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**REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 14 OCTOBER 2020**

**SUBJECT: INTERNAL AUDIT PLANNING FOR THE PERIOD TO 31 MARCH 2021**

**BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND ORGANISATIONAL DEVELOPMENT)**

**1. REASON FOR REPORT**

- 1.1 This report considers the effect of the pandemic on internal audit coverage, and how this has impacted on audit coverage for the past few months and on plans for the remainder of the financial year 2020/21.
- 1.2 This report is submitted to Committee in terms of the Council's Administrative Scheme, paragraph III (I) (6) relating to reporting on Internal Audit's programme of work.

**2. RECOMMENDATIONS**

- 2.1 **It is recommended that the Committee consider and note the work already completed in the first six months of the year 2020/21 and the flexibility being applied to the selection of audit projects for the reminder of the financial year given the constraints occasioned by the pandemic.**

**3. BACKGROUND**

- 3.1 The Public Sector Internal Audit Standards (PSIAS) applicable to Local Government in Scotland ordinarily require Internal Audit Manager to bring forward a plan of work to inform the annual opinion on the adequacy and effectiveness of the council's system of internal control.
- 3.2 Recognising the challenges of doing so as a consequence of the pandemic, the Chartered Institute of Public Finance and Accountancy and the Internal Audit Standards Advisory Board have acknowledged that while it cannot be 'business as usual', audit teams should endeavour to comply with the Standards by providing real time advice and assurances and perform real time risk based work where it is feasible to do so.

- 3.3 The mission of Internal Audit as contained within the Internal Audit Charter (Terms of Reference) approved by this committee at its meeting on 4<sup>th</sup> December 2018 is 'to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.'
- 3.4 Ways that this can be done are considered below, and this work may provide sufficient assurance to inform the internal audit opinion that will support the annual governance statement for 2020/21, or may not, in which case a more limited opinion may be given based on work carried out. The key challenge as the pandemic continues is to consider how to optimise the contribution internal audit can make to the organisation.
- 3.5 In current circumstances, it is considered that the audit plan has to be flexible and responsive to change, and this position is likely to remain for the remainder of the 2020/21 financial year. All audit staff are working from home which brings some limitations to the audit process and in the immediate past few months some team members were redeployed into non-audit duties – still in roles that contributed to good governance practice but not operating as independent auditors. The team has been fortunate to be classed as mobile workers each with a dedicated work laptop and mobile phone but lack of face to face contact has slowed the pace of audits and many of the employees internal audit would ordinarily work with have had a focus elsewhere to ensure continuity of service in front facing services.
- 3.6 **Appendix 1** provides a summary of work undertaken thus far and outlines a range of projects that are in scope to be taken forward as resources and circumstances permit. These seek to strike a balance between providing assurances on additional expenditures incurred during the pandemic while continuing to monitor and assess the effectiveness of key controls within the council's main financial systems.

### **Internal Audit Resourcing**

- 3.7 The staff complement of the team is currently 3.8 FTE including the Internal Audit Manager. The Public Sector Internal Audit Standards require the Internal Audit Manager to consider whether or not the audit staffing resources are sufficient to meet the audit needs of the organisation, and where it is believed that the level of resources may impact adversely on the provision of the annual internal audit opinion, to draw that to the attention of the Committee. At this point in time, no changes in the staffing complement of the team are proposed.
- 3.8 In considering the resourcing of the audit team, Committee is reminded that the responsibility for developing and maintaining a sound control environment rests with management and not with Internal Audit, and the pandemic will have impacted on controls across many services where alternative ways of working have been introduced. It should also be noted that Internal Audit is not the only scrutiny activity within the Council, with services challenged through other mechanisms including external inspection and performance reporting.

#### **4. SUMMARY OF IMPLICATIONS**

- (a) Corporate Plan and 10 Year Plan ( Local Outcomes Improvement Plan (LOIP))**  
No direct implications.
- (b) Policy and Legal**  
The activities of Internal Audit assist the organisation to demonstrate the control environment and risk management arrangements are consistent with good practice.
- (c) Financial Implications**  
No direct implications.
- (d) Risk Implications**  
The work of internal audit mitigates the risk of dilution of controls established within systems to ensure best value is secured in the use of public resources.
- (e) Staffing Implications**  
Staff working from home creates additional challenges for service delivery; these have been considered when developing this plan.
- (f) Property**  
No implications.
- (g) Equalities/ Socio Economic Impact**  
No impacts to report.
- (h) Consultations**  
Planned audit work is informed each year from various sources, the reactive nature of the plan this year reflecting the challenges arising from the pandemic. The Corporate Management Team has been consulted on the proposals

#### **5. CONCLUSION**

- 5.1 The audit plan for 2020/21 departs from normal practice to the extent that there are limitations on the work that can be performed and the need for flexibility to ensure the available audit staff resource can be deployed to best effect.**

Author of Report: Atholl Scott  
Background Papers: Internal audit files  
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