

Audit, Risk and Governance Committee
Meeting to be held on Monday, 19 October 2020

Electoral Division affected:
(All Divisions);

Update Regarding the Internal Audit Plan for 2020/21

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Executive Summary

In July 2020 the committee considered and approved the internal audit plan for 2020/21. Since then the council has been obliged to extend its vigorous response to the Covid-19 pandemic across the county and staff resources, including those from the Internal Audit Service, who have been further redeployed. This has affected the resources available to undertake internal audit work and the audit plan for the current year would therefore be considerably reduced in its scope and scale.

Recommendation

The committee is asked to approve a reduced internal audit plan for 2020/21.

Background and Advice

The county council had recently sought to identify any staff available to support the extraordinary requirements being placed upon it in responding to the Covid-19 pandemic. The Internal Audit Service's emergency response plan was to effectively cease work and provide operational support and its staff had therefore been redeployed for much of the last six months.

The team was due to return from 1 September 2020 to implement a reduced but viable programme of audit work for the remainder of the year that was approved by the Audit, Risk and Governance Committee on 27 July 2020. However the decision had now been made to further redeploy internal audit resources to support the council's critical functions in responding to the pandemic locally, and therefore to step back the internal audit function.

A much shorter audit plan would therefore be completed to support an overall opinion for the current year. This would add less value to the organisation than the current, fuller plan, but must be balanced with the value of the organisation's need for additional operational resources.

Some staff resources would still be required to support the council's obligations to provide internal audit services to three external organisations. The audit plans for these clients had also been reconsidered and subsequently the resources required for one had been reduced by 50% to address that organisation's more restricted capacity to be audited this year.

The Audit Management Team (the Head of Internal Audit and two audit managers) would oversee the auditors' work for the external clients and undertake a significantly reduced audit plan for the council that would require a much higher proportion of senior input than usual. Individual auditors would work within the Internal Audit Service temporarily and then return to their other roles to support the council during the remainder of 2020/21.

A programme of ICT audit work would be pursued as originally intended, since the audit team from Mersey Internal Audit Agency was available and senior managers within both the council and BT Lancashire Services were keen to ensure that that work continued.

Consultations

The Corporate Management Team had been consulted on this proposal, through the Director of Finance, and it was discussed with the Chair of the committee on 8 September.

Implications:

This item has the following implications, as indicated:

Risk Management

The county council required an overall opinion for the year ended 31 March 2021 based on sufficient, reliable, relevant and useful evidence. The scope and coverage of internal audit work should arguably be sufficient to support an opinion across the whole organisation, and particularly those services that most significantly support the council's objectives.

The plan recently considered and approved by the Audit, Risk and Governance Committee addressed a range of key services, systems and processes directly. It had the potential to add some value to the organisation because it might have provided information that was not otherwise available about the operation of controls. However a reduced programme of audit work would instead focus on senior management's overall control of the organisation and its performance in addressing both the extraordinary circumstances of the pandemic and its business as usual. This was unlikely to add much additional value since it would focus on areas senior management was already directly engaged with, but it would provide a short-term solution to limitations on internal audit resources and on the organisation's capacity to be audited.

In addition to an overall opinion the Head of Internal Audit was also required to report (amongst other things) the scope of work, including the time period it covered and

any limitations. The annual report to the Audit, Risk and Governance Committee would therefore refer to the restricted scope of the work supporting the opinion.

The Revised Internal Audit Plan

The detailed scope of work would be developed further with the council's senior managers but an overall opinion on governance, risk management and control would be supported by audits of the following:

- Oversight of their services by each of the directors and the ways in which they monitor and manage their services' performance, recognising the distinction between the current circumstances and business as usual. This would effectively be undertaken as a number of individual audits under a single programme and would require the cooperation and support of directors who are already under considerable pressure. It would address directors' oversight of the operation of controls over the key risks to their service provision but would not directly test the operation of those controls.
- The Corporate Management Team's oversight of and involvement in the council's response to Covid-19, both initially and on an ongoing basis.
- The decision-making framework particularly during the first quarter of the year during the initial lockdown.
- The council's understanding of its financial position and projections, and its actions to achieve financial sustainability in light of the decision to move towards a combined authority and local government reorganisation.
- Overall management of preparations for local government reorganisation.
- Overall management of the return of BT Lancashire Services to the council.
- Overall management of implementation of the Digital Strategy.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
None		
Reason for inclusion in Part II, if appropriate		
N/A		