

AUDIT AND ASSURANCE COMMITTEE

Meeting date: 29 July 2020

From: Group Audit Manager

DRAFT INTERNAL AUDIT PLAN 2020/21

1.0 EXECUTIVE SUMMARY

- 1.1 ***The draft audit plan has been prepared in consultation with senior management and conforms to the Public Sector Internal Audit Standards (PSIAS). The original audit plan for 2020/21 was produced in March 2020. It has been re-assessed with senior management and a number of changes have been made which are outlined in this report.***
- 1.2 ***The audit plan is closely aligned with the Council's corporate and service level risk registers and contains an appendix setting out how assurance is to be provided against corporate risks.***
- 1.3 ***Due to the impact of COVID-19 the overall planned Internal Audit coverage for 2020/21 in terms of number of reviews will be lower than in a normal year. However, it is likely to be consistent with the number of audit reviews delivered in 2019/20 and is considered adequate in terms of number and coverage to provide an annual audit opinion for 2020/21 as required under the PSIAS.***
- 1.4 ***There is no additional capacity in the plan to respond to new risks arising during the year. However, we had already agreed with senior management that we would introduce a mid-year review of the audit plan to ensure that it remained current. The audit plan will need to remain fluid this year in light of the current COVID-19 outbreak and the potential for a second wave.***
- 1.5 ***The plan also includes 55 days where we have re-deployed Internal Audit staff to provided wider administrative support to the Council.***
- 1.6 ***The internal audit charter has been updated with only minor changes.***

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

2.1 *Internal Audit provides assurance to management, and the Audit and Assurance Committee, on the arrangements for governance, risk management and internal controls in support of the delivery of the Council's priorities as set out in the Council Plan.*

3.0 RECOMMENDATION

3.1 *The Audit and Assurance Committee is asked to approve the draft audit plan for 2020/21 and the audit charter.*

4.0 BACKGROUND

4.1 The approach to preparing the original audit plan for 2020/21 was based around:

- Review of the Council's corporate, directorate and service risk registers
- Consultation with senior management
- Consideration of emerging issues and risks nationally, regionally and locally
- Issues discussed at Cabinet and the Audit and Assurance Committee.

4.2 The original audit plan was due to be presented to the March 2020 Audit and Assurance Committee meeting. However, this meeting was cancelled because of the COVID-19 outbreak and although the papers for the meeting were published this meant that the Committee did not have the opportunity, as usual, to consider the draft internal audit plan for 2020/21. COVID-19 has had a significant impact on how the Council operates with different services impacted in different ways. During lockdown we continued, where possible, to progress work from the 2019/20 audit plan. However, as we had not commenced any new work from the original draft 2020/21 audit plan, the need to consider any changes to risks, new risks, and the changing environment in which we are now working, we have worked with senior management to re-assess our 2020/21 audit plan and made a number of changes from the original plan.

4.3 The audit plan remains closely aligned with the Council's corporate, directorate and service level risk registers. On a quarterly basis the Audit and Assurance Committee sees the corporate risk register which documents the key risks facing the Council and controls and other assurances in place to mitigate these risks. Appendix 2 in the audit plan summarises these risks, controls and other assurances and sets out how the internal audit assurance is to be provided against corporate risks. The plan also includes provision for closer working with risk management colleagues to inform our broader opinion on risk management arrangements.

- 4.4 As outlined above there have been a number of changes made the original audit plan produced for the March 2020 meeting. These changes include:
- removal of some audit reviews where the risk may have reduced, where it would not add to the annual Head of Internal Audit Opinion, or where it makes sense to defer reviews because the area is still dealing with the impact of COVID-19
 - addition of some audit reviews for 2019/20 where the work had commenced and was planned to be substantially complete by 31 March 2020 but was delayed by several factors including COVID-19
 - addition of some new audit reviews or additional time to address issues as a result of COVID-19
 - addition of some areas of work where the Internal Audit team has provided wider support to the Council.

To make it easier to see the changes they have been summarised below.

- 4.5 Audit reviews removed from the original draft audit plan for 2020/21 include:
- **Consultancy / VFM style reviews** – this was time in the plan to undertake two larger consultancy / VFM style reviews. However, there is a need to focus on assurance work to be able to deliver the HoIA opinion in May 2021.
 - **Review of occupancy rates in Cumbria Care residential homes** – in the light of COVID-19 keeping staff and residents safe has been the key consideration rather than occupancy rates and therefore undertaking this review now would be of limited value.
 - **HR recruitment procedures** – this was compliance work but recruitment (other than agency staff) has reduced during the COVID-19 outbreak and return to 'normal' levels of recruitment will be better considered later in the year to assess the inclusion of the review in the 2021/22 audit plan. This was compliance work rather than assurance work for the Head of Internal Audit opinion.
 - **Integrated Adults System (IAS)** - given the 'Controcc' system was given substantial assurance in 2019/20 this was the next step in terms of looking at a key feeder system. As this work on IAS was additional to our normal financial systems work we have deferred until next year.
 - **Schools audits** - given the current challenges faced by schools in terms of COVID-19 we have reduced the number of school audits from 5 to 3 in 2020/21.
 - **Reablement / Homecare - Shift based Commissioning** – this review was carried forward from the 2018/19 audit plan. The reablement service has improved since 2018/19 which means that this is less of a priority for an audit review.
 - **Vehicle Utilisation** – the data is from the 'Masternaut' system but it is on a 365 day rolling basis. Given that COVID-19 impacted the highways fleet usage in April / May 2020 and how can be used going forward with 'Social distancing' there is limited value in undertaking this review now.

- 4.6 Audit reviews added where work from 2019/20 that had commenced but was delayed by several factors including the impact of COVID-19:
- Pensions
 - Section 106 Contributions
 - Personal Budgets
 - Decision making within the Council
 - Children with Additional needs - Follow up
 - ICT Projects - Follow up
- 4.7 One audit review added which was new and we have also included time to address issues arising as a result of COVID-19:
- Community Development Centres
 - Issues as a result of COVID-19
- 4.8 Areas of work where the Internal Audit team has provided additional wider support to the Council:
- Multi-Agency Information Cell (MAIC) – admin support
 - Annual Governance Statement – admin support
 - Representing Finance Directorate on Silver Command during COVID-19 outbreak

Before redeploying Internal Audit resources to these areas we considered the potential impact on Internal Audit independence. This work was administrative support and not decision making roles and, as Group Audit Manager, I am satisfied that this does not conflict with the independence of the audit function and our ability to assess operational activities.

- 4.9 Although we have removed the 50 days for non-specified consultancy work the audit plan still includes 35 days for general consultancy / support and advice work.
- 4.10 Due to the impact of COVID-19 the overall planned Internal Audit coverage for 2020/21 in terms of number of reviews will be lower than in a normal year. However, it is likely to be consistent with the number of audit reviews delivered in 2019/20 and is considered adequate in terms of number and coverage to provide an annual audit opinion for 2020/21.
- 4.11 There is no additional capacity in the plan to respond to new risks arising during the year. However, before the COVID-19 outbreak we had already agreed with senior management that we would introduce a mid-year review of the audit plan to ensure that it remained current. The changes outlined in this report reflect that the audit plan will need to remain fluid this year in light of the current COVID-19 outbreak and the potential for a second wave. In line with the PSIAS, and in accordance with the Internal Audit Charter, should new risks emerge during the year, the Group Audit Manager will seek approval for amendments to ensure the plan continues to reflect the Council's significant risks.

- 4.12 Internal Audit will continue to follow up all audits resulting in 'Partial' or 'Limited' assurance. However, in 2019/20 we revised our approach. Directorates are responsible for monitoring the implementation of audit recommendations. Therefore, rather than following up all recommendations we will focus on high priority recommendations and a sample of medium priority recommendations.
- 4.13 The internal audit charter has been updated and is included as an appendix to the audit plan for re-approval by the Audit and Assurance Committee. There are only minor changes to the Charter from 2019/20.

5.0 OPTIONS

- 5.1 The Audit and Assurance Committee may approve the audit plan as it is drafted, or may approve the plan subject to officers' consideration of proposed changes.

6.0 CONCLUSION

- 6.1 The audit plan represents the most effective use of Internal Audit resources, in light of the current position, to provide management and the Audit and Assurance Committee with assurance over the arrangements for governance, risk management and internal control in line with the Accounts and Audit Regulations 2015.
- 6.2 The plan is fully risk based in line with the requirements of the Public Sector Internal Audit Standards (PSIAS).
- 6.3 The Internal audit charter has been produced in line with the PSIAS and reflects the arrangements set out in the Standards for internal audit's role, purpose and authority.

Richard McGahon
Group Audit Manager

July 2020

APPENDICES

Appendix 1: Draft Internal Audit Plan 2020/21
Appendix 2: Audit Charter 2020/21

IMPLICATIONS

Staffing: none
Financial: none
Property: none
Electoral Division(s): none

| | | | |
|---|--------------------------|--------------------------|-----|
| Executive Decision | <input type="checkbox"/> | <input type="checkbox"/> | No |
| Key Decision | <input type="checkbox"/> | <input type="checkbox"/> | No |
| If a Key Decision, is the proposal published in the current Forward Plan? | <input type="checkbox"/> | <input type="checkbox"/> | N/A |
| Is the decision exempt from call-in on grounds of urgency? | <input type="checkbox"/> | <input type="checkbox"/> | No |
| If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained? | <input type="checkbox"/> | <input type="checkbox"/> | N/A |
| Has this matter been considered by Overview and Scrutiny? If so, give details below. | <input type="checkbox"/> | <input type="checkbox"/> | No |

N.B. If an executive decision is made, then a decision cannot be implemented until the expiry of the eighth working day after the date of the meeting – unless the decision is urgent and exempt from call-in and the Head of Member Services and Scrutiny has obtained the necessary approvals.

PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS ***[including Local Committees]***

No previous relevant decisions.

CONSIDERATION BY OVERVIEW AND SCRUTINY

Not considered by Overview and Scrutiny.

BACKGROUND PAPERS

No background papers.

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