

Audit Committee

23rd November 2020



Report of: Chief Internal Auditor

Title: Internal Audit Update Report

Ward: N/A

Officer Presenting Report: Simba Muzarurwi, Chief Internal Auditor

Recommendation

The Audit Committee notes the Internal Audit Update Report for the period from July to October 2020.

Summary

The Committee received a comprehensive activity report from Internal Audit at their meeting on 28 September 2020. This report seeks to provide the Committee with a high level update on internal audit activities since the last meeting.

The significant issues in the report are:

- The Covid 19 pandemic has impacted on the overall the delivery of the internal audit service. To enable management to respond effectively to the pandemic, internal audit activities were suspended in Quarter 1 only to resume in July 2020.
- The increasing number of Covid 19 infections in the past weeks has resulted in a second national lockdown. Consequently, the Council continues to face the challenge of responding to the pandemic as well as putting in place recovery measures. The inevitable pressure on operational management and other reasons put the overall delivery of the 2020/21 audit plan at risk. However, mitigating actions are being put in place to ensure that an annual opinion is delivered at the end of the financial year.
- Consistent with our rolling plan approach, the 2020/21 audit plan is currently being reviewed to take into account the continued uncertainty of the pandemic and the ever changing operating environment. This approach will ensure that the planned audit coverage remains reflective of risk and assurance priorities for the remainder of the year.
- The Fraud team continues to support the distribution of government support grants through a programme of pre and post payment fraud checks.
- Satisfactory progress has been made in key development areas such as the implementation of a new audit management software and appointment of a strategic partner.

Policy

1. Audit Committee Terms of Reference.

Consultation

2. **Internal** - None
3. **External** - None

Context

4. The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within the Council that are most at risk of impacting on the Council's ability to achieve its objectives. In addition, the team provide a Counter Fraud Service to the Council to enhance arrangements for the prevention, detection and investigation of fraud.
5. This report provides an update on internal audit matters. The Committee received a comprehensive activity report at its meeting on 28th September 2020 and this report is intended to provide an update on progress and developments since then. The fraud update is covered by a separate report.

Audit Plan Delivery:

6. As reported in September 2020, Covid 19 has had significant effect on provision of the Internal Audit Service during 2020/21. Audit work was suspended through quarter 1 with only critical and statutory assurance work completed. An early review of the Audit Plan was completed in May 2020 with a view to resumption of audit work on 1st July 2020 and quarterly review of the plan to ensure it remains correctly focussed.
7. At this stage and unlike in previous years, Internal Audit has been working on the approved audit plan for only four months. As at 31st October 2020, 33% of the agreed audit plan has been completed to draft report stage or a grant certification provided. This is against a planned target of around 40% at this stage in the year (*adjusted to reflect the proportion of annual leave taken during the summer months*). This includes ongoing key advisory work to support the Recovery Oversight and Coordination Board, Information Governance Board and Information Technology Transformation Board (ITTP) as well as supporting policy developments. During the period under review, 11 grants with a value of approximately £9.2m have been audited and certified.
8. At the time of reporting a number of audits were in progress and this work will be finalised and reported in Quarter 3. Additionally, a small number of audits originally planned for Quarter two are yet to be started or have been deferred to later in the year.
9. Like earlier in the year, the second 'lockdown' will put increased pressure on service delivery which is likely to extend the time audit work takes to complete as services juggle service delivery priorities with audit commitments.

10. Although the implementation of the audit software is a significant development that will improve the team's effectiveness in the long run, it is taking the team longer to fully acquaint themselves to new ways of working so in some ways audit work is progressing more slowly than usual. Additional training and support is being provided to increase efficiency in the use of the system.
11. The challenges faced in the first half of the year are set to persist in the second half so the following actions are being taken to ensure that an annual opinion for 2020/21 is delivered:
 - The process to appoint a strategic partner who will provide both capacity and expertise to support delivery of the audit plan is progressing very well. The expectation is that this will be in place towards the end of Quarter 3.
 - A Group Auditor vacancy has been successfully filled and the recruitment of another Auditor is currently underway.
 - Assurance mapping will be prioritised in Quarters 3 and 4 to maximise the opportunity of relying on other assurance providers which is critical especially in the current environment.
 - The annual audit plan will be reviewed with management and the revised plan will be presented to the Audit Committee in January. This is viewed as appropriate given that the Committee last reviewed the plan in September.

Other Audit Developments:

12. **Management Action Tracking:** The new internal audit software provides the opportunity to automate procedures for monitoring and reporting implementation of agreed management actions. The relevant module enables responsible managers to update progress against implementation of each action for audit staff to evidence and verify during a re-audit of the area before closing that action. This is progressing well and the Audit Committee will receive a report on this in January 2021.
13. **Root Cause Analysis:** To support management in strengthening the Council's governance, risk management and control environment, Internal Audit are advising management in the 'root cause analysis' of the factors contributing to limited assurance opinions over the last four years. A report on this will be brought to the Committee by management in a future meeting.
14. It is recognised that the Council is faced with significant risks arising from the pandemic and Brexit. Internal audit will continue to engage with management regularly to ensure that assurance activities align with the Council's priorities and risks.

Proposal

15. The Audit Committee note the internal audit update.

Other Options Considered

16. N/A

Risk Assessment

17. The work of Internal Audit minimises the risk of failures in the Council's internal control, risk management and governance arrangements, reduces fraud and other losses and increases the potential for prevention and detection of such issues.

Public Sector Equality Duties

18. No equality impact assessment is required for this report. The matters concern internal control, governance and risk management arrangements only.

Legal and Resource Implications

Legal – Not sought

Financial – None arising from this report.

Land/Property – **Not applicable**

Human Resources – **Not applicable**

Appendices:

N/A

Background Papers:

N/A