


Non-Executive Report of the: Audit Committee 21 July 2020	
Report of: Asmat Hussain, Corporate Director, Governance and Monitoring Officer	Classification: Open (Unrestricted)
Internal Audit and Anti-Fraud Annual Plan 2020/21	

Originating Officer(s)	Paul Rock
Wards affected	(All Wards);

Executive Summary

The following report presents the draft annual Internal Audit and Anti-Fraud Plan for 2020/21 for the Audit Committee's review.

Recommendations:

The Audit Committee is recommended to:

1. Approve the draft Internal Audit and Anti-Fraud plan for 2020/21.

1. REASONS FOR THE DECISIONS

- 1.1 The Accounts and Audit Regulations 2015 state that a relevant authority must ensure that it has a sound system of internal control which:
 - facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - ensures that the financial and operational management of the authority is effective; and
 - includes effective arrangements for the management of risk.
- 1.2 The Audit Committee has responsibility for oversight of the arrangements for governance, risk management and control and this report assists the Committee in discharging its responsibilities.

2. ALTERNATIVE OPTIONS

- 2.1 None.

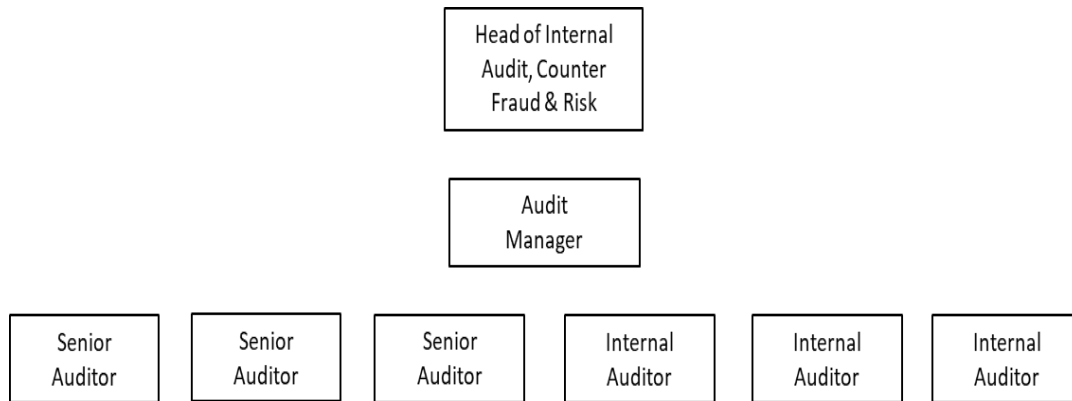
3. DETAILS OF THE REPORT

Internal Audit and Anti-Fraud Plan 2020/21

- 3.1 The Public Sector Internal Audit Standards require the Head of Internal Audit to establish a risk-based plan that sets out the priorities of the internal audit activity which should be consistent with the Council's strategies and outcomes.
- 3.2 Preparation of the plan began in January 2020 and continued through to early March when it was presented to CLT for their agreement. In preparing the plan we:
- Consulted with Corporate and Divisional Directors and the Chief Executive to understand the Council's current strategies, key business objectives, the associated risks and assurance requirements.
 - Considered the Council's risk maturity and reviewed the Directorate and Corporate Risk Registers.
 - Considered national and local risks through research and discussion with peers.
 - Considered the outcomes of our previous internal audit and anti-fraud activity.
 - Reviewed and updated our audit universe (a record of all auditable activities).
 - Considered what other assurance providers (if any) will be inspecting the Council in the coming year and whether we can place reliance on their work.
- 3.3 Subsequent to the plan being agreed with CLT the pandemic occurred. As agreed at the May 2020 Audit Committee we have since spoken with the majority of Divisional Directors. We have discussed new and emerging risks that may have materialised as a result of the current crisis, as well as any changes to the strategic focus and day to day operations of the Council that need to be considered.
- 3.4 The revised plan is presented at Appendix A for the Audit Committee's review and agreement.

Resourcing

- 3.5 The Head of Internal Audit is required to assess the Internal audit resources which must be appropriate (a good mix of knowledge, skills and competencies) sufficient (in quantity) and effectively deployed to achieve the agreed annual internal audit plan.
- 3.6 The current structure of the internal audit team is shown below.



- 3.7 The team is comprised of a mix of experienced and professionally qualified accountants/auditors. The team maintains its professional competency through a programme of continuous professional development.
- 3.8 As the Audit Committee has been previously informed the service is carrying three vacancies, 2 auditors and 1 senior auditor. We attempted to recruit to the auditor vacancies in January 2020 but didn't secure sufficient quantity or quality of candidates. We have not attempted to recruit during the pandemic.
- 3.9 The Audit function is co-sourced through a contract with BDO, a professional accountancy and consultancy firm.
- 3.10 Taking into account the current level of internal resources, the contract with BDO and the time left in 2020/21 we have calculated a provision of approximately 965 days of internal audit activity. The plan at Appendix A sets out 1015 days of internal audit activity (including audit work for Tower Hamlets Homes and small additional provisions for management requests). On this basis the plan is deliverable (it is not unusual for some audits to be deferred or cancelled) but it has meant that the plan has been reduced to match current resourcing.
- 3.11 The Anti-Fraud Team is currently at full strength, bar one agency vacancy, and on this basis the anti-fraud elements of the plan are deliverable.
- 3.12 We are exploring recruitment options as well as increasing the value of our contract with BDO offsetting the costs against salary savings. When we can increase resources, we will be able to undertake additional audit activity and will revise the plan accordingly. Any amendments to the plan will be reported to the Audit Committee.

Recommendation

- 3.13 The Audit Committee to **approve** the 2020/21 Internal Audit and Anti-Fraud Plan.

4. EQUALITIES IMPLICATIONS

4.1 There are no specific statutory implications.

5. OTHER STATUTORY IMPLICATIONS

5.1 Other than the Accounts and Audit Regulations 2015 there are no other statutory implications.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 Other than the requirements on the authority and responsible financial officer set out in the Accounts and Audit Regulations 2015, there are no significant financial implications.

7. COMMENTS OF LEGAL SERVICES

7.1 This report is compliant with the Council's legal duties in respect of risk and internal audit. It also demonstrates compliance with the Corporate Director Resources' statutory duties under s.151 of the Local Government Act 1972.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix A Draft Internal Audit and Anti Fraud Plan for 2020/21

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report

- NONE

Officer contact details for documents:

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