

## Internal Audit Plan 2020/21

<b>Corporate Priority:</b>	N/A
<b>Relevant Ward Member(s):</b>	N/A
<b>Date of consultation with Ward Member(s):</b>	N/A
<b>Exempt Information:</b>	No

### 1 Summary

- 1.1 This report provides Members with a copy of the updated draft Internal Audit Plan for 2020/21 for review and formal approval, in line with the requirements of the Public Sector Internal Audit Standards. The Plan has been reviewed and amended in light of the changing risk environment during the financial year to date.

### 2 Recommendations

**That the Committee:**

- 2.1 review and approve the revised Internal Audit Plan coverage for 2020/21;
- 2.2 delegate authority to the Director for Corporate Services, in consultation with the Chair of the Audit and Standards Committee, to agree amendments to the Plan during the financial year, if required.

### 3 Reason for Recommendations

- 3.1 To determine the assignments to be delivered by Internal Audit during the 2020/21 financial year, in line with the Public Sector Internal Audit Standards.

## **4 Background**

4.1 The approach to development of the Audit Plan was approved by the Audit and Standards Committee in November 2019. In order to ensure that the Audit Plan for 2020/21 addressed the Council's key risks and adds value, the Head of Internal Audit identified and prioritised the areas for coverage by:

- Reviewing the Council's Risk Registers and Corporate Strategy;
- Analysing coverage of Internal Audit reviews over the last four years and the assurance opinions provided following each review, to identify any assurance gaps or areas where follow up work would be of value;
- Identifying any other sources of assurance for each of the Council's key risks, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
- Identifying any areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last four years;
- Discussion and consultation at the Audit and Standards Committee in November 2019 on the planning process and areas where Members require assurances from Internal Audit during 2020/21. Members were invited to refer potential risk areas for coverage to the Head of Internal Audit; and
- Meetings with members of Senior Leadership Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

4.2 The process has also incorporated consideration of potential audits which can be undertaken by drawing upon similar emerging themes from the Councils across the LGSS client base.

4.3 Following this consultation and review, a draft Internal Audit Plan was compiled in readiness for approval at the meeting of the Audit and Standards Committee in March 2020. This allocated the total 180 audit delivery days across the planned assignments. However, when the Council was required to respond to the Covid-19 pandemic in March 2020, it was agreed with the s151 Officer and the Chair of the Audit and Standards Committee that Internal Audit would cease work on planned audit assignments and provide pro-active support to service areas, where this would add value. The planned meeting of the Audit & Standard Committee was also cancelled.

## **5 Main Considerations**

5.1 During the first quarter of the financial year, the Head of Internal Audit was in contact with the s151 Officer and the Chair of the Audit & Standards Committee. Where it has been possible to conduct audit assignments from the draft plan these have commenced in recent months – but only where the audit would not cause disruption to services engaged in the Covid-19 response and where the audit was considered to remain relevant under the changed risk environment. This has included, for example, an audit on rent arrears which continues to be an area of priority due to potential financial losses and all testing could be conducted remotely. In addition, the Internal Audit team have supported the

Council pro-actively in providing independent review and assurance over new and heightened risks.

5.2 The additional work completed during quarters one and two included a weekly review of all Council expenditure and new orders raised (based on 'reasonableness'); a monthly review of additional payroll payments; and an ongoing review of decision logs. Information has also been gathered in relation to decisions on contract extensions and changes to key financial controls, in order to inform this ongoing review. This has resulted in weekly reports to the s151 Officer highlighting any areas for further investigation and providing assurance over compliance with expected controls.

5.3 Specific support has also been provided in relation to fraud risk assessments and post payment checks on the business grants. The Internal Audit team have assisted with uploading and reviewing business grants data on the Cabinet Office's National Fraud Initiative (NFI) data matching systems.

5.4 At this point, the Audit & Standards Committee are asked to approve the schedule of work that will be delivered by Internal Audit over the remainder of this financial year, a copy of the proposed plan is provided at Appendix C. This must be funded by the annual audit day allocations and will need to account for the days delivered to date on pro-active support.

#### 5.5 **Planned audits to retain on the plan**

The audit assignments in Appendix A were included in the audit plan which was due to be presented to the Audit & Standards Committee in March 2020 and was subsequently approved under delegated authority following consultation with members of the committee. It is proposed that these audits be retained within the plan and the basis for this is summarised within the table. These total 125 days.

#### 5.6 **Additional work delivered in year to date**

The audit assignments in Appendix B were delivered by Internal Audit during quarter one in response to the changing risk environment and needs of the Council. These days were incurred with the agreement of the s151 Officer and following consultation with the Chair of the Audit & Standards Committee. These are estimated to require 47 days across the full year.

5.7 In April 2020 it was agreed that Internal Audit would conduct weekly reviews of all Council spend, orders and monthly payroll data. These were to consider the 'reasonableness' of spend and highlight any areas for further investigation by management. Findings of these reviews have been shared with the s151 officer each week. A review has also been conducted on governance and decision making records, where associated with this spend, and has included an assessment against National Audit Office (NAO) guidance.

5.8 The Internal Audit team's support was also requested in August 2020 in relation to the Council's cemetery. Some pro-active support and advice is being provide in this area.

#### 5.9 **Plans for remaining days**

Based on the proposals in Appendix A and B, there would be 5 audit delivery days remaining for 2020/21. The use of these days needs to take account of the revised risk environment and how Internal Audit can best add value during the remainder of this financial year. It is proposed that these days be retained as contingency to enable the audit team to respond to requests for additional, pro-active work, as required.

## **6 Options Considered**

- 6.1 The Committee may suggest alternative coverage for Internal Audit. Any additional work would require other planned work to be cancelled to enable all assignments to be delivered within the budgeted days.

## **7 Consultation**

- 7.1 The Council's Senior Leadership Team and the Chair of the Audit and Standards Committee have been consulted in the revision of the audit plan.

## **8 Next Steps – Implementation and Communication**

- 8.1 The approved audit plan will form the schedule of work to be delivered by the Internal Audit service. The outcomes of the audit assignments will be reported to the Audit and Standards Committee during the financial year, as they are finalised.

## **9 Financial Implications**

- 9.1 There are no financial or other resource implications arising directly from this report. The proposed audit plan will be delivered within the number of days commissioned by the Council each year.

**Financial Implications reviewed by: Director for Corporate Services**

## **10 Legal and Governance Implications**

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

**Legal Implications reviewed by: Director for Governance and Regulatory Services**

## **11 Equality and Safeguarding Implications**

- 11.1 There are no equalities or safeguarding implications arising directly from this report.

## **12 Community Safety Implications**

- 12.1 There are no community safety implications arising directly from this report.

## **13 Environmental and Climate Change Implications**

- 13.1 There are no environmental and climate change implications arising directly from this report.

## **14 Other Implications (where significant)**

- 14.1 There are no other implications arising directly from this report.

## **15 Risk & Mitigation**

- 15.1 If Internal Audit does not deliver a risk based Audit Plan with appropriate coverage of key risk areas the assurance that it can provide about the Council's control framework would be compromised.

## **16 Background Papers**

- 16.1 Not applicable.

## **17 Appendices**

- 17.1 Appendix A: Audits to retain on the Audit Plan
- 17.2 Appendix B: Additional work delivered by Internal Audit
- 17.3 Appendix C: Draft Audit Plan 2020/21

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