

AUDIT AND RISK COMMITTEE

15th September 2020

INTERNAL AUDIT PLAN 2020/21

Report of the Head of Internal Audit

Strategic Aim:	All	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr G Brown, Deputy Leader and Portfolio Holder for Planning, Environment, Property and Finance.	
Contact Officer(s):	Rachel Ashley-Caunt, Head of Internal Audit	Tel: 07824 537900 rashley-caunt@rutland.gov.uk
Ward Councillors	N/A	

DECISION RECOMMENDATIONS

1. That Members approve the proposed audit plan allocations for 2020/21.

1 PURPOSE OF THE REPORT

- 1.1 To provide Members with a proposed plan of Internal Audit work for the remainder of the financial year for formal review and approval.

2 BACKGROUND AND MAIN CONSIDERATIONS

Internal Audit Plan

- 2.1 The Internal Audit Plan sets out the assignments that will be delivered by the Internal Audit team during the financial year. In accordance with the Public Sector Internal Audit Standards (PSIAS), the Audit Plan should be risk based and developed with input from senior management and the Audit & Risk Committee.
- 2.2 The process for development of the Audit Plan was approved by the Audit & Risk Committee in February 2020 and a draft plan was prepared for the meeting in April 2020. The plan allocates a total of 260 days for delivery of audit assignments.
- 2.3 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 Risk

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 & Risk Committee was also cancelled.

- 2.3 During the first quarter of the financial year, the Head of Internal Audit has been in contact with the s151 Officer and the Chair of the Audit & Risk 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 direct payment monitoring which continues to be an area of priority due to potential fraud and safeguarding risks 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.
- 2.4 The additional work completed during quarter one 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.
- 2.5 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.
- 2.6 At this point, the Audit & Risk Committee are asked to approve the schedule of work that will be delivered by Internal Audit over the remainder of this financial year. 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.

Planned audits to retain on the audit plan

- 2.4 The audit assignments in Table 1 were included in the draft audit plan which was due to be presented to the Audit & Risk Committee in April 2020. It is proposed that these audits be retained within the plan and the basis for this is summarised within the table. These total 185 days.

Table 1: Audits proposed to remain on plan

Audit	Scope	Days	Proposed days	Reasoning
Contract procedure rule compliance	To provide assurance over compliance with contract procedure rules in the purchasing of goods and services, to prevent	10	10	<ul style="list-style-type: none"> Potential increased risks due to changes in roles and working arrangements in quarter one; and

Audit	Scope	Days	Proposed days	Reasoning
	fraud/corruption and secure value for money.			<ul style="list-style-type: none"> Annual source of assurance for audit opinion.
Fraud risk register	To provide assurance over the effective management of the Council's fraud risks, including the robustness of the Fraud Risk Register. The review will include selecting a sample of areas from the register and assessing whether controls noted are working as intended and appropriate actions are being taken.	10	10	<ul style="list-style-type: none"> Potential increased risks due to changes in roles and working arrangements in quarter one; and Annual source of assurance for audit opinion.
Key financial controls	To provide assurance over the design and compliance with key controls across the Council's key financial systems – cyclical basis. For 2020/21 to cover: Debtors; Main accounting system; and Benefits.	43	43	<ul style="list-style-type: none"> Annual, cyclical audit testing; Informs annual audit opinion; and Financial controls support management of key risks.
Highways maintenance contract – follow up	To provide assurance over implementation of actions arising from the 2019/20 audit of the contract which resulted in a Limited Assurance opinion.	12	12	<ul style="list-style-type: none"> Assurances needed following Limited Assurance opinion given in 2019/20.
Fixmystreet	To provide assurance over improvements made to the system for reporting of faults by residents and ensuring outcomes are communicated effectively and consistently and follow up on actions agreed in the 2019/20 audit report.	10	10	<ul style="list-style-type: none"> Remains relevant and planned work on the systems is still progressing as planned.

Audit	Scope	Days	Proposed days	Reasoning
Budgetary control in Places Directorate	To review processes in place for effective setting, monitoring and reporting upon spend against revenue budgets in the Places directorate. Audit on budgetary control in social care performed in 2018/19 and similar approach to be adopted but based on Places directorate spend.	15	15	<ul style="list-style-type: none"> • Remains relevant; and • Effective financial management is key to supporting delivery of corporate plan.
Schools thematic audit	To provide assurance over safeguarding arrangements in maintained schools. Risk area to be determined in consultation with management and independent/academy schools invited to participate.	12	12	<ul style="list-style-type: none"> • Remains relevant but may need to be delivered remotely.
Direct payments	To provide assurance over controls operating to prevent and detect fraud or misuse of direct payments. This has not been reviewed since cards were introduced and assurances to be gained over the new processes operating in this area.	15	15	<ul style="list-style-type: none"> • Remains relevant; and • Both fraud and safeguarding risks highlighted and prioritised by committee. <p>Note: Fieldwork completed and draft report issued.</p>
S106 / CIL monitoring (consultancy support)	To provide consultancy support on the implementation of revised procedures in the service area and provide assurance over how effectively the	15	15	<ul style="list-style-type: none"> • Remains relevant; and • Prioritised by committee.

Audit	Scope	Days	Proposed days	Reasoning
	new controls are operating in practice.			Note: Fieldwork completed and draft report issued.
Asset management	To provide assurance over the Council's management of its corporate and commercial assets, both in relation to compliance with statutory inspection regimes and management of leases and tenant relationships.	12	12	<ul style="list-style-type: none"> • Remains relevant and deliverable; and • No other sources of assurance available.
Project management – Uppingham Community College SEND	To conduct a post implementation review of this capital project, reviewing controls applied and any lessons learnt and a review of the governance arrangements. To provide assurance over the application of the Council's latest project management methodology and governance arrangements in practice.	15	15	<ul style="list-style-type: none"> • Assurance needed over implementation of project management methodology, following risks highlighted by previous capital projects; and • Remains relevant and deliverable. <p>Note: Fieldwork underway.</p>
Grant claim verification	Verification and audit certification of grant claims – including Changing Lives, Pot Hole Grant, Bus Service Operator Grant etc.	16	16	<ul style="list-style-type: none"> • Requirement of grant funding.
		185	185	

Additional work delivered during quarter one of 2020/21

2.5 The audit assignments in Table 2 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 & Risk Committee. These are estimated to require 37 days across the full year.

Table 2: Additional audit support already delivered and underway

Audit	Scope	Days required
Spend reviews	Review of all council expenditure (all payments and new orders) on a weekly basis and a monthly review of additional payroll payments. Feedback given to the s151 officer on any areas for further investigation.	15
Governance reviews	Review of Council decision logs, contract extensions and changes in controls. This includes an assessment against the National Audit Office (NAO) guidance.	10
Business grants and wider counter fraud support	Facilitating post payment assurance checks via the Cabinet Office's National Fraud Initiative (NFI) portal; sharing of intelligence on business grant frauds and wider fraud alerts; and support/advice as required in investigating concerns.	12
		37

Plans for remaining audit days

2.6 Based on the proposals in tables 1 and 2, there would be 38 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. Table 3 provides some suggested use for these days, following initial discussion with senior management and horizon scanning.

Table 3: Suggested allocation of remaining audit days

Audit	Scope	Days required
Debt recovery	To provide assurance over the effectiveness of debt recovery procedures and exercising of controls, following postponement of recovery action during the pandemic.	15
Covid-19 recovery plan project management	To provide assurance over actions the Council is taking to move to business as usual and the project management supporting this.	15
My Account	To provide assurance over key controls built into the new system to be launched at the end of September 2020. This assurance work could be delivered by extending the audit work planned on Fixmystreet.	8
		38

3 CONSULTATION

3.1 The Head of Internal Audit has consulted with the s151 Officer and the Chair of the Audit & Risk Committee on key proposals within this report.

4 ALTERNATIVE OPTIONS

4.1 The Committee may consider alternative use of the audit days remaining.

5 FINANCIAL IMPLICATIONS

5.1 There are no financial implications arising from this report. The Audit Plan will be based upon the number of days commissioned by the Council on an annual basis.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

6.1 The Audit and Risk Committee is responsible for oversight of the work of Internal Audit including approving the annual Audit Plan and satisfying itself that the plan provides assurance over the Council's control framework and key risks. It is also responsible for gaining assurance that internal audit is complying with internal audit standards.

6.2 There are no legal implications arising from this report

7 DATA PROTECTION IMPLICATIONS

7.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons.

8 EQUALITY IMPACT ASSESSMENT

8.1 There are no equality implications

9 COMMUNITY SAFETY IMPLICATIONS

9.1 There are no community safety implications

10 HEALTH AND WELLBEING IMPLICATIONS

10.1 There are no health and wellbeing implications.

11 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

11.1 The Audit Plan for 2020/21 was developed using a risk based approach, with input from senior management and the Audit and Risk Committee. The plan has required revision before it is formally approved by the Audit & Risk Committee due to changes in the risk environment and the need for additional support from Internal Audit during the Covid-19 pandemic. This report sets out proposals on how the audit plan days can be allocated to support the Council during the current financial year.

12 BACKGROUND PAPERS

12.1 There are no additional background papers to the report

13 APPENDICES

13.1 None

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