

London Borough of Hammersmith & Fulham

Report to: Audit and Pensions Committee

Date: 15/09/2020

Subject: Internal Audit Plan 2020/21

Report of: David Hughes, Director for Audit, Fraud, Risk and Insurance

Responsible Director: Director for Audit, Fraud, Risk and Insurance

Summary

The first draft of the Internal Audit Plan was circulated to the Senior Leadership Team prior to consideration at the Audit and Pensions Committee which was due to be held in March 2020 but was cancelled due to the Covid-19 pandemic. As a result of the Council's need to focus their resources on responding to the pandemic, the Internal Audit Service took the decision not to commence any new work during April to June unless it was specifically agreed with the service. This slight delay has provided us with an opportunity to review the plan and to consider changes in risks and personnel and re-engage with the Senior Managers at the Council. The Plan is flexible to allow for change where areas of higher priority are identified, whilst ensuring that sufficient internal audit coverage is provided to enable the Director of Internal Audit, Fraud, Risk and Insurance to provide the Council with an opinion at the end of the year on the adequacy of the Council's internal control, risk management and governance arrangements. The Audit Plan for 2020/21 is contained in Appendix 1 to this report.

Recommendation

For the Committee to review the Internal Audit Plan for 2020/21 as set out in Appendix 1 and consider:

- Does the Plan cover the organisation's key risks as they are recognised by the members of the Committee?
- Does the plan reflect the areas that the Committee believe should be covered as priority?
- Are the Committee satisfied that sufficient assurances are being received to monitor the organisation's risk profile effectively, including any emerging issues / key risks not included in our annual Plan?

Wards Affected: None

H&F Values

Please state how the subject of the report relates to our values – delete those values which are not appropriate

Our Values	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none">• Building shared prosperity• Creating a compassionate council• Doing things with local residents, not to them• Being ruthlessly financially efficient• Taking pride in H&F• Rising to the challenge of the climate and ecological emergency	<p>The Director for Audit, Fraud, Risk and Insurance is required to develop and implement an programme of work to enable an annual report and opinion to be prepared on the Council's system of internal control.</p> <p>The Audit Plan takes into account the risks of achieving the Council's Values and is devised in consultation with the Strategic Leadership Team.</p>

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Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

- 1.1. The Council's internal audit function is provided by the Shared Internal Audit Service. Internal Audit is required to provide the S151 Officer, the Strategic Leadership Team and the Audit and Pensions Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. This opinion is predominantly based on the outcomes from the audit work undertaken each year.
- 1.2. The Audit and Pensions Committee are provided with updates at each meeting on all limited and no assurance audits issued in the period.

1.3. A description of each level of assurance is shown below:

Assurance Level	Details
Substantial assurance	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and no significant errors or weaknesses were found.
Satisfactory assurance	While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited assurance	Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No assurance	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

- 1.4. The Internal Audit Plan for 2020/21 is attached as Appendix 1 to this report and identifies the key areas within the Council where we expect to utilise our resources during 2020/21. The content of the Plan is informed by the Council's key priorities, significant emerging and current risks as identified in the Council's Risk Registers (as set out in the appendix) as well as changes made to Council systems, structures and service delivery. Areas of high risk have been identified and included in the Plan as well as cyclical and thematic reviews in areas of lower financial risk (e.g. schools).
- 1.5. Further discussions with management will take place to scope out individual audits identified for completion during the year. The Plan is flexible to allow for change where areas of higher priority are identified whilst ensuring that sufficient internal audit coverage is provided to enable the Director for Internal Audit, Fraud, Risk and Insurance to provide the Council with an opinion at the end of the year on the adequacy of the Council's internal control, risk management and governance arrangements.
- 1.6. In addition, areas of fraud risk have been identified and evaluated by the Corporate Anti-Fraud Service and this information will be used to inform and focus the scope of some of the planned audits as well as identifying areas where pro-active exercises and data analytics can provide additional assurance that fraud risks are effectively managed.

Legal Implications

- 1.7. Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:
- a. facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - b. ensures that the financial and operational management of the authority is effective; and,

c. includes effective arrangements for the management of risk.

- 1.8. Regulation 5 requires the Council to ensure that it undertakes 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.

There are no particular legal implications arising from this report.

Implications verified by Janette Mullins Chief Solicitor (litigation), tel: 020 8753 2744

Financial Implications

- 1.9 The Internal Audit Plan is delivered within the revenue budget for the service. Actions required as a result of audit work, and any associated costs, are the responsibility of the service managers and directors responsible for the areas which are reviewed.

The proposals contained in this paper have no additional resource implications for the audit service.

Implications completed by Andre Mark, Finance Business Partner, 020 8753 6729 and verified by Emily Hill, Director of Finance, 0208 753 3145.

Risk Management

- 1.10 The Internal Audit Plan is developed and delivered to cover the key risks faced by the Council, to provide assurance on the key controls in operation and the effective management of key risks.

Implications verified by Michael Sloniowski, Risk Manager, telephone 020 8753 2587

List of Appendices:

Appendix 1 – Internal Audit Plan 2020/21