

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED HEAD OF INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	26 NOVEMBER 2020	9

INTERNAL AUDIT PLAN 2020-21 – REVISED APPROACH

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

In July 2020, the Audit and Standards Committee approved the Revised Internal Audit Plan 2020. At that time the plan was based upon the audits it was anticipated would be achievable in order to be able to produce an audit opinion as required by the Public Sector Internal Audit Standards. However, since July it has become increasingly apparent that due to the continuing demands placed on the authority and its officers by the pandemic and by the Lancashire Resilience Forum, that it will not be possible to complete all of the audits in the plan.

There is, however a requirement placed upon Internal Audit to complete sufficient work to be able to provide an opinion as required by the Public Sector Internal Audit Standards on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

This report contains details of the revised approach that Internal Audit are proposing to take to be able to provide this opinion without placing additional demands on officers. The suggested approach has been considered by both the Corporate Governance Group and Corporate Management Team which are both in support of the proposal given the unprecedented circumstances and challenges presented by the pandemic.

RECOMMENDATIONS

That the Committee approves the approach to be taken by the Internal Audit Service in order to be able to provide an opinion for the financial year 20/21.

SUMMARY OF PREVIOUS DECISIONS

<https://fylde.cmis.uk.com/fylde/MeetingsCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/>

[Meeting/1149/Committee/23/Default.aspx](#)

CORPORATE PRIORITIES

Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	✓

BACKGROUND

1. The terms of reference of the Audit & Standards Committee include the wording: “To approve the risk-based internal audit plan, including resource requirements and the approach to using other sources of assurances and any work required to place reliance upon those other sources”.
2. Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) (CIPFA 2013) Professional standards for Internal Audit in local government specify that “The Chief Audit Executive (the Head of Internal Audit) must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.”
3. The standards also specify that “The risk-based plan must take into account the requirement to produce an annual internal audit opinion. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organizational objectives and priorities.
4. The Audit and Standards Committee approved a Revised Audit Plan 20/21 at the meeting in July 2020. At that time the plan was based upon the audits it was anticipated would be achievable in order to be able to produce an audit opinion as required by the Public Sector Internal Audit Standards. As members will recall, the Internal Audit Service was re-deployed during the first two quarters of 20/21 to assist with the administration of the Business Support Grants.

20 /21 AUDIT PLAN – REVISED APPROACH

5. The 2020/21 Internal Audit Plan contains a total of 10 routine reviews. It is however becoming increasingly apparent that officers in many parts of the council’s organisation are unable to devote sufficient time to the audit process due to the increased demands placed upon them by the COVID pandemic and the work required by the Lancashire Resilience Forum. Appendix A contains the 20/21 Audit Plan and at this stage, we are in the following position:
 - 2 reviews are in progress and will be completed:
 - 5 reviews have been delayed to quarter 4
 - 3 reviews have been deferred to 21/22.
6. Whilst reviews have been delayed to quarter 4, it remains uncertain at this time whether a further deferral request will be received.
7. As a result of the current situation and in order to be able to provide an audit opinion at the end of 20/21, we are proposing to take a revised approach to obtaining assurance without placing unsustainable additional demands on officers.
8. The Public Sector Internal Audit Standards contains the following requirement:

Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?

The CAE should generally share information and coordinate activities with other internal and external providers of assurance and consulting services. They may also carry out an assurance mapping exercise, or make use of assurance mapping carried out by other assurance providers

Whilst we meet this requirement by identifying sources of assurance during each individual audit review and forming a view on its effectiveness, we are now proposing to undertake a detailed assurance mapping exercise, identifying the sources of assurance for the Council’s key processes.

9. To do this we will be using the three lines model as shown at **Appendix B**.
10. It is the intention that over the coming months, we will complete the assurance mapping exercise, taking into account all sources of assurance by either management, external providers or by other assurance providers and towards the latter stages of quarter 4, agree our findings with the relevant managers in order to be able to provide a summary report to the Directors and the Audit and Standards Committee.
11. By adopting this flexible and agile approach, we will be in a position to provide an Audit opinion whilst at the same time, be able to support the Council if required with the administration of further business grants and /

or be able to revert back to routine audits if the situation stabilizes during quarter 4.

12. The Internal Audit opinion for 20/21 will therefore be based upon the following:

- Audit work completed during 20/21 including residual work from 19/20
- Consultancy reviews
- Business Support Grants post assurance work
- The assurance mapping exercise
- Progress made with the implementation of agreed actions.

The suggested approach has been considered by both the Corporate Governance Group and Corporate Management Team which are in support of the proposal given the unprecedented circumstances and challenges presented by the pandemic.

13. Any uncompleted reviews contained within the Audit Plan for 20/21 will be taken into consideration when we undertake the risk assessment for the compilation of the 21/22 Internal Audit Plan.

IMPLICATIONS	
Finance	None arising from this report
Legal	There are no legal implications arising from this report, however the provision of an Internal Audit Service is a requirement of the Accounts and Audit Regulations 2015.
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	There are no Health and Safety implications arising from this report.

LEAD AUTHOR	CONTACT DETAILS	DATE
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BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Internal Audit Risk Assessment	11 th Feb 2020	Internal Audit Office, Town Hall

Attached documents

Appendix A – Internal Audit Plan

Appendix B – Three lines model