



## Audit Panel

### Report title: Internal Audit Update and Annual Assurance Report 2019/20

**Date:** 30 September 2020

**Key decision:** No.

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Director of Corporate Resources

### Outline and recommendations

This report presents members of the Audit Panel with:

- An update on internal audit activity and an assurance opinion for 2019/20 (Appendix 1)

Members are asked to note the report.

## Summary

### Background

- 1.1. The Council's Head of Internal Audit is required to present regular updates on internal audit activity and an annual assurance report to the Audit Panel. This report informs the Annual Governance Statement (AGS).

### Introduction

- 1.2. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for 2019/20. The opinion is based upon and limited to the work performed during the year.

### Opinion

- 1.3. The opinion of the Director of Corporate Resources on the overall adequacy and effectiveness of the Council's arrangements for governance, risk management and internal control during 2019/20 is **Satisfactory**, for both corporate services and schools.

## Qualifications to the opinion

### 1.4. Qualifications to the opinion are:

- Internal audit resources - vacancies experienced by both the contractor and in-house team impacted the delivery of the audit plan which was reduced by nine audits in year from the original plan;
- Through part of the year, the Head of Internal Audit also had wider finance management responsibilities raising the risk of possible conflicts of interest, for which compensating governance arrangements were adopted; and
- Due to the impact of Covid-19 in March 2020 and the Council's priority to delivery critical frontline services, there was an impact on managing and closing out some of the planned audits in the period, as it affected the availability of audit stakeholders and also led to the redeployment of Internal Audit staff to assist in delivering these services. Four additional audits were cancelled, and assurances for two audits could not be completed as sufficient evidence could not be provided to enable testing of effectiveness. Therefore, it should be noted that our opinion is subject to the identification of issues that could arise from the emergency response to the pandemic.

## Summary of work assurance work completed, from which the opinion is derived

- 1.5. The internal audit plan for 2019-20 initially had 69 assignments (45 corporate and 24 schools reviews), including follow-up reviews. By the end of the year, the corporate plan had reduced to 56 pieces of work (32 corporate & 24 Schools). Nine of these changes were reported to the Audit Panel during the course of the year.

## Issues relating to the Annual Governance Statement

- 1.6. From the recommendations made in 2019/20, the common or more significant areas noted for improvement were: procedures, compliance, governance and reconciliations. In addition; for the AGS the risks in respect of accounts receivable and client contributions towards residential and domiciliary care remain areas of focus for improvement.

## Statement of compliance with the PSIAS

- 1.7. The annual self-assessment of the compliance to the PSIAS, confirms that the service continues to meet the standards. However, the Head of Internal Audit has acted as the Council's s151 officer during the period. Compensating controls were put in place, and an independent Head of Internal Audit has been seconded from PricewaterhouseCoopers to address the potential conflict until an employee can be recruited.

## Quality Improvement Plan (QIP) for Internal Audit

- 1.8. The team will continue to build testing programmes on the audit management software.

## Anti-Fraud and Corruption Team (AFACT)

- 1.9. The AFACT team's work in 2019/20 focused on the risks of housing and contract fraud as well as supporting recruitment checks. The team has also concluded a number of employee-related investigations.

## Risk Management

- 1.10. The risk management strategy (adopted by the Audit Panel in 2017/18) remains current and is due for review/refresh in 2020. The reporting of risk is aligned from service plans, through Directorate risk registers, to the Strategic risk register. Risks are aligned to the corporate priorities. Risks were reviewed quarterly by the Executive Management Team and Internal Control Board. Their reporting to members has been reviewed as part of a whole revamp of performance reporting aligned to the new corporate strategy and reporting to the Audit Panel will commence in 2020. Risks registers are also reviewed by internal audit to inform their plans.

## Other sources of assurance

- 1.11. During 2019/20, the Council gained independent assurance from other sources including: Ofsted children's services review (Requires Improvement), CQC enablement service inspection and legal services accreditation to professional standards.

## Role of the Head of Internal Audit

- 1.12. The annual review of the Head of Internal Audit concluded that all of the above principles were met.
- 1.13. Separately the Redmond review available at ([https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/916217/Redmond\\_Review.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916217/Redmond_Review.pdf)) has recently been published with recommendations to improve the working between external and internal audit. Officers will consider the recommendations and produce a summary for the next Audit Panel meeting.
- 1.14. Officers are also mindful that, with the focus on critical services in response to the Covid pandemic, the work to progress the agreed revision of the terms of reference for the Panel in the Constitution and for it to become an Audit Committee in line with recommended CIPFA good practice has been paused. Officers, working with colleagues in legal services, will look to progress this as soon as possible as the Council recovers to business as usual.

## 2. Recommendations

- 2.1. It is recommended that the Audit Panel note the content of **Appendix 1** to this report.

## 3. Financial implications

- 3.1. There are no financial implications arising directly from this report

## 4. Legal implications

- 4.1. There are no legal implications arising directly from this report

## 5. Equalities implications

5.1. There are no equalities implications arising directly from this report

## 6. Climate change and environmental implications

6.1. There are no climate change or environmental implications arising directly from this report

## 7. Crime and disorder implications

7.1. There are no crime and disorder implications arising directly from this report

## 8. Health and wellbeing implications

8.1. There are no health and wellbeing implications arising directly from this report

## 9. Background papers

9.1. There are no background papers.

## 10. Glossary

Term	Definition
Assurance Opinion	An independent assessment on the controls in place.
Recommendation	A suggestion made by internal audit on how to improve controls.
Management Action	The actions that management have agreed to do to implement the recommendation made by internal audit.
Control	A process that is in place to prevent or reduce the risk from occurring.

## 11. Report author and contact

11.1. If there are any queries on this report, please contact: David Austin, Director of Corporate Resources, on 020 8314 9114, or email them at: david.austin@lewisham.gov.uk