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BRISTOL INTERNAL AUDIT

INTERNAL AUDIT:2020/21 ANNUAL PLAN

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1. Context

- 1.1 In March 2020, senior management and the Audit Committee considered and agreed the Draft Audit Plan for the year 2020/21.
- 1.2 However, the progression of the 2020/21 audit plan has been significantly affected by the emergence of the Novel coronavirus (Covid-19) outbreak which presents a health and economic threat that is disrupting businesses and markets, slowing productivity, and generating huge public-health expenditures. In response, organisations, including the Council, are dealing with a set of new challenges which demand rapid responses and brings a new risk landscape to the Council both now and moving forward.
- 1.3 The purpose of this report is to present the revised and final internal audit plan for 2020/21 which takes into account the known impacts of the Covid-19 outbreak and reflects the emerging risks the Council faces. **Given the uncertainty of the pandemic duration, it is anticipated that risks will continue to evolve at pace during this period and to ensure the audit plan remains relevant throughout the year, Internal Audit will maintain a rolling plan going forward which will be formally reviewed quarterly.**

2. Internal Audit Approach During the Emergency

- 2.1 During a crisis, internal audit has an important contribution to provide critical assurance, advise management on shifting risk, governance and internal control landscapes and help anticipate risks. It is not internal audit's role to manage the risk but help management weigh risks and opportunities to inform their decisions as they juggle the dual imperative of crisis response and operational continuity.
- 2.2 Due to the nature of its role, internal audit is expected to continue operating throughout the period of the crisis and emergency measures. However, at these times of reduced management and organisational bandwidth, it is imperative that internal audit assurance activities do not disrupt critical operational areas as the pandemic is causing huge impact on people's lives, families and communities.
- 2.3 Full details of the Internal Audit approach during this pandemic will be provided in later reports but in brief, Internal Audit has adopted an approach that includes the following:
 - The Internal Audit and Counter Fraud Plans for 2020/21 were largely suspended to give management and business units breathing space to deal with the crisis. All but back office elements of investigative work have been suspended for health and safety reasons and appropriateness of timing during a national emergency.
 - Planned work has only continued for:
 - Time critical activities required to deliver key priorities during quarter 1.
 - Areas where business as usual has continued during the crisis
 - Completion of key activities that support the Internal Audit Annual Report and Annual Governance Statement.
 - Audit Team development activity has been brought forward where it could be completed with minimal impact on the rest of the organisation. Primarily the project to implement the audit management software has progressed at pace during quarter 1.
 - Supporting the Council in its emergency response by:
 - Redeploying team members to support key services as they tackle the crisis
 - Supporting Council services in developing operational protocols and frameworks appropriate for the new emergency environment.
 - Completion of both pre and post payment fraud checks for the significant volume and value of business support grants administered by the Council.

3. Resourcing Impacts and Assumptions

- 3.1 Like the wider Council, the team is starting to prepare for its return to business as usual. However, at this time, the following planning assumptions have been made going forward:
- Current measures and approaches will continue until the end of June 2020
 - Resource lost during quarter 1 for delivery of the audit and counter fraud plans will amount to approximately 344 days:
 - Staff redeployment (174 days)
 - Staff unable to work due to care responsibilities (112 days)
 - Delay in planned recruitment (35 days)
 - Sickness (23 days)
 - Use of interim resource was suspended during quarter 1.
 - Vacancies on the audit team planned for recruitment in the second half of the year will be filled at the end of June utilising fixed term contracts until year end. This will ensure flexibility to ensure team resources can be reviewed against need once 'new normal' operations have settled. Recruitment of two fixed term audit professionals is currently underway.
 - Interim audit resource will also be used to support the plan in the shorter term.
 - Recruitment to a Data Analyst role and an Intelligence Officer role originally planned for early in quarter 1 will now be filled effective by the end of July.
 - The work to bring on board an Internal Audit Strategic Partner will commence towards the end of quarter 1.
- 3.2 In total, the above assumptions will see the Internal Audit and Counterfraud resource reduce from that originally planned by approximately 660 days. However, significant areas of work not planned prior to the pandemic have been completed. The need for this will continue through and beyond quarter 1.
- 3.3 The Q4 Corporate Risk Report has also identified a number of increasing or new risks that require consideration for audit review.

4. Plan amendments

- 4.1 The revised 2020/21 internal audit plan is attached at Appendix 1.

Assurance Plan Amendments:

- 4.2 The assurance plan has been reviewed to:
- include new assurances required regarding the Council's approach to the emergency response or newly emerging risks for the council
 - remove areas not essential to the delivery of the annual audit opinion (mainly the consultancy section of the plan)
 - remove areas where the pandemic response impact is likely to have significantly affected delivery of business as usual objectives
 - amend the coverage of areas which still require review but potentially to a different extent than that originally planned given the impact of Covid-19.
- 4.3 The proposed Amendments to the plan are detailed below.
- **Additions to the Plan**
 - Financial Sustainability
 - Strategic Planning
 - Care Homes – Supplier Resilience
 - Covid19 Response Arrangements Assurance Review
 - Covid-19 Response Advice – Policy and Procedure Amendments

- **Deletions from the Plan**
 - *Governance:*
 - Ethical Framework.
 - Business Continuity.
 - *Risk Management*
 - Homelessness
 - Health and Safety
 - *Financial Control and Value for Money*
 - Car Parking Income
 - Housing Rent Collection
 - Accounts receivable
 - Care Debt
 - Home to school transport
 - *Information Governance and IT*
 - NHS Toolkit
 - Information Management
 - Azure Environment
 - *Consultancy Programme:*
 - Financial Management Code
 - Community Safety
 - Public Health Assurance Dashboard
 - Accounts Close down
 - Asset Management plan
- **Revised/amended scope:**
 - Reduced Schools programmed coverage
 - Reduced Capital Projects and Programmes coverage
 - Refocused commissioning and procurement reviews

Counter Fraud Plan Amendments:

4.4 The Counter Fraud Plan has been reviewed to include:

- development of a fraud risk assessment relating to the emergency measures being implemented by the Council and working with management to understand and appropriately manage those risks.
- working with the Council's Revenues and Benefits Teams to advise on arrangements for payment of the emergency Business Rate Grant funding and hardship funds.
- completion of pre and post payment fraud checks on the emergency business grants distributed.
- increased fraud testing in accounts payable post emergency.
- increased time for responsive investigation referrals in anticipation that levels of fraud against the Council will increase both during and after the pandemic as economic and financial impact of the crises response is felt across the region.

4.5 Areas removed from the plan include:

- Working with schools and registered housing providers to encourage them to participate in the National Fraud Initiative exercise.
- Fraud testing of housing systems (audit work is planned in this area and will take priority)
- Enhance housing application fraud checking. (Current checking regimes will remain.)

4.6 Revised/amended scope

- Tenancy fraud proactive and investigative work will be completed but quarter 1 of this programme has been significantly impacted. This includes proactive work on multi-storey blocks which will likely be completed later in the year only.
- Work to support the DWP on benefit fraud (and BCC Council Tax Reduction fraud) will be reduced during the first half of the year as the DWP focus on assessment of benefit claims in priority to fraud investigation.

5. Conclusion

- 5.1 This annual audit plan reflects the current assurance requirements of the Council based on the known and emerging risks. However, the current Covid19 pandemic makes the operating environment difficult to predict. It is therefore inevitable that the Council's risk profiles will continue to change as the year progresses so this plan will need to be reviewed regularly.
- 5.2 The Covid-19 has impacted the Council and the City in many different ways so it is important that the organisation, including Internal Audit, find more innovative ways to deliver services effectively and efficiently. In this context, Internal Audit will speed up its development activities around audit automation and increased use of data analytics tool. In addition, Internal Audit will work with colleagues across the Council to understand management assurance arrangements in place as reliance on other sources of assurance is key to the delivery of the Council's overall assurance.
- 5.2 This plan will be reviewed in September 2020.