

## ***Report to the Audit and Governance Committee***



**Epping Forest  
District Council**

**Report reference:** **AGC-003-2020/21**  
**Date of meeting:** **25 June 2020**

**Portfolio:** Leader of the Council

**Subject:** Revised Internal Audit Plan 2020/21

**Responsible Officer:** Sarah Marsh (01992 564446).

**Democratic Services:** Gary Woodhall (01992 564470).

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### **Recommendations/Decisions Required:**

- (1) The revised Internal Audit Plan for 2020/21 be approved.

### **Executive Summary:**

The Internal Audit plan for 2020/21 has been revised in light of Covid-19. It is based on a risk assessment of internal and external factors, including those relating to Covid-19, which could affect the Council in achieving its objectives. It is important that sufficient work is undertaken by Internal Audit in order for the Chief Internal Auditor to give their annual opinion on the Council's internal control, risk management and governance arrangements.

### **Reasons for Proposed Decision:**

To approve the Council's Internal Audit Plan as required in the Audit and Governance Committee's Terms of Reference.

### **Other Options for Action:**

None.

### **Report**

#### **INTRODUCTION**

1. At its 23 March 2020 meeting the Audit and Governance Committee was to be asked to approve Internal Audit's strategy and plan for 2020/21. These had been created before the Prime Minister's 23 March 2020 Covid-19 lockdown announcement and were never formally presented as the committee meeting was cancelled.
2. Since lockdown the Internal Audit function has been working remotely, along with most Council employees. This has severely hampered delivery of the original plan. However, more importantly, the focus of Internal Audit's work has significantly changed as set out below and there is a need to adopt a new plan for 2020/21.

#### **THE INTERNAL AUDIT APPROACH**

3. While Internal Audit provides assurance through completing a programme of planned work the service is also flexible and responsive to changing and emerging issues. Some audit work is delivered on an advisory basis, contributing advice on risk and controls, for example ex-officio attendance at project meetings or undertaking a specific investigation of a newly identified issue. This mix of assurance and advisory work has continued being the case during lockdown and as the Council commences its recovery phase.

## **KEY DELIVERABLES**

4. The key deliverables for the Internal Audit service during 2020/21 remain the same as would of have been reported to the March 2020 Committee, being:
  - *Delivery of the Audit Plan* - the Chief Internal Auditor will ensure there is sufficient audit coverage in order to provide an annual Internal Audit opinion and report, which feeds into the Council's Annual Governance Statement
  - *Integrated approach to assurance* – Providing ongoing assurance to management on the integrity, effectiveness and operation of the Council's internal control, governance and risk management processes. Working with other assurance providers including External Audit to prevent duplication of work
  - *Management commitment* - Ensure agreed management responses to audit recommendations made are implemented thereby improving the overall control framework
  - *Continually develop our approach* – To develop, improve and deliver a quality assurance and improvement programme for the service, including working more closely with the Audit and Governance Committee
  - *Business insight* - working more closely with Officers, Members and services to establish greater relevance to what matter most to the Council by contemplating current and future key risks and challenges.

## **PRIORITY AREAS FOR THE REVISED 2020/21 PLAN**

5. There is a need to focus on core financial controls, especially where processes have been adapted to allow them to be carried out remotely. Internal Audit will assess the suitability and appropriateness of these controls as the Council moves into its recovery phase and whether this allows for greater agile working in the longer term, whilst ensuring they remain robust. Initial focus will be on purchases (Accounts Payable), payroll and Treasury Management.
6. In addition, the Chief Internal Auditor is on hand to provide advice on internal controls, risk management and governance during recovery. Internal Audit will ensure lessons learnt from Covid-19 are captures and used to enhance the business continuity framework. An audit of IT disaster recovery formed part of the original 2020/21 Plan and therefore will continue as planned.
7. Appendix A sets out the revised plan for 2020/21 and clearly identifies those audits that are new as a result of Covid-19, those that should continue as well as those that could be deferred. The plan is based on the assumption of the full resumption of Internal Audit from 01 September 2020, and that Council staff will have the capacity to fully engage in the process. In the meantime, Internal Audit continues to progress those outstanding audits from the 2019/20 Plan, provide advice and guidance and where possible make a start on the 2020/21 plan.
8. However, the plan is only indicative and can be changes or flexed as the risk profile and

priorities of the Council change. This will be achieved by ongoing review and amendment in consultation with relevant officers. Any significant changes will be brought to the Chairman of the Audit and Governance Committee attention in the first instance due to the current fast pace of change and notified to the next available Committee for formal approval.

## **RESOURCES**

9. The Internal Audit function consists of the Chief Internal Auditor (1.0 f.t.e), three Senior Auditors (2.8 f.t.e) and three Auditors (each 1.0 f.t.e). One of the Auditor posts is being covered by an apprentice with a view to take them on permanently subject to performance. This was the same route taken by one of the other Auditors, who was made permanent in September 2019. In addition, the service has a call off contract with an external provider of Internal Audit to undertake more specialist audits when required.
10. The Audit Plan that was to be presented to the March 2020 Committee required 440 days (the same as last year). The revised plan requires 277 days and covers a six-month period (September 2020 to March 2021).

### **Resource Implications:**

No additional resources required.

### **Legal and Governance Implications:**

The responsibilities, duties and obligations of Internal Audit are set out in the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (2017) against which Internal Audit activity should be measured and determined.

### **Safer, Cleaner and Greener Implications:**

None

### **Consultation Undertaken:**

Corporate Governance Group

### **Background Papers:**

Public Sector Internal Audit Standards, Internal Audit Charter, Internal Audit resource plan and risk assessment.

### **Risk Management:**

Failure to achieve the audit plan may lead to a lack of assurance that internal controls are effective and risks properly managed.

**Equality Analysis:**

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. This means that the equality information provided to accompany this report is essential reading for all members involved in the consideration of this report. The equality information is provided at Appendix B to the report.