



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 24 FEBRUARY 2021

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 outlines the planned audit activity for the remainder of the financial year 2020/21, noting the steps being taken to reduce the possibility of a 'limitation of scope' in respect of the annual assurance opinion to be provided by the Internal Audit Manager on governance, risk management and the system of internal control.
- 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 **The Committee is asked to consider and note the planned programme of audit activity to be completed in the incoming period in respect of the 2020/21 financial year, such programme being designed with the intention, if feasible, of being able to provide the standard internal audit assurances for inclusion with the annual accounts.**

3. BACKGROUND

- 3.1 In the normal course of events the Internal Audit Manager (IA Manager) brings forward an annual plan of internal audit work, the results of which inform his annual opinion on governance, risk management, and the Council's system of internal control. This is a requirement of the Public Sector Internal Audit Standards, (the Standards), which are mandatory for all local authorities.

- 3.2 At the meeting of this committee on 14 October 2020, (Item 5 of the draft minute refers), a report was considered which outlined the work already achieved in year, information on projects paused due to the pandemic, and details of planned work ongoing at that time. The Committee was advised that a further report would be presented to this meeting to consider the audit coverage for the remainder of the 2020/21 financial year.
- 3.3 In the interim, CIPFA guidance has been published on the provision of internal audit assurances for the 2020/21 financial year. This notes that in order to comply with the Standards, the IA manager is required to consider whether he can provide the 'normal' annual internal audit opinion or whether there needs to be a 'limitation of scope'. A 'limitation of scope' arises where the IA manager is unable to draw on sufficient assurances to issue a 'complete' annual opinion in accordance with the Standards
- 3.4 The guidance notes the importance of the early identification of the risk of a 'limitation of scope' and suggests a number of mitigating actions to avoid such a limitation where possible, as follows:
- The IA manager should plan to obtain sufficient assurances to support his annual opinion, taking into account both IA work and other sources of assurance, either internally from support services / teams or from other external inspectorates;
 - The IA manager should make best use of available resources. This is reflected in the plan for the remainder of the year and will involve devoting less time to audit reporting and more to undertaking testing work from which assurances can be derived;
 - CMT and the Audit and Scrutiny Committee should be advised of and review the approach being taken.
- 3.5 The guidance also calls for consideration as to whether or not there is a likelihood of a 'limitation of scope' applying. At the time of drafting this report in early February, it is difficult to judge with two months of the financial year remaining and typically a further two months thereafter in which to conclude year-end testing for 2020/21 year. This time will enable audit work to continue albeit uncertainty is likely to prevail throughout this period. A further update will be provided verbally at the meeting.
- 3.6 **Appendix 1** outlines a range of projects that are in scope to be taken forward as resources and circumstances permit. These are designed to secure the required assurances across the three headings outlined above, i.e. on governance, risk management and internal control including the provision of assurances on the effectiveness of key controls within the Council's main financial systems.

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**
The Corporate Management Team, Chief Financial Officer and Monitoring Officer have been consulted and any comments incorporated into this report.

5. CONCLUSION

- 5.1 Internal audit continues to carry out its work with a view to providing the required assurance opinions at the year end. This report considers whether this is feasible and how this may be achieved, recognising the constraints and pressures on all services arising from the pandemic.**

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