issues such as sickness absence levels and whether there is any surplus or shortfall in resources (significant issues will be reported to the Audit Committee at LB Wandsworth, Audit and Risk Committee at AfC, Audit and Governance Committee at LB Sutton, Audit, Standards and Statutory Accounts Committee at LB Richmond, Standards and General Purposes Committee at LB Merton and Audit, Governance and Standards Committee at RB Kingston).

The statutory Head of Internal Audit roles across the 5 Borough's will be undertaken by the Assistant Director of Resources (Financial Services), Head, Deputy Head and Audit Manager of the SWLAP. Unless amended and agreed by the Shared Service Board, the Head of the SWLAP will take the lead as the statutory Head of Internal Audit for LB Richmond and RB Kingston. The Deputy Head of the SWLAP will take the lead as statutory Head of Internal Audit for LB Merton and LB Sutton (and possibly RB Kingston). The Assistant Director of Resources (Financial Services) will take the lead as the statutory Head of Internal Audit for LB Wandsworth and the Audit Manager for the SWLAP will fulfill this role for AfC. All of these officers will support each other in the delivery of these roles.

The Corporate Fraud service will be delivered by the South West London Fraud Partnership, led by the SSA. This is a shared service which is overseen by the Shared Service Board.

### **Key Performance Targets**

Key Performance Targets are established and monitored on a quarterly basis by the Shared Service Board. A Service Plan and Risk Register have also been established and are reported to, and monitored by the Shared Service Board.

Bi-monthly reports on corporate fraud work undertaken by the SWLFP will be provided to the Head of Internal Audit and 6 monthly reports made to Audit Committee (Standards and General Purposes committee).

### **Audit Planning**

The Head of Audit has responsibility for preparing a balanced internal audit plan, ensuring audit maintains its independence, ensuring independence and sufficient coverage to support the annual opinion.

Each year, an audit plan will be discussed and agreed by the respective Directors, Senior Leadership Teams and Audit Committees which will be based on the following:

- Issues identified in the Annual Governance Statement and Action Plan
- Discussions with the Council's Departmental Management teams (DMT).
- Discussions with Council's Corporate Management teams (CMT) if required
- Discussions with the Shared Service Board.
- Review of Corporate and Service Risk Registers/ Risk Returns
- Outputs from other assurance providers
- Outputs from previous audit or fraud assignments
- Requirements as agreed with External Audit

The Head of Internal Audit will ensure attendance at all DMT meetings as part of the annual planning process to ensure that management views and suggestions are taken into account when producing the audit plan. Key to ensuring that the service adds value is maintaining a dynamic audit plan which responds to changes in the organisation's risk profile. This is managed through quarterly reporting and attendance at DMT meetings during the year to discuss the audit plan and departmental risks.

The Internal Audit Plans are based on the following:

- **Governance Arrangements:** Internal Audit have a key role in assessing the effectiveness of governance arrangements by comparison with principles contained in the CIPFA/SOLACE Governance Framework. A number of audits will support this assessment and will take account of any emerging governance arrangements.
- **Transformation:** Considering the significant financial challenges facing the public sector and the all the council's ambitions, the annual audit plan will need to be flexible enough to respond to emerging issues and risks from change.
- **Risk Based Systems Audit:** Audits of systems, processes or tasks where the internal controls are identified, evaluated and confirmed through a risk assessment process. The internal controls depending on the risk assessment are tested to confirm that they operating correctly. The selection of work in this category is driven by the AGS, Corporate Risk Registers, Departments' own risk processes and will increasingly include work in areas where the Council services are delivered in partnership with other organisations.
- **Value for money:** This is an integral part of our risk-based audit approach, in particular being alert to opportunities and reporting issues and agreed management actions
- **Key Financial Systems:** The effectiveness of controls and management of risks within key financial systems remain a core part of our audit work. We continue to develop our audit approach to give greater assurance.
- **Probity Audit (schools and other establishments):** Audit of a discrete unit. Compliance with legislation, regulation, policies, procedures or best practice is confirmed. For schools this includes assessment against the Schools Financial Value Standard.
- **Computer Audit:** Information technology is fundamental to the delivery of all the councils services and is an area of rapid change. Due to this high risk, providing assurance on the adequacy of electronic systems and controls is a key part of our Annual audit plan.

- **Contract Audit:** Changing approaches to procurement and contract management are a key part of delivering improved services. This also brings additional inherent risks that need to be managed. Audits of the procedures and processes for the letting and monitoring of contracts, including reviews of completed and current contracts.
- **Special Projects:** Specific areas of Council business which may be subject to change through the development and implementation of new systems, or delivery models, where poor value for money or failing service standards have been identified or where there are new or significant risks will be targeted for review as part of the audit planning process.
- **Risk Management:** Risk management support is provided to some of the partners to facilitate the review and implementation of risk management strategies and to take the lead in compiling the Annual Governance Statement. Where this function is provided by the SWLAP, an independent review is undertaken by the Internal Audit contractor under the Croydon Framework contract to ensure independence. This review will assess the risk management arrangements, including risk strategy, adequacy of strategic and operational risk registers and the extent to which it is embedded.
- **Partnerships:** Councils are increasingly operating and delivering services jointly through partnerships. This brings risks and opportunities to councils and the delivery of services. We will review key partnerships.
- **Provision of advice and support:** Increasingly Internal Audit are involved in providing advice and support on an ad hoc basis. This may involve the provision of general advice on risks and controls or more detailed work with specific business areas where there are significant changes to systems and processes or decisions which require independent due diligence. The Heads of Audit also sit on boards, such as Information governance boards and working groups; corporate governance and risk management.
- **Fraud, Corruption and Financial Irregularities:** The SWLFP will investigate fraud and irregularity arising during the year and may work alongside officers from the SLWAP on cases particularly where there are significant control issues requiring audit and fraud input. The audit plan will also include a programme of pro-active fraud checks.
- **Follow up work:** Follow up work on outstanding audit recommendations will be regularly undertaken. Progress will be reported to Audit Committee and where progress is unsatisfactory, or management fail to provide a satisfactory response to follow up requests this will be reported to the relevant Assistant Director, Director or Audit Committee where required.
- **It is recognised that additional work will continue to be undertaken where required to support the Council's Covid-19 response.**

## **Policies and Procedures**

All audit work will be undertaken in accordance with Council regulations and professional standards. There is an Audit Manual and Internal Audit Protocol which sets out the audit process for staff to adhere to, including quality control procedures.

## **Quality Assurance and Improvement Programme**

The Head of the South West London Audit Partnership continuously reviews the quality and effectiveness of all aspects of the Internal Audit service. This includes:

- Establishing procedures that comply with the Public Sector Internal Audit Standards

- Maintaining a professional audit team with sufficient knowledge, skills and experience to carry out the Audit Plan. This includes undertaking appraisals and ensuring that training needs are identified and addressed
- Undertaking, reviewing and acting on client satisfaction surveys and feedback
- Reviewing audit methodology and benchmarking against best practice.
- Independent review of all audit assignments undertaken.

In line with the Public Sector Internal Audit Standards, Internal Audit has a quality and improvement programme in place. The results of the quality and assurance programme and progress against any improvement plans will be reported in the Annual reports to each Borough's Audit Committees.

## Internal Audit Plan 2021/22

Audit Area		Days
<b>Corporate / Cross Cutting</b>		
Contracts	Review a sample of contracts across Directorates to compliance with procurement procedures, contract management and value for money. To tie in with work of Proactive Expenditure Review team	20
		<b>20</b>
<b>Corporate and Communities</b>		
Business World (Agresso Upgrade)	Post implementation review of the Agresso upgrade. Joint audit with Sutton. Core system live in April 2020.	7.5
Journals and General Ledger*	Key Finance System review - joint with Sutton	15
Housing Benefits	Key Finance System review	15
Shared Payroll Audit**	Shared audit across Merton, Sutton and Kingston	8
FOIs and SARs*	Follow up to test whether new processes have embedded - Joint with Sutton	10
PCI Compliance*	Joint audit with Sutton	7.5
Additional Restrictions Grant	Pre/post payment assurance checks on Business grants	6
Governance Strength Testing	To test effectiveness of new governance arrangements	12
Cyber Security*	High risk area - Joint with Sutton	10
Highways Contract	Follow up of previous audit	15
Recruitment Controls*	Joint audit with Sutton reviewing effectiveness and compliance	10
Project Management	Brought forward from 2020/21 - to audit once new project management procedures are embedded	12
SLWP	Annual joint review with Sutton and Merton	10
IT Audits*	To be agreed following the IT Health Check review	20
Licensing Fees and Charges*	Joint audit with Sutton	8
Climate Change**	Joint audit across the 5 Borough partnership	10
Street Lighting	Brought forward from 20/21	12
Income Compensation Claim	To sense check claims prior to submission	10
		211
<b>Adult Services</b>		
Assurance on Public Health Grant	Brought forward from 2020/21	10
Business Continuity	Scenario planning	10
Continuing Care	Brought forward from 2020/21	12
Covid-19 grant certification	Includes Infection Control grant sign off	15

Dementia Care Nursing Home Follow up	To follow up 2020/21 audit review	10
Contract Management / Quality Assurance	Requested by Service. Risks around sustainability of supply	12
Complaint Handling and Continuous Improvement	Identified by Service.	12
		<b>84</b>
<b>Place</b>		
Income	Review of income across planning and building control - brought forward from 2020/21	12
Regeneration	To review regeneration projects	15
Homelessness	Brought forward from 2020/21	12
Commercial Leases	Follow up of previous Limited assurance audit	10
Housing Systems	Brought forward from 2020/21 due to delay in new system	10
Section 106 and CIL	Compliance review to ensure charges are calculated and collected - brought forward from 2020/21	12
		<b>58</b>
<b>Risk Management &amp; Assurance Framework</b>		
Annual Governance Statement	Annual review	20
		<b>20</b>
<b>Other work</b>		
Completion of old year work		40
Advice and Information		16
		<b>56</b>
<b>Proactive &amp; Realtime Auditing</b>		
High Earners	Proactive audit	5
Duplicate Payment Testing	Proactive audit	6
		<b>11</b>
<b>Audit management</b>		
Fraud Management and reactive work		10
Audit Committee and DMT Reporting/ Attendance		25
Audit Planning / Monitoring		15
		<b>50</b>
<b>Follow up and Contingency</b>		
Follow up work		30
Covid-19 support		5
Contingency		12.5
		<b>47.5</b>
Achieving for Children		
		<b>140</b>
<b>TOTAL KINGSTON</b>		<b>697.5</b>

## Achieving for Children Internal Audit Plan 2021/22

<b>Audit Title</b>	<b>Description</b>	<b>Days</b>	<b>Draft Timing</b>
Accounts payable	Key finance system review	12	Q2
General Ledger	Key finance system review	12	Q2
Financial Control	The DfE have questioned Council mechanisms for holding AfC to account on finance. The review will consider governance and accountability – how it is monitored and reported through to the Leadership, Board, and Council. Accountability at each stage will be considered and the identification of a responsible person and progress against projects.	12	Q2/3
DSG Grant	Grant sign off	4	Q2
Adoption Support Grant	Grant sign off	4	Q2
Troubled Families Grant	Grant sign off	10	Q1-4
Use of Procurement Cards and petty cash	Financial control / oversight / compliance	10	Q1
Overtime and Expenses	Financial control / oversight / compliance	12	Q1
Contract Management	Strategic priority – a review of a small number of contracts	15	Q3
Adoption 2018/19 (Substantial)	Area not looked at since it was transferred to 'Adopt London, South'.	12	Q3
Therapies (Education Psychology 2016/17)	Strategic priority - Occupational therapy, speech and language therapy, and physiotherapy	12	Q3
Early Years Compliance checks	Annual review	6	Q1-4
Youth Resilience Service (Not looked at for +5 years)	Strategic priority	12	Q4
Performance Management	Cyclical review - Assessment of process and accuracy of reporting	12	Q4
Safeguarding compliance 2017/18	Compliance review	12	Q4
Transition from Childrens to Adults (2018/19 Advisory)	Strategic priority	12	Q4

Schools	Establishment and Thematic audits. Schools Financial Value Standard assurance process. Attendance at forums / provision of training. Advice & information	81	Q1-4
Contingency / completion of old year work	Ad-hoc work, advice, and information / completion of 2020/21 work	10	Q1
Management	To include: <ul style="list-style-type: none"> <li>• Reporting to and attendance at Audit Committee and Senior Leadership</li> <li>• Fraud management and reactive work</li> <li>• Audit planning, production of the annual audit plan, and annual report and monitoring progress against plans</li> </ul>	20	Q1-4
Total Days		280	