

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 24 SEPTEMBER 2020

COVID-19 UPDATE TO ANNUAL INTERNAL AUDIT PLAN 2020-21

REPORT BY CATHIE WYLLIE - SERVICE LEADER (INTERNAL AUDIT)

ABSTRACT

This report submits the Audit Manager's proposals for audit work during 2020/21 following disruption to the delivery of planned work due to the Covid-19 pandemic.

1. RECOMMENDATIONS

It is recommended that the Scrutiny & Audit Committee: -

- (i) Note that the proposed changes to work for 2020/21 have been developed using a risk-based approach;
- (ii) Consider and approve the proposed changes to the 2020-21 internal audit plan.

2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN (LOIP) AND COUNCIL PLAN

The proposals set out in this report will contribute to the achievement of the corporate priorities set out in the Angus Local Outcomes Improvement Plan and the Council Plan. This is achieved through delivery of this audit plan providing the Scrutiny & Audit Committee with information and assurance about council internal control systems, governance and risk management.

3. BACKGROUND

In terms of the Public Sector Internal Audit Standards (PSIAS), the Service Leader – Internal Audit is required to set a risk-based audit plan sufficient to provide the required assurances to members and officers in relation to corporate governance, risk management and internal controls.

Report 71/20 Annual Internal Audit Plan 2020-21 was approved at the 3 March 2020 Scrutiny & Audit committee meeting. In June 2020 Report 161/20 Internal Audit Activity Update and Report 162/20 Internal Audit Annual Report and Review of Corporate Governance noted delays in completing work in the agreed internal audit plans for 2019/20 and 2020/21 due to the impact of the Covid-19 pandemic. Additional work requested to provide assurance on specific Covid-19 risks was also noted along with an intention to bring a review of the plan to a future meeting.

This report presents, at Appendix 1, an updated review and the Service Leader's proposed 2020-21 Internal Audit activity, for approval.

Best practice requires that the annual audit plan is developed using a risk-based approach in consultation with audit stakeholders. Appendix 1 explains the process undertaken to revise the plan.

4. PROPOSALS

Appendix 1 sets out the proposed revised activity to be performed by the Council's Internal Audit team through the remainder of 2020/21 and on into 2021/22. The work identified, and the proposed rolling plan approach should allow the Service Leader - Internal Audit to provide an Annual Internal Audit Opinion in June 2021 without limitation of audit scope. This position will be kept under review. The Scrutiny & Audit Committee members are asked to consider and approve the revised plan.

5. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report. Delivery of the internal audit plan can be achieved from the audit resources which have been budgeted for in financial year 2020-21.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

REPORT AUTHOR: Cathie Wyllie, Service Leader – Internal Audit

EMAIL DETAILS: ChiefExec@angus.gov.uk

List of Appendices:

Appendix 1 – Revised 2020-21 Internal Audit Plan

Angus Council Internal Audit



Revised Annual Internal Audit Plan 2020-21

August 2020

Cathie Wyllie
Audit Manager
Chief Executive's Unit

Contents Page

Introduction.....	3
2020-21 Audit Pool – Detailed Outputs	6
Conclusion.....	13
Annex 1 – Summary of Corporate Risk Register (as at 3 July 2020).....	14

Introduction

Internal audit is defined in the Public Sector Internal Audit Standards (PSIAS) as:

“An independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

Management are responsible for establishing the risk, governance and internal control processes and systems as well as their on-going monitoring. Management are also responsible for managing fraud risks and ensuring that internal control systems are designed to guard against fraud and misappropriation. Internal audit is not a substitute for these management responsibilities. Rather it is the review function which will challenge current practices and recommend best practice and improvements to lead to a strengthening of the control environment and therefore assist the council in achieving its objectives.

The initial 2020/21 internal audit plan was developed using a well-established risk-based audit planning process, as noted in Report 71/20 Annual Internal Audit Plan 2020-21. The plan was approved by the Scrutiny & Audit Committee in March 2020.

The Covid-19 pandemic has delayed delivery of planned audit work for the following reasons:

- One FTE internal auditor was seconded to the emergency centre from 24 March to 31 July 2020 and was unavailable to undertake planning, audit fieldwork, and drafting of reports during this period;
- A number of staff across the Council were unable to respond to audit queries that covered various stages of audits; and
- Additional Internal Audit projects were identified to provide assurance about the Council’s emergency response.

One 0.6FTE member of the counter fraud team was also redeployed to the Emergency Centre from 24 March to 17 July 2020.

A number of 2019/20 audits were incomplete at the end of June 2020, and the start of 2020/21 audits has been delayed. It will not be possible to catch up with the delayed work before May 2020 with the current resource.

The Council’s risk profile has also changed. A Covid-19 risk register is established, linked to the Council’s corporate risk register.

The Approach to Updating the Audit Plan

The audit universe was reviewed to add new areas of potential audit activity due to Covid-19. New areas were identified from:

- Review of Council activity from 24 March onward, including review of Gold and Silver meeting notes;
- Issues identified at various meetings attended by the Internal Audit Service Leader and Team Leader, and the Team Leader Counter Fraud;
- Discussions with council officers;
- Information from Audit Scotland; and
- Areas highlighted in discussions with other Heads of Internal Audit across Scotland and the UK.

Risk was reviewed for all items included in the Audit Universe, taking the Council's corporate risk register, and Covid-19 emergency response risk register, into account.

We will also explore opportunities to undertake more computer assisted audit work as more systems become digital.

Other available sources of assurance were considered in prioritising items for inclusion in the internal audit rolling plan.

The Audit Plan

Following the review of the audit universe, risk, and other available assurance sources we have identified a pool of work that is desirable in the coming months. This includes items outstanding from the 2019/20 plan, the 2020/21 plan as previously approved, and new areas. We are undertaking further fact finding about some Covid-19 related activities and these may be added to the pool in future if risk is felt to be significant and other assurance routes for these are not available.

The pool includes more work than can be accommodated in the time available from now until May 2021, when the 2020/21 work will be concluded. Timing of work will be determined to a large extent by the capacity of services to accommodate audit input.

It is not possible to have a fixed audit plan for 2020/21 for a number of reasons. Council services are currently in various stages of recovery from the impact of the Covid-19 emergency and dealing with service changes required in response to the current situation. The position regarding future restrictions on movements as a result of a potential second wave, or localised outbreaks of Covid-19, is fluid and services may still be required to alter their arrangements with little notice. Experience of audit completion since the end of March 2020 has been that everything has taken longer than usual to finalise due mostly to people's capacity to engage with us. We expect this will remain an issue for some services going forward.

We will liaise with services to prioritise work according to risk assessment as far as possible and will identify new projects coming into the plan in each activity report to the Scrutiny and Audit Committee. New areas for audit that are identified as a result of changes in circumstances will be included in the pool and reported to Scrutiny and

Audit Committee as they arise. This type of approach is being adopted by a number of Internal Audit services across the UK.

At this stage I anticipate that sufficient work can be undertaken to allow my annual opinion to be provided without any reservation about restriction to scope of work. This will be kept under review and any change to this position reported to the Scrutiny and Audit Committee.

The overall Internal Audit and Counter Fraud resource and allocation is included in the table below:

Areas	Audit Days	Counter Fraud Days
Productive days available from:		
Internal Audit team	748	
Counter Fraud Team		667
IT audit contractor	30	
Total available days	778	667
Allocated as follows		
Days re-deployed to Emergency Centre	95	45
Audit plan (see 2020-21 Detailed Outputs below)	339	
Counter Fraud Investigation		586
Angus Alive	50	
Angus Health and Social Care Partnership (note 1)	30	
Admin, management and planning, LEAN support, ad hoc consultancy, training and corporate groups	245	36
Total allocated days	778	667

Note 1 - members should note this time is only part of the internal audit time for the IJB. We provide assistance to the appointed IJB auditor, who is Tony Gaskin, from FTF Audit and Management Services. He agrees the audit plan with the IJB. The other Tayside council internal auditors have a similar arrangement and we work together to look at issues across Tayside when appropriate.

2020-21 Audit Pool – Detailed Outputs

The table below sets out the projects in the Audit Pool that have not yet been identified as current audits. It includes individual audits from 2019/20 and 2020/21 that had not been planned at 25 August 2020. New areas of risk related to Covid-19 have been included.

We have prioritised these for the pool using risk information, other assurance routes in relation to the area identified, and taking into account the availability of staff who need to be involved in audit work. Given the changing and uncertain nature of the current environment I do not propose to specifically identify the work we will undertake during 2020/21, to be fully reported by June 2021. Rather we will review the position regularly and identify at each Scrutiny & Audit Committee if any of the prioritisation factors have changed and indicate the audits we hope to report to the next committee. The balance of work between corporate, financial and IT governance, internal controls, asset management and legislative and other compliance will be kept under review to ensure sufficient work is undertaken under each heading.

Audits	Output	Commentary	CRR ref.
Corporate Governance			
Risk Management	Report	Carried forward from 2019/20. Review of risk management arrangements at corporate and departmental level, including risk appetite, escalation procedures and monitoring and review arrangements. Update - Roll out of new arrangements has been delayed by covid-19. At August 2020 this is beginning to get back on track. Audit not until 2021. Overview of covid-19 emergency arrangements, including risk management, shows that they appear reasonable.	All
Tay Cities Deal	Report	Carried forward from 2019/20. Review in conjunction with partner Councils. Focus to be agreed.	1

Audits	Output	Commentary	CRR ref.
Corporate Governance (Cont'd)			
Corporate Planning, Performance Management and Public Reporting	Report	<p>Carried forward from 2019/20 plan. Review processes for Corporate Planning, Performance Management Framework and Public Reporting, including a review of progress with "How Good is Our Council?" and also the use of Pentana as a performance management tool.</p> <p>Update - This review will include consideration of the significant amount of work undertaken to provide Covid-19 dashboard information.</p>	3
Community Planning, Partnership Governance, LOIPs	Report	<p>Carried forward from 2019/20 plan. Review Community Planning Partnership process & public sector reform/community engagement. Child Poverty Action Policy to be reviewed as a specific example – reflective piece of work on how this was developed. Also review partnership working & collaboration in general (including protocol, partnership governance, etc.)</p>	4
Review of GDPR Compliance	Report	Annual cyclical review in services	8
New risk area Recovery	Report	Review of recovery governance arrangements	14

Financial Governance			
Data Analysis - Payroll & Accounts Payable (Ongoing throughout year)	Report	Data analytics tools will be used to analyse payroll and accounts payable data to identify data trends, anomalous or missing data, etc. Update - consideration of where we can increase this type of audit to be undertaken.	1
Income Management System	Report	Carried forward from 2019/20 plan. Review of income management processes & controls.	1
Council tax billing system	Report	Review of system processing and compliance with legislation.	-
New risk area Non-Domestic Rates system	Report	Review of system processing, compliance with legislation and impact of covid-19 changes.	1
Housing arrears	Report	Review of system policies, procedures and processing.	-
New covid-19 related project. Key Supplier Support Policy use and implementation.	Report	Review implementation and use of policy. Timing of work may need to be later	13
New covid-19 related project. Supply teacher job retention and casual worker compensatory payments.	Report	Review of payment process to ensure compliance with guidance	13

IT Governance			
IT User Access Administration	Report	As the administration of user access to IT systems is devolved to local managers, we select a core financial system for annual review. 2017/18 Integra Financial ledger. 2018/19 Resourcelink Payroll system. 2019/20 Northgate Housing. (SEEMIS suggested for 2020/21.)	9

IT Governance (cont.)			
i-Pay follow up	Report	In 2018/19 work on this recently installed system identified issues that required resolution. A planned post-implementation review was delayed pending resolution of the issues. This work will consider if the system is working as anticipated and if the identified reconciliation issues have been resolved satisfactorily.	-
IT security, strategy and governance	Report	Scope to be agreed with IT audit contractor. Strategy and system interfaces being considered. Update - Increased cyber risk due to Covid-19 to be considered when scoping this work.	9

Audits	Output	Commentary	CRR ref.
--------	--------	------------	----------

Internal Controls			
Protection of vulnerable groups	Report	Cyclical review to ensure compliance with policies and legislation. Update - include review of safeguarding arrangements during lockdown.	7, 13
e-planning system	Report	Cyclical review of this area, covering new system.	8
Programme of random cash counts	Report	Random cash counts to ensure revised procedures are being followed. This will include school funds. Update - re-introduce when appropriate to do so. In the meantime, identify what has happened to cash floats post Covid.	-
Fostering, adoption and kinship allowances	Report	Cyclical review of systems.	-
Adults with incapacity – Interim procedures c/f 2019/20	Report	Fieldwork suspended temporarily in July 2019 at the request of the service and in consultation with the CSWO; interim findings reported to service. Update - Follow-up review to ensure new Eclipse system is addressing issues identified and covered by interim procedures. Timing to be late 2020/21 at the earliest.	7

Audits	Output	Commentary	CRR ref.
--------	--------	------------	----------

Asset Management			
------------------	--	--	--

Housing improvements – capital grants c/f 2019/20	Report	Review contract management of major housing contracts; and management of slippage in capital programme.	1
Stock – community alarms.	Report	Carried forward from 2019/20 plan. Review stock & inventory arrangements for community alarms.	-
Increased risk area - Mobile sim cards	Report	Review issue, and monitoring of use of mobile sim cards.	-
New risk area - PPE stock	Report	Review of procurement, stock management and contingency arrangements for PPE equipment.	13

Audits	Output	Commentary	CRR ref.
--------	--------	------------	----------

Legislative and Other Compliance			
Carbon Reduction	Report	Annual review of Carbon Reduction return (if required – new arrangements from 2020/21 onwards, audit requirement to be confirmed).	8, 12
Community Participation Requests	Report	Carried forward from 2019/20. 2019/20 plan included work on community participation requests & participative budgeting. This review will be of the community participation requests, considering procedures & resources in place to deal with these new requirements & ensure all legislation/guidance is complied with.	8
Gas safety compliance	Report	Review of procedures and compliance with legislation. Update - testing has continued through lockdown.	8
Corporate parenting	Report	Review of policies and procedures for compliance with The Children and Young People (Scotland) Act 2014.	7
New risk area - Test & Protect - GDPR aspects re building procedures	Report	Review of procedures and practice related to arrangements in Council buildings to record personal data for Test & Protect.	13

Audits	Output	Commentary	CRR ref.
--------	--------	------------	----------

Consultancy – Advice/Specific			
Participative Budgeting	Report	Carried forward from 2019/20, focus to be revised to review different approaches in localities to date, to inform next steps. Update – may need to refocus scope due to timing.	8
Organisational resilience	Report	Facilitated baseline review of and benchmark against the maturity model for organisational resilience using ISO 65001 Organisational Resilience Standard. Update To be undertaken in 2021.	2
Business support review.	Report	Carried forward from 2019/20 plan. Review of Business Support Review activity to identify lessons for future reviews	2
Covid-19 related risk Review of arrangements to support Tayside Contracts.	Report	Review of standby payments	13

Conclusion

This report has outlined the audit planning and risk assessment process within the Council to develop the annual internal audit plan and presents the proposed audit plan for 2020-21. Members are asked to consider and approve this plan, the discharge of which will be reported to the Scrutiny & Audit Committee at each Committee cycle.

Annex 1 – Summary of Corporate Risk Register (as at 3 July 2020)

Risk No.	Description	Current Risk Score	Risk Target	2018/19 Score
1	Financial Sustainability	16	6	16
2	Transforming for the future (previously Change programme and now including Workforce fit for the future and cultural change)	12	6	16
3	Performance Management	9	4	9
4	Partnerships (previously health & Social Care Integration)	12	9	12
5	Information Governance	12	8	12
7	Public Protection	12	8	12
8	Legislation	9	9	9
9	IT Systems Resilience & Cyber Attack (Business Continuity)	16	8	10
10	Health & Safety Compliance	12	6	16
11	EU Exit	16	12	N/A
12	Climate Change	TBA	TBA	N/A
13	Pandemic – covid-19	20	15	New
14	Recovery and renew	20	9	New

There is no risk no 6 as this previously related to the HSCP